



**MILLENNIUM
CHALLENGE
CORPORATION**
REDUCING POVERTY THROUGH GROWTH

FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

COURTESY NOTIFICATION

We wish to provide you a courtesy notification that the Board of Directors of the Millennium Challenge Corporation (MCC) approved Threshold Program assistance for Yemen of up to \$20,600,000 in fiscal year 2007 MCC program funds. In addition, up to \$1,442,000 will be made available to USAID for administrative expenses associated with Yemen's program.

MCC's Threshold Program is designed to assist countries that are committed to undertaking the reforms necessary to improve their policy performance and potentially qualify for Millennium Challenge Account Compact assistance.

The attached summary outlines Yemen's threshold program. Members of MCC's staff are available to meet with you to discuss the planned program. If you or your staff would like to arrange a meeting, please contact Ellona Fritschie or Rick Stilgenbauer at (202) 521-3850. The attached summary is being sent to the Congress on September 12, 2007.

Sincerely,

Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
As stated

Threshold Program Summary

<u>Country:</u>	Yemen
<u>Budget:</u>	\$20.6 million
<u>Fiscal Year Funding:</u>	2007
<u>Estimated Program Duration:</u>	2 years

Indicator Focus: *Ruling Justly: Control of Corruption, Rule of Law, Government Effectiveness, and Political Rights*
Economic Freedom: Fiscal Policy

Principal Objectives:

The main objective of the Yemen Threshold Program is to support the Government of Yemen's efforts to fight corruption and improve the rule of law, political processes, fiscal policy, and government effectiveness through institution building and improved systems.

Background:

Yemen has undertaken a series of ambitious reforms since early 2006 aimed at fighting corruption, improving the rule of law, embarking on a Public Sector Financial Management Plan, and enhancing government effectiveness through procurement and civil service reform. The Yemen Threshold Program would support these reforms in a number of key areas, including the fight against corruption, judicial reform, election disputes resolution, and the investment climate.

Program Components – Objectives and Proposed Activities:

Component 1. Strengthen the National Integrity System.

Corruption pervades most aspects of public life in Yemen, draining resources and hampering accountability. The Government has responded by passing Anti-Corruption and Financial Disclosure Laws and creating the Supreme National Anti-Corruption Authority (SNAA), charged with anti-corruption strategy, coordination, and education, investigating corrupt activities, and implementing the new financial disclosure law. Corruption also impacts Yemen's legal system, which faces many challenges, including poorly trained personnel, lack of transparency and efficiency in court systems, and lack of access to justice.

Objective: Decrease public sector corruption and increase capacity in the judicial sector.

Proposed Activities

- A. Formulate recommendations for SNAA and other institutions, such as the Central Organization for Control and Audit (COCA) – Yemen's government audit agency - and the judiciary, regarding the current institutional framework for fighting corruption.
- B. Provide technical assistance and training to new SNAA board members, including assistance in strategy development.

- C. Provide technical assistance and training to SNAA, including formulation of by-laws to implement the new financial disclosure law and support of implementation of this law.
- D. Establish an SNAA communication strategy with civil society input.
- E. Develop a civil service ethics code and an associated curriculum and training program with the SNAA and the Civil Service Institute.
- F. Define roles and responsibilities for the Supreme Council of Justice – responsible for managing the judicial system, including budgeting and selecting and dismissing judges - and Ministry of Justice based on new legislation.
- G. Assist Higher Judicial Institute (training center for judiciary), Supreme Judicial Council, Ministry of Justice, and Sana'a University to revise and expand the judicial curriculum for new and current judges at Higher Judicial Institute.
- H. Provide training for judges on new reform legislation, the legal framework for elections, complex financial crimes, judicial ethics, and corruption.
- I. Develop training program and train 40 commercial court judges on commercial laws.
- J. Assess current pilot court administration system, and support implementation of court administration system for all five commercial courts, including training for court staff and judges.
- K. Train judges, prosecutors and staff of Public Funds Court – responsible for hearing cases concerning misuse of public funds - and staff from COCA on anti-corruption laws and case development.

Component 2. Consolidate Democratic Governance.

Yemen has held regular elections on national and local levels, but intends to preserve and strengthen these processes with fair redistricting using accurate statistics, better election dispute resolution procedures, and better media access for election candidates.

Objective: Enhance election processes and participation.

Proposed Activities:

- A. Support national dialogue to redraw electoral districts, in cooperation with civil society, through public education and advocacy.
- B. Establish an electronic system to link district voting stations with the Supreme Council for Elections and Referendum (SCER) in Sana'a to expedite and validate vote reporting.
- C. Assist SCER to develop media access for candidates by providing technical assistance to candidates and upgrading SCER's media equipment.
- D. Establish procedures at the national and local levels to receive, filter, evaluate, and follow up on election complaints.
- E. Establish guidelines, create training materials, and train judges and prosecutors concerning election dispute cases.
- F. Provide training in demographic analysis, subnational projections, data analysis, statistical report writing, sampling, and statistical methods for Central Statistics Office personnel.

- G. Provide training to Central Statistics Office regional office personnel in basic data collection and dissemination.

Component 3. Enhance the Investment Climate.

Yemen has embarked on a new Public Sector Financial Management Strategy to help reduce the deficit, implement tax reform, and manage debt, which together will help improve fiscal policy. These reforms, together with the new procurement law and identified customs improvements are significant steps to improving the investment climate in Yemen. The Yemen Threshold Program will support these ongoing reforms.

Objective: Enhance investment climate through tax reform, domestic debt management, procurement reform, and customs modernization.

Proposed Activities

- A. Support the amendment or drafting of new Tax Procedures Act and Income Tax Act so they adhere to international best practices.
- B. Design self-assessment process and forms
- C. Train Tax Authority staff on assessing how much direct and indirect taxes are due
- D. Support the design and roll-out of a public information campaign on new tax legislation and procedures.
- E. Design and implement a new national debt management office within the Ministry of Finance, including capacity development of staff.
- F. Develop domestic government security market.
- G. Support rationalization of roles of Ministry of Finance and Central Bank of Yemen in relationship to domestic debt issue.
- H. Assist the Ministry of Finance to establish a government treasury.
- A. Draft procurement law regulations.
- B. Train staff of the Procurement Policy and Monitoring Board and establish appropriate systems and procedures to implement new procurement law.
- C. Establish a public procurement management information system to increase transparency, effectiveness, and efficiency.
- D. Develop an overall customs reform plan.
- E. Modernize customs software with ASYCUDAWorld system and provide associated training and technical assistance to implement this system.

Highlights of Expected Results of the Yemen Threshold Program:

1. The time needed to state a verdict in the commercial courts is reduced from 6 months to 3 months.
2. Government of Yemen customs clearance procedures are reduced to from 8 days to 4 days.
3. Forty-five percent of completed procurement requests conform to new procedures.
4. Twenty-five percent of government staff submit financial disclosure forms. (Baseline: 0 percent)
5. Freedom House recognizes 2009 elections as free and fair.