



## **STEERING COMMITTEE REPORT**

**Presented to the 8<sup>th</sup> Friends of Yemen Ministerial Meeting in New York  
24 September 2014**

## **FOREWORD BY THE CO-CHAIRS**

### **Working Better Together on Implementation**

Yemen has experienced a number of critical periods in its recent history, but this one is more challenging than most. As the current insecurity diverts the Government's attention away from critical reforms, the role of the Friends of Yemen is more important than ever: to support Yemen on its path towards a better future.

On the political and security tracks, our message is clear: completion of the steps laid in the Gulf Cooperation Council (GCC) Initiative and Implementing Mechanism is the only way to achieve a long term political settlement that is decided by the people. We commend the progress made by the Constitution Drafting Committee (CDC), and the work of the Supreme Commission for Elections and Referendum (SCER) to prepare a new Biometric Voter Registry. We now urge the CDC to complete the first draft of the constitution as soon as possible, the SCER to finalise the new voter registry ahead of the referendum next year, and for all political parties to pledge their full support. We also commend the initial progress made on defence, intelligence and justice sector reform, and now urge the Government to develop its own National Security Strategy by March 2015.

The ongoing political and security crisis remains a grave concern, and in particular the actions by Houthis and other armed groups that threaten to undermine the political transition. We urge all the parties to reject acts of violence to achieve political goals and refrain from any action which might exacerbate the crisis, and for the Government and the international community to not waiver in their efforts to combat Al-Qaida in the Arabian Peninsula. We also reaffirm the determination of the international community to act under the mandate of UNSCR 2140 against individual or entities seeking to derail the political transition.

On the economic track, things remain critical. We welcome the removal of fuel subsidies, which represent an important step towards long term macro-economic stability. We now urge the government to keep up the momentum on wider reforms set out in its own economic reform agenda and the Mutual Accountability Framework, and to ensure that savings accrued from fuel subsidy reform are invested into welfare programmes to protect the poor.

Since 2012, Friends of Yemen donors have helped fund programmes across a wide range of sectors that have truly changed people's lives for the better. However to date, only 39% of total pledges have been disbursed. We therefore urge all donors to work quickly with the Government of Yemen and the Executive Bureau to re-programme their pledges and turn them into life-changing projects on the ground. We must also not lose sight of the continuing humanitarian crisis. With Yemen's Humanitarian Response still only 50% funded, donors must also work quickly to bridge the gap.

And finally, a look at ourselves. Following the restructuring of the Friends of Yemen group last April, the government and the international community are now beginning to work better together on implementation. But we're sure you'll agree that there's lots more work to be done. For the vision set out in the NDC outcomes to become a true reality, we now need to work with the government to pick up the pace of reforms. We hope that you will now join us in endorsing the recommendations in this report that will do just that.

## INTRODUCTION

During their seventh meeting in London on 29 April 2014, the Friends of Yemen Group endorsed the Government of Yemen's proposal to create political, economic and security working groups. The aim of the working groups is to provide more targeted assistance in support of the implementation of the Gulf Cooperation Council (GCC) Initiative and the National Dialogue Conference (NDC) outcomes. During the same meeting, the Steering Committee was also created and tasked with setting the strategic priorities and activities for each working group; overseeing the implementation of each group's work; and submitting an annual report on their progress to the Friends of Yemen Ministerial Group during their annual meeting in the margins of the UN General Assembly. This is the first Steering Committee report which provides an overview of the Friends of Yemen Group's achievements since 2012; the Committee's assessment of the progress made by the working groups since April; and recommendations to the Ministerial Group on the working group's future work.

Overall, the Steering Committee welcomes the initial progress made by the working groups, all of which have agreed their terms of reference and now begun their work. However, the Steering Committee recognises that much work remains to be done, in particular to improve governance, accountability and strategic communications amongst the key implementing bodies.

