

**The Annual Report**

**2014-06-26**

**Yemen Extractive Industries Transparency Initiative  
(YEITI)**

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## **1. Introduction**

Considering the incremental need to enhance transparency and accountability in the extractive industries sector with the aim to reduce poverty, the Yemeni government based on its cabinet decree No. 111 – 13<sup>th</sup> of March 2007, approved to implement the Extractive Industries Transparency Initiative (EITI) in Yemen.

In line with that decree, the government of Yemen started to implement the EITI requirements by forming the Yemen EITI Council which was launched on the 19<sup>th</sup> of August 2007 as well as creating the National Secretariat as the implementing unit of EITI in Yemen.

The government of Yemen went on to reaffirm Yemen EITI legal status through the issuance of Cabinet Decree No.319 for the year 2010 as well as the Presidential Decree No. 155 for the Year 2012 based on which the Yemen EITI By-law was endorsed by the President of the Republic.

## **2. General Background**

Yemen was declared as a candidate country on the 27<sup>th</sup> of September 2007 after which the EITI International Requirements started to be implemented by Yemen EITI. As a result of meeting all EITI Requirements, Yemen EITI 1<sup>st</sup> Report was produced and published on the base of which Yemen was validated and consequently was announced to be a compliant country on the 1<sup>st</sup> of March 2011 synchronizing with the occasion of the 5<sup>th</sup> EITI Global Conference – Paris 1-3 March 2010.

Right after obtaining the compliant status, Yemen was stormed by sharp political and security crisis resulted in the suspension of Yemen EITI Membership during the period from June 2011 till it was lifted in June 2012 based on the application made by the Government of Yemen represented by Minister of Oil and Minerals.

After lifting the suspension, Yemen EITI was not in a position to meet the EITI Requirements as a compliant country during 2012 ( mainly the production of YEITI 2<sup>nd</sup> Report ) due to several reasons reflected from the crisis in Yemen which had its negative

impacts on many projects all over the country in general and on Yemen EITI in particular. Yemen continued to be under negative consequences of the political and security crisis causing the delay of producing the YEITI 2<sup>nd</sup> Report and resulting in another suspension placed by the EITI International Board on the 26<sup>th</sup> of February 2013. Suspension placed on Yemen EITI Membership which was lifted in July 2013 after the production and the publication of the 2<sup>nd</sup> Report by the 30<sup>th</sup> of June 2013.

### **3. Yemen EITI Activities undertaken during the year 2013**

Yemen EITI Activities during 2013 were of two main stages :

#### **3.1. Stage one : ( January 2013 – June 2013 ) Meeting Yemen EITI Obligations due on 2012**

- 1- Yemen EITI Council sessions continued to be held during January - April 2013 to finalize the procurement process of the auditor/reconciler to produce the 2<sup>nd</sup> Yemen EITI Report covering the years from 2008 – 2010.
- 2- The Yemen EITI Council was keen on having the 2<sup>nd</sup> Report with better quality and to extend the details and the scope of the report compared to the 1<sup>st</sup> Report and that was by :
  - Including the gas sector in the 2<sup>nd</sup> report which was not included in the 1<sup>st</sup> .
  - Unlike the 1<sup>st</sup> Report, reporting in a disaggregated form showing block by block and by type of flow of each.
  - Including exploration activities of producing companies.
- 3- The procurement of the auditor/reconciler was delayed due to several reasons some of which were receiving one the bids open leading to the Yemen EITI Council's decision to request new bids from the targeted shortlist as well as the sudden retreat by the winner of the contract namely Fair-Links – French as being unable to bring their team to Yemen due to security reasons.
- 4- The delays indicated as well as the unavailability of adequate funding made to difficult to achieve a meaningful progress in producing the Yemen EITI 2<sup>nd</sup> Report and led to the suspension decision made by the EITI International Board in their meeting on the 26<sup>th</sup> of February 2013.

