

# CENTRAL BANK OF YEMEN PERFORMANCE REPORT



**STUDIES & ECONOMIC MEDIA CENTER**

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STUDIES & ECONOMIC MEDIA CENTER  
مركز الدراسات والإعلام الاقتصادي

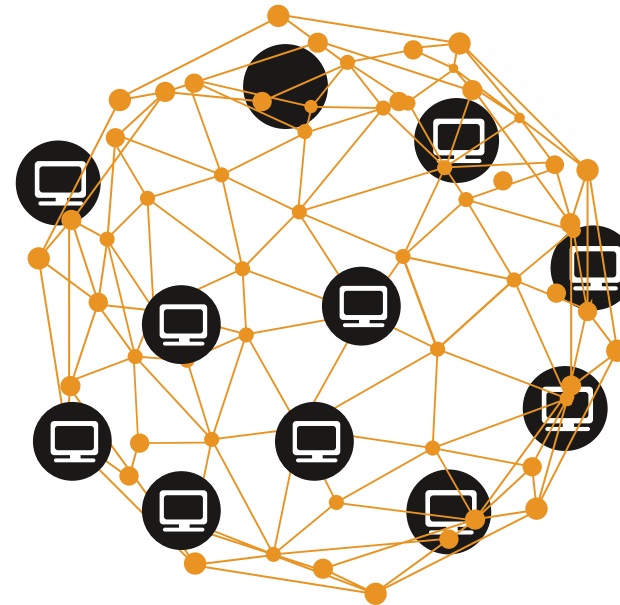
■ After two years since President Abd Rabou Mansur Hadi issued a decree moving the central bank of Yemen from Sana'a to Aden, and the formation in September 2016 of the bank's board of directors, the Studies and Economic Media Center (SEMC) takes stock of the bank's performance based on 15 key performance indicators with an aim to determine aspects of success and failure.

No	INDICATOR	EVALUATION
1	International recognition to the bank: The regional and international stance supporting the bank is ambiguous in that no tangible financial or technical backing that enables the bank to assume its role in managing fiscal policy was announced.	
2	Reactivation of Swift system facilitating money transfers to Yemen from abroad and vice versa: Though the bank management announced the revitalization of the SWIFT system and carried out two empirical operations, the system is still in abeyance to date.	
3	Institutional building Bank cadres have not been utilized in revitalizing the central bank either at the bank's headquarters or at the branches, as the bank is depending on branch employees in carrying out its operations, and has recruited new staff who have no adequate experience to perform its functions in full.	
4	Bank's relation to its branches in the liberated governorates: There is no effective mechanism for communication, and only one meeting was held, but only some branches took part in it.	
5	Online connection between the central bank and its branches in the governorates All branches are still connected to the network of the central bank in Sana'a, except for Mareb branches that works independently. For instance, Seun branch accepts transfers from Sana'a and only documents customs fees, but delivers cash to Sana'a branch.	
6	The bank's board of directors held only four meetings, two in Aden and two abroad	
7	Control over Riyal exchange rate against the dollar Only one measure was taken: selling amounts of money in dollars to the local market, in addition to the decision floating the dollar, and addressing letters to banks and exchange companies asking them to comply with the announced exchange rate. However, most of such companies and banks didn't comply with the bank's directions	
8	The bank's clearing house in Aden is still out of work	
9	The bank is still until now unable to manage its reserves abroad	
10	No audit firm to audit the bank's annual accounts for the year 2016 has been appointed	
11	The information collection unit on money laundering and financing terrorism has not been revitalized, and banks have not yet been obligated to stick to financial compliance rules	
12	Restoring confidence in the official banking sector and feeding the market with the local currency, the Riyal, The bank made contracts to print out YR 800 billion, YR 390 billion of which was delivered to the bank. Unfortunately, however, such amounts didn't contribute to restoring confidence in the official banking sector; nor did it tackle the liquidity crisis. The non-official sector and exchange companies are now dominant.	
13	Treasury bonds and public debt payments are still suspended up till now.	
14	Islamic and commercial bank are still dependent on the central bank in Aden Banks are still being controlled by the Sana'a branch as they are still making transactions based on the un-floated exchange rate, and submitting their reports to the Sana'a branch	
15	Payments of salaries and social care emoluments Salaries were paid out to employees in the liberated governorates, except for Taiz, where only month salary was paid. But, no salaries were paid to employees in Houthi-Saleh-controlled areas in most of North Yemen governorates.	
 Failure in the discharge of functions  Taking some inadequate steps to perform functions  Tasks completely fulfilled		





