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MENAP Roundtable Summary

Reform Priorities for Yemen and the 10- Point Agenda

Speaker: Jalal Omar Yaqoub

Deputy Finance Minister, Yemen

Respondent: Michele Cervone d'Urso

Head, EU Delegation Yemen, Sana'a

Chair: Ginny Hill

Yemen Forum Convener, Middle East and North Africa Programme, Chatham House

18 February 2010

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Introduction

Ginny Hill welcomed everyone to the second meeting of the Yemen Forum at Chatham House. She referred to the ministerial meeting on Yemen, held in London at the end of January, which saw renewed commitment to political, economic and social reforms and the formation of a new informal contact group, the Friends of Yemen. Ginny introduced speakers Jalal Omar Yaqoub, as the author of Yemen's 10-Point Agenda for reform, and Michele Cervone d'Urso.

Jalal Yaqoub highlighted high-level endorsement for his 10-Point Plan, referring to support from Yemen's President, Ali Abdullah Saleh, US President Barack Obama, US Secretary of State Hillary Clinton and British Foreign Secretary David Miliband.

A Weak Civil Service

Mr Yaqoub mentioned three main areas where the Yemeni government needs to improve delivery: job creation, public services such as water and power, and the rule of law. He argued that the state's failure to tackle weakness in these areas contributes to the rise of extremism. Yemen's topography and scattered population also contribute to the challenges faced by the government, as well as political instability since the 1960s and extreme religious ideologies that exist in the country. The most significant challenge, however, has been the weakness of the civil service during the past 20 years.

This weakness arises partly from the fact that the civil service is treated as an employer of the last resort. From 1990 onwards, Yemen's bureaucracy has had to absorb former employees in the civil service of south Yemen, absorb supporters from the three main political parties, and provide a social safety net. This has led to a bloated system running on finite resources, and it is difficult to attract new and required talent. No matter how substantial the input, Mr Yaqoub argued, the output will nearly always be the same. The system is inadequate in terms of policy formulation, budgeting, monitoring and evaluation, coordination, project delivery and internal and external communication.

The deterioration of Yemen's civil service during the past 20 years has rendered the government apparatus deeply ineffective. Therefore, the government must prioritise and dedicate its resources to key issues, creating small but visible success stories to be sustained, and widen the scope as momentum and capacity increase. The 10-Point Plan aims at improving the

government, strengthening the rule of law, providing job opportunities and tackling Yemen's water problems.

Ten Priorities

Mr Yaqoub continued with a description of the ten priorities that the Yemeni government wants to focus on. The first priority lies in improving the efficiency of the civil service by attracting new talent. One hundred new recruits for senior governmental positions will be identified, including from the Yemeni diaspora, through a transparent and merit-based selection process.

The second priority aims at creating new job opportunities for Yemenis within the member states of the Gulf Cooperation Council (GCC), on the grounds that increased remittances could generate twice the combined annual benefits of trade liberalisation, foreign aid and debt relief.

Thirdly, Mr Yaqoub mentioned the reduction of diesel subsidies. Initially, this will be achieved without raising fuel prices by reducing of the cost of fuel purchases, saving the Yemeni government \$200m per year. Additional revenue can be distributed via the Social Welfare Fund, raising the government's credibility.

As the fourth priority, the Yemeni government will focus on fast-tracking oil exploration. Yemen's government depends on oil revenues for 70% of its revenue and there is 90% of unexplored land in Yemen. Through the current system, it takes three years to go through the process of granting a concession. The aim is to reduce this to six months.

As a fifth priority, Mr Yaqoub argued that Yemen must tackle land disputes, in order to reduce legal cases, unclog the court system and reduce the commercial banks' aversion to lending.

The sixth priority is to increase presidential involvement in the reform process in order to ensure high-level backing for the programme. The 2006 National Agenda for Reform which addressed anti-corruption, procurement and judicial independence would not have been possible without strong presidential support. Today, the 10-Point Plan also requires presidential support to succeed.

The seventh priority involves an action plan to develop the Port of Aden.

Enforcing government authority and upholding the rule of law within Yemen constitutes the eighth priority, by taking visible action to regenerate government credibility and improve Yemen's stability. Some of the points

Yemen wants to focus on include weapons possession, response to kidnappings and enforcing traffic regulations.

