



ECONOMIC REFORM TEAM - YEMEN
فريق الاصلاحات الاقتصاديه - اليمن



STUDIES & ECONOMIC MEDIA CENTER
مركز الدراسات والإعلام الإقتصادي



Policy Paper

Addressing Yemen Humanitarian
Crisis through implementing
PPP projects

Contents

- Introduction..... 3
- Relief Efforts 4
- Implementing PPP projects in the Yemeni Context..... 5
- The public private sector readiness for PPP programs 7
- The Past PPP Efforts..... 10
- Way forward 11
- Recommendations..... 16
- References 16

Introduction

Following the 2011 youth uprising, the Yemeni parties entered into a political settlement through the GCC Initiative, which resulted in the formation of a Reconciliation Government and a Technical Committee to prepare for the National Dialogue Council, NDC. The dialogue between the representatives of the various Yemeni parties started on March 18, 2013 and aimed at addressing the challenges and reaching a shared vision of the future. The dialogue concluded to the federalism solution as the way forward, which was reflected in the Constitution Draft in which

REPUBLIC OF YEMEN REGIONS

- Azal, which includes the governorates of Sana'a, Amran, Saada, and Dhamar;
- Saba, which includes Al-Bhydah, Marib and Jouf;
- Al-Janad, which includes Taiz and Ibb;
- Tehama, which includes Hodeidah, Raimah, Mahweet and Hajjah;
- Aden, which includes Aden, Lahj, Abyan and Dhalia;
- Hadramout, which includes Hadramout, Shabwa, Mahara and Socotra Island.

Yemen will have six regions¹. The disagreement over the federalism fueled the ongoing small armed conflict, resulting in a full-fledged civil war beginning in March 2015 between the Houthis and their allies in one hand and the internationally recognized government with the support of the Saudi-led Alliance in the other.

The military operations helped the government recapture the southern provinces, in which stability remains fragile except in Hadhramaut and Marib governorates. The rest of the governorates are unstable or conflict-ridden areas. For almost four years of war, Yemen is declared the worst manmade humanitarian crisis in the world (OCHA 2018). The number of

¹ <http://www.pdf-yemen.com/PDF/Democratic/NDC%20Final%20Document.pdf>

the Yemenis in need for humanitarian assistance dramatically increased during 2015-2018 period from 15.9 to 22.2 millions¹. The war caused massive casualties and inflicted heavy damage to the public and private infrastructure. The economy collapsed and the public servants are unable to receive their salaries for more than 20 months due to the halt of oil exports, which accounted for almost 70% of state budget².

Relief Efforts

The disruption of the basic services worsened the situation for almost all Yemenis. While the government lacks the means to address that issue humanitarian actors and the business sector expanded the scope and size of their operations to address the rising needs.

The YHRP 2018 reported the biggest up-to-date budget of 3bn\$, a 45% increase than last year. This year plan included a limited Early Recovery intervention in the areas of Health, Water, WASH and livelihoods to be implemented in the highly populated areas and ensure continuity of these basic services and prevent further collapse³.

On the other hand, the private sector continued its commercial activities, mainly in food supply, and doing what was government exclusive work in providing energy (fuel and solar energy equipment) for businesses and households; water supply in the main and secondary cities. The private sector also expanded its health and education services provision in most of the Yemeni areas⁴. The private sector provided goods and services to dominant humanitarian actors and to limited extent provided direct support to the people in need. On the same line, Hadhramaut private sector representatives in a meeting with the Governorate Local Council proposed a partnership projects in providing some of the key basic

services², which they consider as a responsibility towards their community and as a viable investment opportunity worth pursuing. The private sector willingness to start PPP and the local authorities support to the idea are key drivers for the government to respond positively and provide the needed support.

Implementing PPP projects in the Yemeni Context

The provision of the essential services which was the State's obligation is now a priority to both actors as a priority to prevent further humanitarian deterioration. While the private sector and the humanitarian actors interventions are important, the government role needs to be activated for effective service provision as stated in the [Humanitarian Needs Overview 2018](#)

“Just as humanitarian assistance cannot compensate for public institutions, it also cannot replace commercial imports and functioning local markets to meet the vast majority of Yemenis’ survival needs.”