- 5- In response to a funding proposal made by one of the companies represented in the Yemen EITI Council, the Yemen EITI funding was secured based on the agreement within the council that Yemen EITI Council would accept the funding as a loan not as a grant from Total Company who should be addressed by Ministry of Oil and Minerals rather than the Yemen EITI for that purpose.
- 6- Hart Nurse Ltd ( British ) was the 2<sup>nd</sup> qualified after Fair-links ( French ) and therefore was selected by the National EITI Council to produce the 2<sup>nd</sup> Report.
- 7- The National EITI Secretariat along with the sub-committee from the council made the required negotiations with Hart Nurse Ltd .
- 8- The National EITI Secretariat prepared and signed the contract with Hart Nurse Ltd after the approval of the Yemen EITI Council on May 2013.
- 9- The National EITI Secretariat was aware of the tight timeline during which Yemen had to produce the Report with the 30<sup>th</sup> of June 2013 as the deadline.
- 10- The National EITI Secretariat carried out all required coordination with all concerned bodies in the government and the companies to speed up the process.
- 11- Training all reporting entities from companies and governments was arranged and coordinated by the national secretariat and was successfully made within the Ministry of oil and Minerals by Hart Nurse Ltd resulting in faster and timely reporting.
- 12- The Yemen EITI Council, in response to the recommendations, decided to bridge the gap appeared in the 1<sup>st</sup> report by having confirmation/audit letters from Central Organization for Control and Audit ( COCA ).
- 13- Huge efforts were made with COCA by the EITI National Secretariat to ensure the obtainment of such confirmation/audit letters for the government data by COCA.
- 14- The Yemen EITI Council after passing their comments, approved the 2<sup>nd</sup> YEITI Report.
- 15- By the 30<sup>th</sup> of June 2013, Yemen EITI 2<sup>nd</sup> Report was produced and published .
- 16- The Yemen EITI Report was Launched on the 3<sup>rd</sup> of October 2013 in a very formal Conference with the presence of the following :
  - Under the Auspices of The Prime Minister represented by H.E. DPM Minister of Planning and International Cooperation.

- H.E. Minister of Oil and Minerals – The Political Champion .
- Other Government officials
- Diplomats
- The Private Sector
- PWYP, WB, EITI International Secretariat .
- CSOs
- Media
- Etc

**3.2. Second Stage : ( July – December 2013 ) Meeting Yemen EITI Obligations due in 2013.**

- 1- After the production and Publication of the YEITI 2<sup>nd</sup> Report, Yemen EITI Council sessions continued to be held to discuss the details and the scope of Yemen EITI 3<sup>rd</sup> Report.
- 2- Funding was again an issue, the National Coordinator along with the Chairman addressed the government represented by Ministry of Oil and Minerals (MOM) for securing the required funding for the 3<sup>rd</sup> report.
- 3- The Ministry of Oil and Minerals ( MOM) as a government accepted to provide the funding through one of the state-owned-companies ( YICOM ) after being addressed by the Yemen EITI Chairman and Yemen EITI Secretary G.- the National Coordinator.
- 4- The Yemen EITI Council was exposed to this funding process and approved it as considering it government money.
- 5- The amount of money was \$200,000 and was offered to the Yemen EITI as loan similar to that given by TOTAL Company.
- 6- A scoping exercise was made by the National Coordinator for the Oil and Gas companies based on which Yemen EITI Council approved the following:
  - The Reporting Entities ( Producing and Exploration Companies)
  - The Financial and In-Kind Flows
  - Some Audit Areas
- 7- The Yemen EITI Council approved that the 3<sup>rd</sup> Yemen EITI Report includes a scoping exercise for the Mineral sector to determine the companies to be included, the materiality of this sector ( whether the financial flows from this

- sector are material or immaterial ) based on which the Yemen EITI Council would decide on the inclusion of this sector in the 3<sup>rd</sup> Yemen EITI Reconciliation Report.
- 8- The Yemen EITI National Secretariat started to prepare the TORs based on the results of implementing item 6 above .
  - 9- The TORs were prepared considering the EITI New Standard approved on May 2013 during the EITI 6 Global Conference – Sydney.
  - 10- Yemen EITI 2<sup>nd</sup> Report was launched with broad participation indicated in item 16 stage one above.
  - 11- The Yemen EITI Council required time-line until 26<sup>th</sup> of November 2013 to discuss and approve the final TORs.
  - 12- The Yemen EITI Council approved procurement of a single source reconciler/auditor due to the short time-line Yemen was subject to.
  - 13- Yemen EITI Council approved targeting Hart Nurse Ltd to be procured as a single source owing to the fact that Hart was distinguished as the only experienced International auditor/reconciler in the Oil Industry in Yemen as being the firm that produced the 1<sup>st</sup> and 2<sup>nd</sup> Yemen EITI Report which would guarantee the speed needed for the reporting process.
  - 14- After the approval of the Yemen EITI Council for the Technical and Financial proposals, contract was signed by the National Coordinator on the 22<sup>nd</sup> of December 2013.
  - 15- Hart Nurse Ltd started its Initial scoping exercise on the Mineral sector.
  - 16- Hart Nurse Ltd prepared the required list of contextual information and document relevant to the Oil and Gas sector.
  - 17- The National Secretariat made an initial scoping for the Mineral sector and started to collect information , licenses, contracts ...etc related to the mineral sector for the purpose of speeding up the process .