The implementation of complex and interrelated political, economic and security reforms requires a joined up approach across all bodies and the creation of mechanisms to ensure clear decision making, strong accountability and effective strategic communications. The initial working group reports however suggest a relative weakness of the current implementation mechanisms amongst the key domestic and international implementing bodies. Therefore, as an overarching recommendation to the Ministerial Group, **the Steering Committee urges all domestic and international bodies to work together to ensure there is clear agreement and understanding on the government's implementation mechanisms for the NDC outcomes, particularly on key security and economic reforms, so as to build the competent institutions that will deliver for the people of Yemen.**

## SUMMARY OF ACHIEVEMENTS

### The Friends of Yemen donors

1. Since 2012 the Friends of Yemen donors have pledged \$10.65bn, of which \$10.1bn has been allocated and \$4.54bn disbursed to programmes and projects in support of Yemen's transition. This funding has been used across a variety of sectors in line with the Yemeni Government's Transitional Program for Stabilisation and Development. Key achievements include helping fund:
  - a. The **Humanitarian Response Plan** spent \$423 million in 2012, \$366 million in 2013 and a further \$290 million in 2014 to provide food, shelter and water to a targeted 7.6 million people. The level of humanitarian need is still significant, and the current appeal remains 50% underfunded;
  - b. The **Public Works Project**, has to date has provided temporary employment to 2.16 million people; given access to health services, education water for harvesting; and funded infrastructure projects such as road paving;
  - c. The **Social Fund for Development** (SFD) has supported development opportunities by improving basic services, creating economic opportunities, and improving the capacity of national and local administration. To date, the SFD has directly benefitted over 800,000 people through cash for work activities and constructed or rehabilitated 7252 classrooms, which benefitted over 336,000 pupils. The SFD has continued to promote and manage the growth of a vibrant small and micro finance sector, which to date has provided about 651,814 loans, amounting to \$280 million;
  - d. The **Social Welfare Fund** (SWF) is one of the most important social safety net programmes. Owned and funded by the government, and supported by Friends of Yemen donors, the SWF provides cash transfers to more than 60% of the poor and most vulnerable families (1.5 million families). Work is ongoing to update the recipient register so as to bring eligible families living in extreme poverty onto the programme;
  - e. The **National Dialogue Conference** (NDC), the **Constitution Drafting Committee** (CDC) and preparations for the country-wide roll-out of a new **Biometric Voter Registry** by the Supreme Commission for Elections and Referendum, working with a range of UN and civil society partners; and
  - f. **Budget support** to the Government of Yemen of \$1 billion.
2. In addition the Friends of Yemen have helped the Government of Yemen identify stagnant projects totalling over \$2 billion to be re-programmed.

## The Working Groups

3. Since their establishment, the economic, security and political working groups have made good progress in supporting implementation of the GCC Initiative and the NDC outcomes. Key achievements include:
  - a. The **Political Working Group** has advised the Chairs of the Constitution Drafting Committee and Supreme Commission for Elections and Referendum on their work.
  - b. The **Economic Working Group** has supported the Government of Yemen's economic reform agenda, including fuel subsidy reform; the agreement of an International Monetary Fund programme of budgetary support; and Yemen's accession to the World Trade Organisation; and
  - c. The **Security Working Group** has made good progress on developing initial restructuring plans for the security and justice ministries, as well as for biometric registration programmes of their employees.

## **POLITICAL WORKING GROUP**

### **Progress**

4. The Political Working Group (PWG) has held two meetings. The first meeting agreed its terms of reference. The second meeting was held with the chairs of the Constitution Drafting Committee (CDC) and Supreme Commission for Elections and Referendum (SCER). The PWG offered the Chairs advice on the work of the committees; on how to overcome the challenges they faced; on future work plans; and on ways the Friends of Yemen and wider international community could provide further support.
5. The PWG welcomed the progress made by the CDC towards preparing the initial draft of the constitution, as well as the success of the first pilot of the biometric voter registration system in Sana'a in May. The PWG urged the CDC to complete the first draft of the constitution as soon as possible, and the SCER to finalise the new voter registry ahead of the referendum next year.
6. The Steering Committee commends the work of the PWG and recommends that it develops a forward work plan that includes, amongst others, the priorities set out below.

### **Steering Committee recommendations for future work**

7. To hold regular briefings with the Constitution Drafting Committee in support of its work to submit the first draft of the constitution to the President and the National Authority as soon as possible; and
8. To hold regular briefings with the SCER in support of its preparations for the roll-out of the biometric voter registry.