The above-mentioned private sector partnership proposition in Hadhramaut in these circumstances is encouraging and needs to be pursued. It is also in line with the recommendations made for reconstruction efforts, in which the government could capitalize on the private sector expertise and capabilities⁵. While the current conditions suggest that peace will not be achieved in the foreseeable future, starting partnership projects and expanding them can serve as driver for mitigating the humanitarian crisis, and restoring security and stability. It will serve as a model that could be implemented in other areas as they achieve stability.

Just like in Hadhramaut the businessmen met with SEMC in Marib are interested in PPP projects Mustafa Nasr, 21² July 2018.

Public Private Partnership PPP, is defined as

*"a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance"*⁶

PPP programs drive growth through implementing education, water, health, power, transportation and other infrastructure projects. While most of these projects existed in stable economic and political conditions and post-conflict contexts; only few PPP projects reported amid conflict. Among these experiences are from Afghanistan and Palestine, fragile and conflict contexts, and both countries are facing somehow similar challenges to those in Yemeni. Both programs are implemented with the technical and financial support of the donors⁷. Both PPP projects passed the first phase of drafting the PPP agreements and supporting documents and private partners' selection and projects' implementation is in progress.

[Afghanistan: Project to expand public electricity network capacity](#)

The war in Afghanistan resulted in the destruction of infrastructure, depriving 70% of the population of electricity supply. The government does not have resources to respond to this need and opted for the donors' financial and technical support to implement the PPP program in the power sectors. Afghanistan has a PPP Unit under the Ministry of Finance, but it has incomplete PPP regulatory framework with the PPP law is in place, but the [Bylaw is not yet approved by the parliament](#). The USAID provided \$ 27.5 million for the PPP project and the IFC provided the technical assistance, i.e designed a partnership project and identified the relevant private sector partners to make the bid for increasing electricity

network capacity. In September 2013, five companies competed for the offer, and in 2014, private sector alliance of Abu Dhabi-based Energy Solutions Company and Afghanistan Holding Company was selected to partner with DABS to implement the project and connect 300,000 people and more than 10,000 businesses over the course of four-year period.