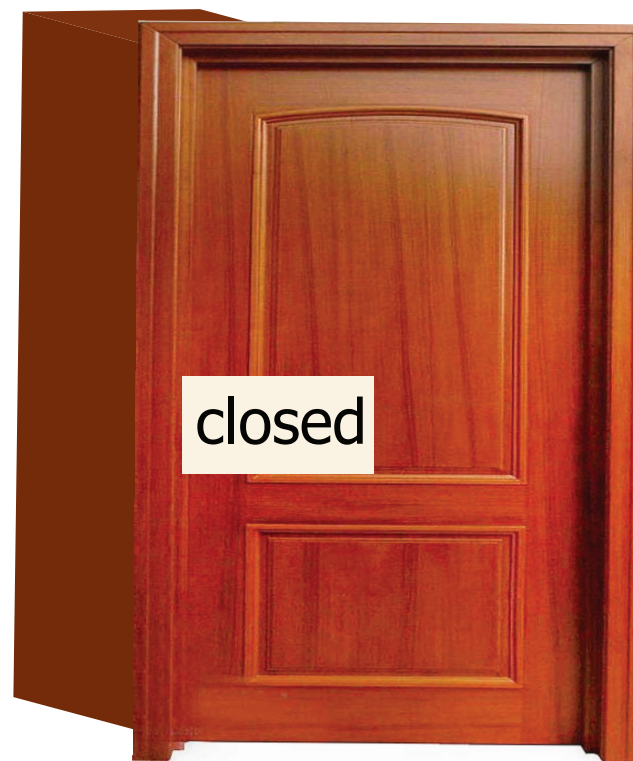
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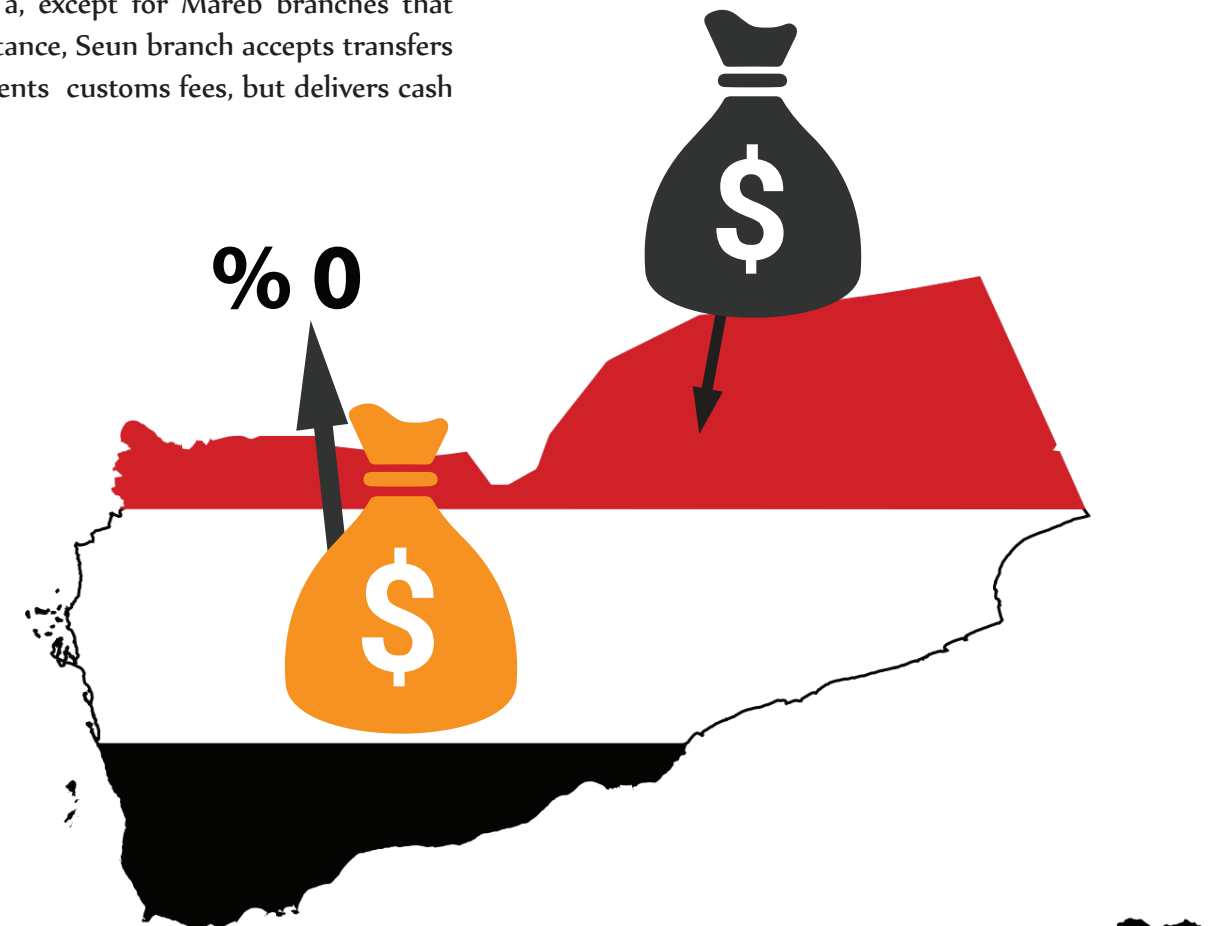
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Reactivation of Swift system facilitating money transfers to Yemen from abroad and vice versa: Though the bank management announced the revitalization of the SWIFT system and carried out two empirical operations, the system is still in abeyance to date.