Yemen's water problems will be addressed as the ninth priority by implementing the national water sector reform plan. This will enforce regulations on well drilling and the efficiency of qat irrigation, among others measures.

The final priority involves improving Yemen's image in the eyes of the outside world.

Response

Michele Cervone d'Urso responded to Mr Yaqoub's presentation by stating that the key priority for Yemen in the coming years will be tackling poverty. The root causes of poverty relate to the poor state of Yemen's current economy, the drop in global oil prices over the last two years and Yemen's transition to a post-oil economy. Tax revenues are currently less than 10% and Yemen spends less than 2% of GDP on health care. The so-called 'promising' sectors – tourism, fishery, agriculture, and minerals – are not promising at all.

Mr Cervone suggested fast-tracking oil exploration while ensuring transparency, and focusing on developing Aden as a regional hub. Mr Cervone endorsed Mr Yaqoub's argument that the reform agenda requires the backing of the President. He argued that fuel subsidy reductions could have a multiplier effect, as part of a sequenced plan for increasing fuel prices along with a public awareness campaign. Mr Cervone also endorsed plans for an IMF programme but called for sequenced, phased implementation that protects the poorest sections of Yemeni society and ensures that the social contract has time to solidify. Mr Cervone mentioned the crucial role played by the GCC, who have the resources and knowledge to greatly assist Yemen.

Discussion

The floor was then opened to questions from participants.

Mr Cervone was asked to speak about the EU's approach to poverty and social safety nets. Another participant mentioned the underlying issue of corruption and raised the question of what is to be done about it. A third question addressed the issue of human rights.

Mr Cervone responded first, admitting there was scope for improvement in Yemen's social safety nets and stating there was a need to support Yemeni owned projects. Concerning the rule of law, Mr Cervone referred to the outcomes of January's London meeting, as the Friends of Yemen have established a working group on the rule of law, taking into account human rights. In response to the question on corruption, Mr Yaqoub stated that the 10-Point-Plan was not meant to fix all Yemen's problems but merely focus on priorities. The 10-Point Plan is supposed to provide the ingredients for other reforms to take place.

A participant observed that Yemen's problems appear to be political as well as technocratic, and asked to what extent the presidential apparatus had its own active plan to increase legitimacy and public support. Another asked how the Yemeni government would persuade Saudi Arabia to take more Yemeni labour, while a third addressed the question of Aden.

Mr Cervone responded first to the labour issue, saying that the GCC has not been very willing to accept Yemeni labour and one of the keys to improved access is better vocational training to produce skilled Yemeni labour, linked to specific employment requirements within the GCC. Regarding political will, Mr Cervone argued that the international community must empower Yemen's reformers, while also convincing those who are reluctant to endorse reform that reform will serve their own self-interest. Mr Yaqoub supported the need for political solutions. Regarding increased labour access to the GCC, he stressed the need to meet GCC concerns that Yemeni labour should not compromise internal security.

A participant at the roundtable asked whether Yemen was looking at agricultural reform. Another, who was concerned about maritime security, asked whether more could be done to improve Yemen's coastguard. In addition, he asked about funding for desalination plants to tackle Yemen's water problems.

Mr Cervone responded to the maritime security question by mentioning the Djibouti code of conduct, and stating that a regional information centre is set up in Sana'a for all countries concerned about piracy. Concerning water problems and agricultural reform, Mr Yaqoub mentioned the waste of water on qat. He argued that Yemen cannot be an agricultural country, and that a focus should be put on manufacturing. Regarding desalination plants, he said that Yemen is working on small projects in Aden and Taiz, but the majority of the population lives in the highlands and therefore, a lot of power – in most

cases fuel – would be needed to pump water up to the main consumption points.

To conclude, the chair, Ginny Hill, asked Mr Yaqoub about his expectations for the IMF programme and where Yemen will be this time next year with the reform process. Mr Yaqoub stated that Yemen has requested the IMF reform programme, which could offer improved leverage for many other reforms. He mentioned the upcoming conference in Riyadh, scheduled to take place at the end of February, and concluded by stating that Yemen will hopefully be looking forward to more success stories in future.