## **ECONOMIC WORKING GROUP**

### **Progress**

9. The Economic Working Group (EWG) has held three meetings: the first meeting agreed terms of reference and a work plan, which was then followed by two working meetings. The EWG has also established five Sub-Working Groups to help deliver its objectives, these include: Infrastructure; Macroeconomic and Fiscal Stability; Governance/Public Financial Management; Humanitarian & Resilience; and Business Environment.
10. The EWG has established itself as a critical channel of communication between the Government of Yemen and the international community and now serves as a platform to increase Government of Yemen ownership of economic reform and better communicate its challenges to donors. The EWG has supported the Government of Yemen to:
  - a. Gain accession to the World Trade Organisation on 26 June 2014 with long standing TA support from Germany, EU, World Bank and USA. The accession will start a series of economic market and administrative reforms;
  - b. Carry forward economic and fiscal reforms under the Transition Program for Stabilization and Development (2012-2014) and the Mutual Accountability Framework (MAF) including subsidy reforms and the conclusion of an IMF program on September 2, 2014. Make progress towards the development of a Power Sector Reform Action Plan with support from the World Bank with the overarching goal of reforming the sector and ending power outages;
  - c. Initiate a Biometric Registration System Project under the Ministry of Civil Service with support from UNDP;
  - d. Support the government to monitor the delivery of donor pledges and scaling up disbursement through the Executive Bureau, supported through a World Bank administered Multi-donor Trust Fund with contribution from the UK, US and Denmark;
  - e. Identify twenty-one key donor-funded projects and develop a proposal for re-programming of stagnant pledges towards fast disbursing and quick impact programmes such as the Social Fund for Development, the Public Works Project and the Rural Access Roads Program that best respond to the basic needs of the population; and
  - f. Respond to Humanitarian needs, including through UN partners with support from donors.
11. The Steering Committee commends the work of the EWG and recommends that it develops a detailed forward work plan that includes the priorities set out below.

### **Steering Committee recommendations for future work**

12. To provide advice and technical assistance to the Government of Yemen to manage the impacts of fuel subsidy reform, in particular on public communications and providing financial support to mitigate the impact on the poor and most vulnerable including securing immediate financing for the Social Welfare Fund;
13. To establish a common engagement framework and mechanism to support the implementation of the outcomes of the National Dialogue and provide technical assistance to bodies tasked with implementing the NDC outcomes;

14. Encourage donors to consider and support the government of Yemen Youth Employment Action Plan;
15. Establish a process for the re-programming of stagnant projects within 6 months and establish an agreement to re-allocate some pledge allocations to high-impact and fast disbursing projects and programs including the Social Welfare Fund, the Social Fund for Development, and the Public Works Projects; and
16. To encourage dialogue on greater economic integration between Yemen and the GCC countries, and support the Government to upgrade its infrastructure in line with that of the GCC, starting with linking Yemen with the GCC power grid and highway system.