## Proposed Solutions To Revitalize Central Bank

### Option One

Appointing neutral and competent management involving economists and bankers to manage the central bank under international protection and keep all data and transactions on icloud , while assigning the bank's tasks to the branches in the governorates. For instance, international transactions and foreign account management can be assigned to the Aden-based central bank, while the public debt management can be entrusted to Sana'a branch, and local banking operation sector and bank control to Mareb branch.

### Option Two

Appointing neutral management to the central bank and agreeing on its location. This management shall fulfill the task of collecting revenues from all state institutions and paying salaries to all civil servants. It is to be composed of specialized and competent experts and administrators who shall operate under international protection so that they can smoothly move across the country and do their jobs in full.

### Option Three

The central bank of Yemen shall remain in Aden, but have its leadership changed. Efficient management shall be selected and charged with submitting an urgent time-bound plan to address the problems inherent in the banking and fiscal sector. It will be supervised and monitored by a panel of local and international experts that will submit achievement reports every three months. A copy of each report shall be submitted to the president and made public to enable the people get easy access to it.

## External Constraints

- The paralysis in the performance of the central bank in Aden though its management and the government are fully accountable for such paralysis. Yet, there are still external factors hampering its success, most important of which are prevention of resuming oil exports, easy movement of money from Yemen abroad, opening credit lines in Arab and Gulf banks, offering financial and technical support and building the central bank's capacities.
- The Central Bank of Yemen management was subject to embarrassing situations during its meetings with the leaders of the International Monetary Fund (IMF) and the World Bank in Washington over its inability to implement the central bank revitalization plan which the bank's management had already set out following the issuing of the decision relocating the central bank to Aden in September 2016.

## Secondary information

- The governor of the central bank, Munassr Al-Quaiti, receives a monthly salary of \$40,000 despite that visited the interim capital Aden only twice and for short periods. He delegated his powers to the acting governor.
- In addition to the travel allowances the central bank governor receives due to his frequent trips, He was also provided with a \$ 120,000 brand new car.
- Before his appointment as finance minister and central bank governor, he was receiving a per diem of \$ 2,000 when he was serving as chairman of the board of directors of the Cooperative , Agricultural Credit Bank (CAC) and is still receiving all his entitlements in excess of YR 3 million per month from the Sana'a-based bank management.
- Constraints experienced prior to the relocation of central bank:
  - Depleting stock exchange reserves of hard currencies that dropped from \$ 4,7 billion to only \$ 600 million.
  - Rising debts : the total public debt amounted to YR five trillion.
  - Liquidity crisis due to poor confidence in the official banking sector, growing exchange companies and prevalence of the black market.

# SEMC

The Studies and Economic Media Center (SEMC) is one of the most prominent Yemeni NGOs that works on , and spreads awareness of economic issues, in addition to buttressing good governance and public engagement in decision making, and working towards the creation of professional media.

The Center has contributed tremendously to debating and rectifying economic policies, divulging the loopholes inherent in the country's economic performance, and influencing decision makers in such a way that serves the think-tank 's vision- a transparent and flourishing Yemeni economy. Further, it has assumed a vital role in presenting economic information to society in a plain and simple manner. The Center seeks to forge ahead with its scholarly mission despite the harsh conditions Yemen is experiencing.

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