

## **Meeting of the Consultative Group for Yemen London, 15-16 November, 2006**

### **Statement by the Arab Monetary Fund**

The Arab Monetary Fund (AMF) is pleased to note the progress that Yemen achieved during the last five years in the areas of increasing the living standards, reducing general poverty, and maintaining strong external position. The AMF recognizes the challenges that Yemen is facing, which resulted in shortfalls in achieving some of the goals of the Second Five-Year Plan for 2001-05, and would like to commend the government on its firm commitment to go forward with the implementation of sound reform strategy that contain bold measures with the clear vision of modernizing Yemen's economy, increasing its diversification and integration with the regional and global economies.

The AMF would like to stress, in particular, the government's recognition of the importance of formulating and implementing sound market-oriented macroeconomic policies in order to increase the economic efficiency and to insure achieving the economic stability that would encourage the flows of private and foreign investment necessary for sustaining balanced economic growth, reducing unemployment, and enhancing further the living standards and social welfare.

In this regards, the AMF notices that reforming public finance play a key role in the government's efforts to enhance economic efficiency, as the government intends to implement budgetary reforms that include preparing medium-term fiscal frameworks; rationalizing all public funds; continuing the privatization program; applying international standards of accounting and reporting; prioritizing spending on infrastructure to enhance the investment climate; and improving targeted basic social services. Similarly, monetary policy reforms represent a key aspect of the government's reform strategy, as the government plans to expand the use of the indirect monetary policy tools in a monetary policy framework that targets price and exchange rate stability. The AMP also appreciates the government's recognition of the importance of strengthening and modernizing the financial system in order to enhance the mobilization of financial resources. In this regards, the AMF welcomes the government's

plan of reforming the banking system through capitalization, modernization, and strengthening regulations, as well as the government's intention of establishing a financial market, taking into consideration the importance of preparing the appropriate legal, institutional and regulatory framework governing it.

The AMF also welcomes the government's effort to achieving further liberalization of foreign trade and increasing integration with the regional and global economies, as the government aims at making advancement in the accession process to the World Trade Organization, and to the Gulf Cooperation Council, along with fulfilling all requirements of the Greater Arab Free Trade Zone.

The AMF appreciates the government reform efforts and, in particular, the attention it paid to the areas of public finance, monetary policy, financial system, and foreign trade. The AMF is looking forward to continue its support, both financially and technically, to the government's planned reform efforts within the above mentioned areas.

Historically, the AMF have shown its solid commitment to supporting the macroeconomic and structural reform programs implemented by the government of Yemen. In this regards, the AIVIF provided 21 loans totaled approximately 600 million dollars, and supplemented the financial assistance to Yemen with technical assistance that covered lately areas ranged from improving the compilation of the balance of payment statistics, to providing advise on WTO negotiations for accessions and drawing up of the initial offer in services.

The AMF is ready to continue its financial assistance to Yemen through its Structural Adjustment Facility, where Yemen could borrow up to 220 million dollars in support of reform programs covering the areas of financial and banking sector reforms and/or public finance reforms. The AMF would also consider providing technical assistance to Yemen in the above mentioned areas of reform to supplement its financial assistance.

Finally, the AMF is confident that the apparent firm commitment of the Government of Yemen to social and economic reforms, supported by the regional and international community, would lead to Yemen's success in achieving the Millennium Development Goals (MDGs), as well as transforming the economy to a more efficient market-oriented one.