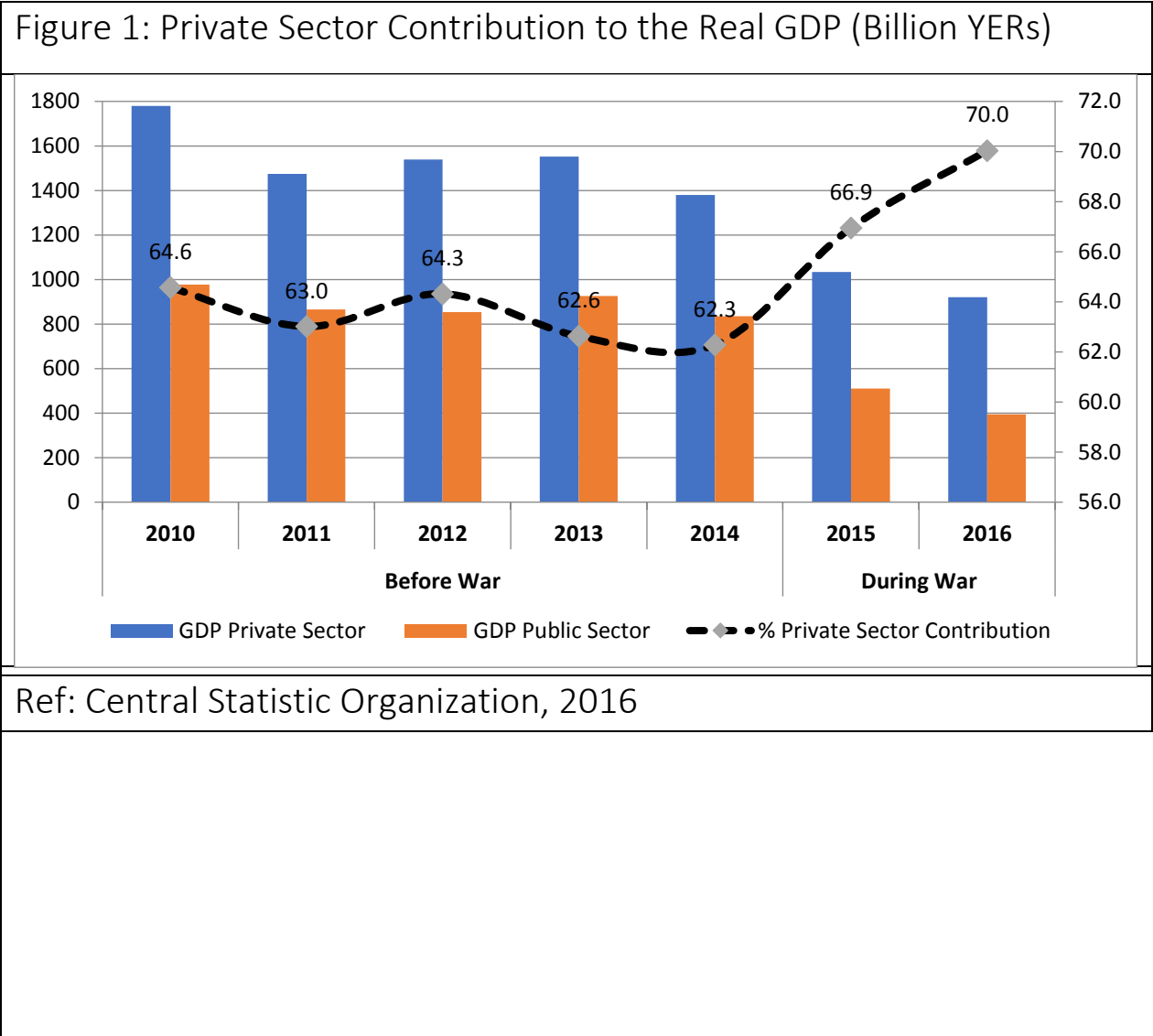
[West Bank, Solid Waste Management Project](#)

Israeli occupation weakened the Palestinian government ability of the government to provide basic services to the citizens of the West Bank and the Gaza Strip, especially in the solid waste management. Approximately one million Palestinians produce 500 tons of solid waste daily, representing a health and environmental threat that the Joint Services Council of Hebron and Bethlehem failed to address. The country does not have a PPP law as the main problem to making relevant projects⁸. The Council therefore sought the technical support from the World Bank and the IFC and facilitating a \$ 8 million grant from a group of donor countries. IFC also contributed to the search for a private sector partner familiar with solid waste management projects. The Council and the IFC started drafting the partnership agreement that takes into account the concerns of the private sector investing in an unstable environment. A consortium representing Greek companies won the tender and a five-year contract was signed in September 2013, renewable for another two years; and the project will benefit 840,000 people in solid waste management.