## **SECURITY WORKING GROUP**

### **Progress**

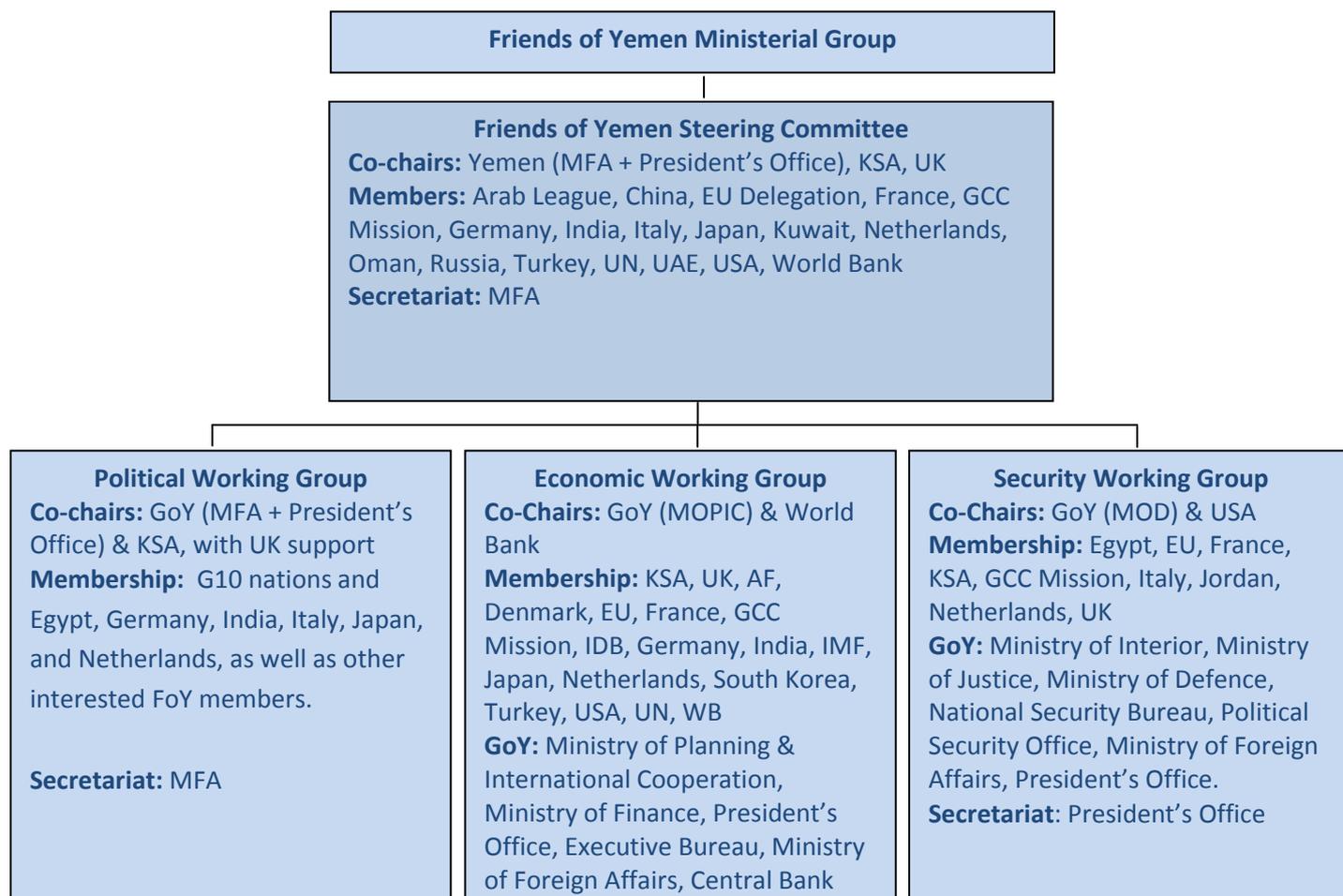
17. The Security Working Group (SWG) has held six meetings and created four technical committees to support its work. These have all met at least once. The SWG has, for the first time, brought together the Ministry of Defence (MoD), Ministry of Interior (MoI), Ministry of Justice (MoJ), the National Security Bureau (NSB), the Public Security Organisation (PSO) and the Directorate of Military Intelligence (DMI) at working level. The four subordinate technical committees have been established to provide technical support for institutional reform and capacity building in line with NDC outcomes. The SWG has:
  - a. Started work on developing restructuring plans for the MoD, MoI, MoJ, NSB and PSO;
  - b. Developed a three-year retirement plan for 120,000 MoD officers and non-commissioned officers;
  - c. Started a biometric registration process in the MoD, MoI, MoJ, NSB, PSO, and DMI to reduce the number of 'ghost workers';
  - d. Developed training objectives for Ministry of Justice employees; and
  - e. Brought together the ministries and international donors - including the Kingdom of Saudi Arabia, GCC, Egypt, EU, France, Netherlands, US and the UK – to identify areas to support capacity building and reform in all three ministries and the agencies.
18. The Steering Committee commends the work of the SWG and recommends that it develops a detailed forward work plan that includes the priorities set out below.

### **Steering Committee recommendations for future work**

19. To support the Yemeni government to develop a Strategic Threat Analysis and a National Security Strategy, which are sufficient to establish the roles and capabilities of the ministries and the intelligence agencies by 31 March 2015;
20. To support the Yemeni government to establish an implementation mechanism between the bodies tasked with implementing the NDC security and military outcomes; and
21. To improve coordination of the donor community's financial support to the MoD, MoI, MoJ, NSB and PSO by creating a comprehensive matrix which matches NDC outcomes with future pledges.

## ANNEX A: FRIENDS OF YEMEN RESTRUCTURING PAPER

The revised Friends of Yemen (FoY) subordinate structures were adopted at the Seventh Meeting of Friends of Yemen in London on 29 April 2014. The underlying principles are Yemeni ownership and support to the GCC Initiative and Implementation Mechanism and the NDC outcomes. The new structure will enable activity to be better targeted and coordinated.