The public private sector readiness for PPP programs

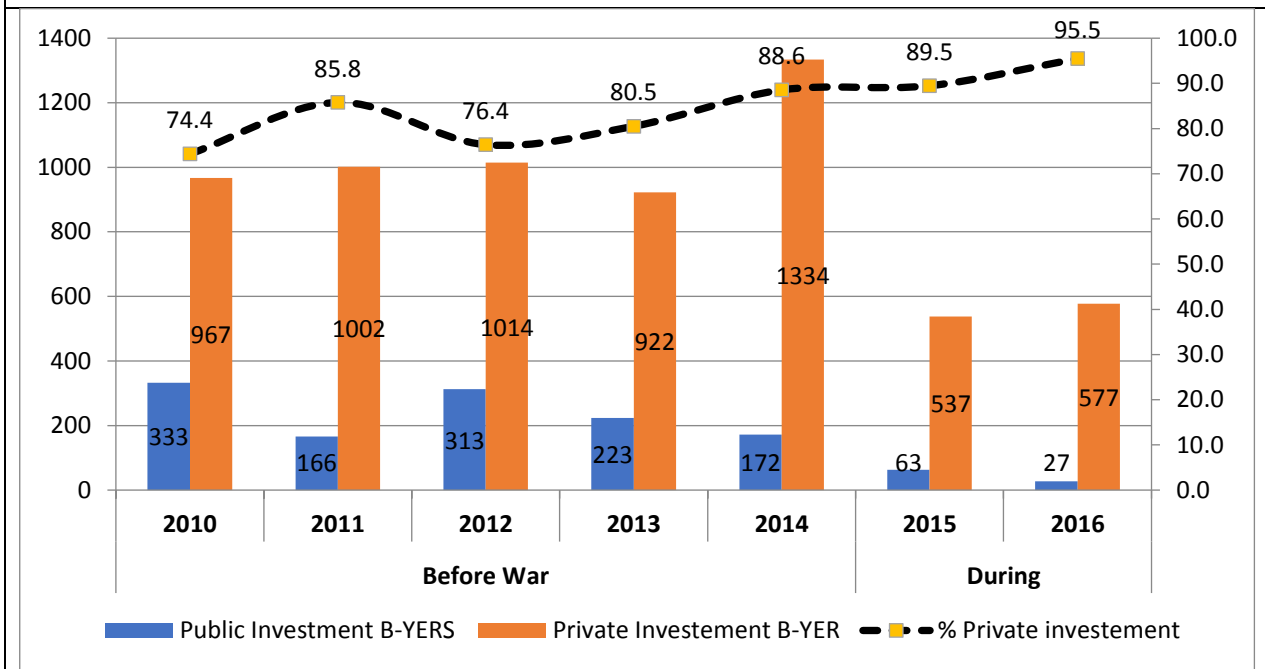
The instability problem over the past decades weakened the Yemeni government to the extent that it halted the public investment program and could not deliver basic services to the citizens. The past infrastructure reconstruction efforts were mainly donor-funded and the successive governments were unable to fully utilize the available funding due to the

lack of efficient management capacities³. The situation has gotten much worse over the past years and with the donors focus on relief efforts, the government needs a partner with the financial resources and technical expertise to help restoring basic services.



³ Donors started focusing on improving the government absorption capacity through tailored technical assistance. In line with that, the Economic Reform Team - A voluntary body of leading private sector, NGOs representatives and few economists established in March 2012 – proposed establishing an International Development Fund for Yemen to the donors meeting in Riyadh September 2012; as a mechanism to help the government utilizes the donors’ pledges.

Figure (2) Private Sector Contribution to the Total Investment



Ref: Central Statistic Organization, 2016

The private sector contribution to Real GDP increased from 62% in 2014 to 70% in 2016 as in Figure (1). The private sector total investment reported increase in 2016, with 95.5% compared to 88.6% in 2014 due to the freezing of the government investment program as in Figure (2). The private sector maintained a good level of performance and indicated a stronger ability to work under the war conditions during 2010-2016.

Despite the decline of the public and private sector contribution to the GDP due to the war erupted in the past four years Yemen over the last three years. The private sector resilience in the face of the conflict circumstances reflects the key role the private sector can play at the economic and social levels during the war and in reconstruction and development in the post conflict period. It is therefore appropriate for the Government to take advantage of the private sector resources and capabilities as a reliable partner in the restoration of essential services.

The Past PPP Efforts

The Government established the PPP Unit in the Ministry of Planning and International Cooperation in 2013. The Unit in coordination with the private sector developed the drafts of the legal and regulatory frameworks for the partnership between the public and private sectors in the form of:

- Draft PPP Law.
- Draft PPP Bylaw.

In November 2014, a memorandum of understanding MoU, was signed between the government and the private sector aimed at setting a clear path for engaging the private sector in economic growth and sustainable development according to the outcomes of the National Dialogue Council; through the formation of the Social and Economic Partnership Council and initiating Public-Private Dialogues at the national and local levels.

The 2015 war prevented the adoption of both the draft Law and the draft Bylaw let alone the implementation of the MoU. The Unit also totally stopped activities due to the lack of operating expenses from the public budget as well as the support from the donors. So practically, engaging the private sector in the implementation of any partnership program to rehabilitate or construct infrastructure for the provision of basic services requires a legal justification which is the core problem. Addressing that issue through creating a temporary legal framework is necessary to make implementation of partnership projects work until the restoration of stability and security conditions in all Yemeni governorates.

Way forward

Learning from similar international experiences there are [four success factors](#): the project selection – it should be a key project and serves a key need -, the availability of political support for that project, the project can not be implemented by the government and the PPP Unit shall fall under a Based on what has been stated above, there is a possibility of implementing limited partnerships programs, both at the governorates and regional level, targeting the most urgent economic sectors. The first step is to create a PPP temporary regulatory framework, which at a later stage could be become a permanent institution if proved successful. This paper presents two alternatives that focus primarily on:

- Linking the first and the second with an active governing body, the Council of Ministers and the regional authorities respectively;
- The two alternative councils shall receive relative International Agencies', WB and IFC - support in projects' selection, building partnerships in consultation with local expertise.

The alternatives are as follows:

Alternative 1: Establishing the PPP Supreme Council

I. Establishment and membership of the Council

The Supreme Council for the partnership between the government and the private sector shall be established by a decree issued by the President of Yemen. The Council shall fall under the remit of the Prime Minister. It shall be headed by a qualified financial expert or economist with a minimum of 10 years experience in managing similar projects for international organizations. The council representatives are:

- a. Government Representatives nominated by the Council of Ministers.
- b. Private Sector Representatives meeting the following criteria:
 - i. Nominated by an active private sector entity i.e Chambers of Commerce, Yemeni Business Club, in the relevant region.
 - ii. Have registered and active companies, 15 years of work, known for their investment in the relative region.
 - iii. Have at least a Bachelor's degree.
 - iv. Represented the private sector in discussing key issues related to the business environment.
- c. Technical and legal experts who meet the following conditions:
 - i. A partner or representatives of regional or Consultancy Institution.
 - ii. Have a minimum academic qualification of MA.
 - iii. Have experience in the commercial and investment sectors.
 - iv. Have experience in problem analysis and able to come up with solutions.
 - v. Have high communication skills.

II. The Council Objectives and tasks

The Council aims to provide the legitimacy for the management and implementation of PPP projects. It will also centrally support the PPP projects in the target regions.

The Board shall undertake the following tasks:

- a. Draft the legal framework for the PPP and follow up the its implementation.

- b. Communicate with the relative International Agencies for technical support for:
- c. The identification of the PPP projects of priority.
- d. Developing partnership standards and implementation requirements, selection criteria of private sector partners, and monitoring and evaluation mechanisms.
- e. Follow up the implementation PPP projects implementation to ensure compliance with technical and technical standards.
- f. Arrange and supervise public and technical partnership discussions and cooperation between the private sector, the public sector and other relevant parties.
- g. Coordination among different project partners.
- h. Ensure the effective presence of the respective regions (representatives of local authorities and the local private sector) in the implementation of partnership projects.
- i. Establish temporary subcommittees whenever necessary to carry out projects' related technical tasks, and to discuss reports issued by such committees.

III. Audit:

The Central Organization for Control and Auditing COCA shall supervise and audit the Council activities and ensure its compliance with the relevant laws and regulations. COCA shall submit periodical oversight reports to the Council of Ministers.

Alternative 2: establishing Regional PPP Councils in the stable regions

I. Establishment and membership of Councils

Regional councils are established from the government and the private sector representatives a Presidential decree. Each regional

council is headed by a qualified person with an MA in economics or finance, with at least 5 years of experience in managing similar projects with international organizations. The Board consists of representatives of the followings:

- a. Regional Representatives nominated by the target local authorities.
- b. Private Sector Representatives meeting the following criteria:
 - i. Nominated by a private sector entity in the regions i.e Chambers of Commerce and Yemeni Business Club.
 - ii. Run a company known for its local investments within the region for not less than 10 years.
 - iii. Have at least a bachelor's degree.
 - iv. Represented the private sector in the discussion of key issues related to the business environment.
- c. Technical and legal experts meeting the following requirements:
 - i. A partner or representative of regional or international experience houses.
 - ii. They have no less than a master's degree in economics, finance Consultancy Institution.
 - iii. Have previous experience in trade and investment issues.
 - iv. Have experience in problem analysis and solving.
 - v. Have high communication skills.