### Steering Committee

Objectives:

1. To agree the strategic priorities and activities for the Working Groups based on a comparative assessment of political, economic and security risks in Yemen.
2. To monitor the implementation of agreed Working Group activities and ensure their continued focus on strategic priorities.
3. To consider new political, economic and security risks that may emerge, and direct changes to Working Group priorities and activities where necessary.

Meetings:

4. **Quarterly meetings** held at the beginning of **March, June, September** and **December** each year at **ambassadorial level** in Sana'a.

Membership:

5. Steering Committee membership will be **reviewed annually** to ensure the continued effectiveness of the committee. The co-chairs GoY, KSA and UK will collectively agree membership changes to the Committee.

### **Working Groups**

Objectives:

6. To develop and own a living assessment of Yemen's changing political, economic and security risks, raising new risks to the Steering Committee where necessary.
7. To support the implementation of the GCCI, and those NDC outcomes that reduce high priority risks and increase stability.

Meetings:

8. **Regular meetings** held **ambassador level** (for Political Working Group) and **expert level** (for Economic and Security Working Groups) in Sana'a.

Membership:

9. Working Group membership will be **reviewed every 6 months** to ensure the continued effectiveness of each Group's work. The co-chairs GoY, KSA and UK will collectively agree membership changes in any group.
10. Working Groups will be **co-chaired by the GoY** and an **international member** of each Working Group (international chair to be rotated annually).
11. Each Working Group will **establish its own Terms of Reference** in consultation with the Steering Committee. The Political Working Group will receive briefs from key officials and discuss the matters of the day.
12. Each Working Group will **decide its own subordinate structures** as appropriate, and may establish a mechanism for other countries to participate on a consultative basis. \*For example, participation in monthly Economic Working Group meetings is open to all donors interested in participating. At the same time limited sub-working groups have also been established with two co-leads (one from the GoY and a relevant member of the international community) and specific technical stakeholders meeting more regularly as required.

### **Reporting**

13. **Working Groups > Steering Committee (Sana'a)**: The Economic and Security Working Groups will submit **minutes** to the Steering Committee (Sana'a) each month. The Economic and Security Working Groups will submit **progress reports** to each quarterly Steering Committee (Sana'a) meeting using the following mailboxes: [friendsofyemengroup@gmail.com](mailto:friendsofyemengroup@gmail.com) (Yemen) and

[foy@fco.gov.uk](mailto:foy@fco.gov.uk) (UK). The Political Working Group will produce a written chair's summary of meetings. All reports should be copied to Friends of Yemen members in capitals for information.

14. **Steering Committee (Sana'a) > Friends of Yemen Ministerial Group:** Steering Committee (Sana'a) will submit an **annual progress report**, which will include a summary of key political events, to all Friends of Yemen members in capitals at least 10 days in advance of the Friends of Yemen Meeting in the margins of the UN General Assembly.