II. The Council Objectives and tasks

The Councils aim to provide the legitimacy for the management and implementation of PPP projects at the regional levels. It will also provide support to the PPP projects in the target regions.

The Board shall undertake the following tasks:

- a. Draft the legal framework for the PPP and follow up the its implementation.
- b. Communicate with the relative International Agencies for technical support for:
- c. The identification of the PPP projects of priority.
- d. Developing partnership standards and implementation requirements, selection criteria of private sector partners, and monitoring and evaluation mechanisms.
- e. Follow up the implementation PPP projects implementation to ensure compliance with technical and technical standards.
- f. Arrange and supervise regional public and technical partnership discussions and cooperation between the private sector, the public sector and other relevant parties.
- g. Coordination among different project partners.
- h. Ensure the effective presence of the respective regions (representatives of local authorities and the local private sector) in the implementation of partnership projects.
- i. Establish temporary subcommittees whenever necessary to carry out projects' related technical tasks, and to discuss reports issued by such committees.

III. Audit:

The regional offices Central Organization for Control and Auditing COCA shall supervise and audit the Council activities and ensure its compliance with the relevant laws and regulations. The offices shall submit periodical oversight reports to the Council of Ministers.

Recommendations

1. The PPP proposal ownership shall be assigned to the Economic Reform Team. The team starts discussing the proposal with development partners i.e USAID, WB, and DfID, to enrich it and utilize their support to market it to the government.
2. The team with the development partners discuss the proposal with the government to select the best implementation alternative.
3. The Economic Reform Team, in coordination with the Government, develop a list of candidates for the Supreme Council / regional PPP Councils representatives' lists, evaluate them and finalize the list.
4. Follow up the issuance of the republican decision.

References

1 Yemen Humanitarian response Plan 2018.

2 Since Summer 2016, the Central Bank of Yemen was unable to pay the public servants' salaries due to the lack of liquidity: Yemen Embassy Report – Washington: :

<http://www.yemenembassy.org/wp-content/uploads/2017/03/salaries-Paper-1.pdf>

³ Yemen Humanitarian response Plan 2018., with a 3 Billion USD budget, and last year budget was 2.3 Billion USD.

⁴ Ali Al-Azaki, Sana'a Center for Strategic Studies, International Aid Organizations and the Yemeni Private Sector: The Need to Improve Coordination in Humanitarian Crisis Response, March 2018: <http://sanaacenter.org/ar/publications-all/main-publications-ar/5532>

⁵ Khaled Hamid, Sana'a Center for Strategic Studies, An Institutional Framework for Post-Conflict Reconstruction in Yemen, May

2018:http://sanaacenter.org/files/Rethinking_Yemens_Economy_policy_brief_5.pdf

⁶ <https://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

⁷ <https://www.researchgate.net/publication/281377951>

⁸ Hamdounah, Ahmed (2017), PPP obstacles and its impact on the Palestinian Economic Growth (private sector feedback, Gaza): Master Thesis, Islamic University in Gaza.

The Economic Reform Team (ERT)

the ERT was created as a voluntary initiative by business and civil society leaders as well as economic experts after attending a workshop on “strengthening the voice of private sector” in the dead sea area organized by the Center For International Private Enterprise (CIPE) in march 2012. The ERT was founded to enable a unified private sector constituency to effectively contribute to the policy-making process and participate in developing comprehensive strategies to enhance economic reforms and stimulate growth in Yemen. The team played a vital role in the transitional period by mobilizing individual capabilities in various sectors throughout Yemen.

Web: - www.yemenief.org

Email: - economicmedia@gmail.com; yemenief@gmail.com