**ANNEX B: 2012 DONOR PLEDGES AND DISPERSALS IN US\$ MILLION, AS OF AUGUST 2014**

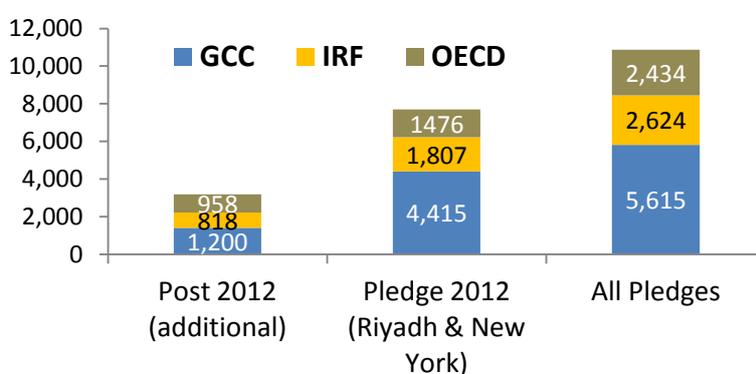
Donors	Original Pledge	Allocated		Approved		Disbursed	
	Sum	Sum	%	Sum	%	Sum	%
<b>GCC Donors</b>							
Saudi Arabia	3,250	3250	100.0%	1 594	49,0%	1,010	31.1%
Kuwait	500	500	100.0%	220	44,0%	10	2.0%
Qatar	500	351	70.2%	351	70,2%	201	40.2%
Oman	15	15	100.0%	10	66,7%	10	66.7%
UAE	150	0	0.0%	0	0,0%	0	0.0%
<b>Sub-total GCC</b>	<b>4,415</b>	<b>4,116</b>	<b>93.2%</b>	<b>2 175,00</b>	<b>49,3%</b>	<b>1,231</b>	<b>27.9%</b>
<b>International and Regional Finance Institutions (IRF)</b>							
Arab Fund	553	553	100.0%	553	100,0%	6.5	1.2%
World Bank	400	400	100.0%	400	100,0%	128	31.9%
Arab Monetary Fund	305	305	100.0%	305	100,0%	155	50.8%
UN System	268.4	268.4	100.0%	268	100,0%	268.4	100.0%
Islamic Development Bank	100	100	100.0%	100	100,0%	66	66.0%
IMF*	90	90	100.0%	90	100,0%	90	100.0%
OFID	45	45	100.0%	45	100,0%	0	0.0%
IFAD	45.1	45.1	100.0%	34	75,6%	0	0.0%
<b>Sub-total IRF</b>	<b>1,806.50</b>	<b>1,806.50</b>	<b>100.0%</b>	<b>1 795,50</b>	<b>99,4%</b>	<b>713.41</b>	<b>39.5%</b>
<b>OECD Donors</b>							
USA*	346	346	100.0%	346	100%	346	100.0%
UK*	311	311	100.0%	311	100%	283	91.0%
Germany*	127	127	100.0%	127**	100%	86	67.7%
EU	215.4	215.4	100.0%	215,4**	100%	123	57.1%
Japan*	34.5	34.5	100.0%	34,5	100%	34.5	100.0%
Netherlands	100	100	100.0%	61,54**	62%	78.8	78.8%
Turkey	100	91.46	91.5%	91,46	91%	0	0.0%
France	88.1	88.1	100.0%	88,1**	100%	3.1	3.5%
Sweden	46.9	46.9	100.0%	46,9	100%	46.9	100.0%
Switzerland	24	21.09	87.9%	21,09**	88%	21	87.5%
Denmark	30	17.1	57.0%	17,1**	57%	15.2	50.7%
Australia	5	5	100.0%	5	100%	0	0.0%
South Korea	2	2	100.0%	2	100%	2	100.0%
Spain	1.5	1.5	100.0%	1,5	100%	1.5	100.0%
Italy	45	0	0.0%	0	0%	0	0.0%
<b>Sub-total OECD</b>	<b>1,476.38</b>	<b>1,407.05</b>	<b>95.3%</b>	<b>1 368,59</b>	<b>93%</b>	<b>1,041.99</b>	<b>70.6%</b>
<b>TOTAL</b>	<b>7,697.9</b>	<b>7,329.6</b>	<b>95.2%</b>	<b>5 339,09</b>	<b>69%</b>	<b>2,986.4</b>	<b>38.8%</b>

### 1. Post 2012 pledges (as of august 2014)

The volume of aid pledged to Yemen has risen since donor conferences in September 2012 in Riyadh and New York by around \$2.96 billion, which represents 38.4% of the original pledges committed in September 2012. The additional pledges were made by all three donor clusters. The GCC countries, namely Saudi Arabia, pledged an additional \$1,200 million (around a 27.2% increase over its 2012 pledge). The IRF donors also pledged an additional 817 million US\$ (around 45.2% increase over their 2012 pledge). Finally the OECD donors topped their 2012 pledges by 937 million US\$ (around 63.5% increase over their 2012 pledge).

The grant/loan ratio of the total pledged aid for Yemen is 75.5% (\$8.046 billion) in grants and 24.5% (around \$2.6 billion) in loans.

### 2. Original and post 2012 Pledges by donors groups (as of August 2014)



In terms of specific donors, the additional pledges were contributed by Saudi Arabia, IMF, USA, WB, Germany, EU, Japan, Arab Fund, Denmark, and Sweden. Saudi Arabia pledged \$1,200 million in the second half of 2014 to meet the country’s budget emergency needs. Saudi Arabia’s recent pledge is the largest Yemen has received since the 2012 conferences (see figure below).

### 3. Post 2012 additional Pledges by donor (as of August 2014)