#### **4. Assessment of Yemen EITI Implementation Process during the year 2013**

With Respect to the YEITI Implementation Process during stage one of 2013, YEITI was mainly focusing on producing the YEITI 2<sup>nd</sup> Report which was due by December 31<sup>st</sup> 2012.

The EITI New Standard Requirements were not yet formally produced and therefore were not considered.

**Considering stage two in 2013**, time-line for Yemen EITI process ( to meet 2013 obligations ) had been consumed up until end of June in realizing 2012 requirements .

Although Yemen was engrossed in meeting EITI requirements Mainly the production of the 3<sup>rd</sup> Yemen EITI Report, some attempts were made to address some issues . Reformation of Yemen EITI Council was started based on steps taken by the Prime Minister. All parties within the council were addressed by the Prime Minister for reappointing or re-electing their membership.

Up until the end of 2013, governmental bodies have appointed their new members , Independent authorities have appointed their new members except the parliament.

A letter from the Prime Minister on the newly elected CSOs from CSOs coalition – TWEIC was received .

A similar letter from the Ministry of Social Affairs relevant to the representation of another 3 CSOs members in Yemen EITI Council.

Companies have been addressed to re-elect their members among all Extractive Industries' companies , nothing has been achieved in this regard. No election has been made .

The Yemen EITI Council has taken some decrees to improve YEITI Implementation process with respect to the more detailed reporting and scoping. More about which can be found in sections below.



A gap analysis describing the extent to which the Yemen EITI 3<sup>rd</sup> Report has reflected the new EITI standard is attached to this report.

## 5. The Yemen EITI MSG Responses to the Recommendations Resulting from Previous Reports

Throughout the history of YEITI, many recommendations were made through the previous reporting process for the consideration of Yemen EITI Council, National Secretariat and the government.

The table below reflects the recommendations and the response excluding those covered and met during 2012

No.	By	The Recommendations	The Response
1	The Reconciler	Gas and Mining sectors have to be included in YEITI Reports	This has been positively responded with respect to the Gas sector in both the 2 <sup>nd</sup> and 3 <sup>rd</sup> Yemen EITI Reports . As for Mining, the 3 <sup>rd</sup> YEITI Report including a scoping exercise resulted in the immateriality of including the Mineral Sector in the reconciliation for 2011. A new scoping exercise shall be made for the year 2012
2	The Reconciler & the validator	Ensure that government's data have been subject to audit according to the international standard	Unlike the first report, the 2 <sup>nd</sup> YEITI Report included audit confirmation letters from COCA ensuring that government data have been subject to audit according to the INTOSAI standard. <b>Not covering all reporting entities.</b> 3 <sup>rd</sup> Report included the same audit/confirmation Letters <b>covering all Reporting Entities from the government</b> . Huge Improvement has been made within 2013.
3	The validator	Ensuring more official support from the senior governmental bodies	Unstable level of support has been experienced subject to personal will of senior governmental bodies.

4	The validator	The YEITI National Secretariat is the implementing entity who is driving the EITI in Yemen which has to be supported to be able	Still as it is – nothing new in this regard.
5	The 2 <sup>nd</sup> reconciler	Doing scoping exercise before the coming reporting process	This was responded in the 3 <sup>rd</sup> EITI Report in all sectors Oil, gas, and mining.
6	The 2 <sup>nd</sup> reconciler	The inclusion of the mineral sector	As a result of scoping exercise made, the Mineral sector in 2011 is immaterial.
7	The 2 <sup>nd</sup> reconciler	More coordination with COCA for adequate time for COCA to provide such requirements and effective commitment with EITI requirements .	Better results are reflected in the 3 <sup>rd</sup> report due to more coordination made with COCA in response to the reconciler recommendations
8	The 2 <sup>nd</sup> reconciler	The MSG has to oversee the requirements of the new standard	Ongoing

## **6. The Yemen EITI Reporting Activities and Actions to Extend Details and the Scope of EITI Reporting**

In this report which covers activities during 2013, the 2<sup>nd</sup> and 3<sup>rd</sup> Reports with actions taken regarding their scopes and details shall be elaborated as follows:

### **6.1. First: The 2<sup>nd</sup> Report compared to the 1<sup>st</sup> :**

- Unlike the 1<sup>st</sup> Report which was an aggregated report, the 2<sup>nd</sup> report was decided by the Yemen MSG to be disaggregated report.
- Unlike the 1<sup>st</sup> Report which does not include the gas sector, the 2<sup>nd</sup> Report included the gas sector based on the Yemen MSG decision .
- Unlike the 1<sup>st</sup> report, the 2<sup>nd</sup> report included confirmation/audit letters for data of most reporting entities from the government by COCA.
- Unlike the 1<sup>st</sup> report, some contextual information related to oil, gas, and mining were included .
- Unlike the 1<sup>st</sup> report which included only 10 financial flows, the 2<sup>nd</sup> report included 14 flows from oil and 9 flows from gas sector other than 10 flows disclosed unilaterally ( not included in the reconciliation process)

### **6.2. Second : The 3<sup>rd</sup> Report Compared to the 2<sup>nd</sup> Report:**

- Unlike the 1<sup>st</sup> and 2<sup>nd</sup> reports, the 3<sup>rd</sup> report included a scoping exercise/study on the mineral sector.
- Unlike the 1<sup>st</sup> and 2<sup>nd</sup> reports, the 3<sup>rd</sup> report included more contextual information reflecting the EITI New Standard to a great extent.
- Unlike the 1<sup>st</sup> and 2<sup>nd</sup> reports, the 3<sup>rd</sup> Report included confirmation/audit letters for data of all reporting entities from the government by COCA.
- Unlike the 1<sup>st</sup> and the 2<sup>nd</sup> reports, the 3<sup>rd</sup> report included 23 oil financial flows plus 3 flows not included in the reconciliation report; moreover, 11 Gas financial flows plus 3 not reconciled . As well as, 20 financial flows declared by companies only and not reconciled.

- Unlike the 1<sup>st</sup> and 2<sup>nd</sup> reports, the 3<sup>rd</sup> report included all exploration companies and blocks .

With the comparison of Yemen EITI three reports above, it becomes very clear to assert the constant and gradual improvements of Yemen EITI Reporting process based on the firm will shown by all Yemen EITI Council members .

## **7. Communication activities, Training, Participations**

A limited progress was done with respect to the areas above and that reflected through the following activities :

**7.1. Communication** : Due to unstable situations prevailing Yemen governorates, it was not possible to proceed the communication campaign at a national level; yet, some important events were implemented with broad audience and media presence .

- 1- A conference during which the 2<sup>nd</sup> Yemen EITI report was launched with huge media accompanying the event with the presence of :
  - Under the Auspices of The Prime Minister represented by DPM H.E. Minister of Planning and International Cooperation.
  - H.E. Minister of Oil and Minerals – The Political Champion .
  - Other Government officials
  - Diplomats
  - The Private Sector
  - PWYP, WB, EITI International Secretariat .
  - CSOs
  - Media( local and international TV channels and papers where present )
  - Etc
- 2- Annual meeting of Oil leadership conducted by PEPA during which a Presentation on Yemen EITI and EITI in general was delivered by Yemen EITI National Coordinator in response to a request made by the Minister of oil and Minerals .
- 3- A TV session during which Yemen EITI National Coordinator was hosted to speak about YEITI and its challenges.

## **7.2. Training :**

- A session for the Yemen EITI Council members with the presence of Eddie Rich during which they had some exposure to the EITI new Standard.

## **7.3. Participations :**

- Two of the council members – representatives of Government as well as independent Authorities participated in the 6<sup>th</sup> EITI Global Conference held in Sydney – May 2013.

## **8. The Future Plan**

- Yemen EITI is planning to produce its 4<sup>th</sup> report based on the new EITI standard covering the fiscal year 2012.
- A national communication campaign during which Yemen EITI 2<sup>nd</sup> and 3<sup>rd</sup> Reports will be nationally communicated shall be made within 2014.
- More about future plans ( see attached national Plan 2014.

## **9. The Closing**

The Yemen EITI Council has discussed and approved the Yemen EITI Annual Activity Report prepared by the National Secretariat.

**Attached to this report: Gap Analysis on the Yemen EITI 3<sup>rd</sup> Report against the EITI International New Standard.**

Yemen EITI Chairman

Dr. Mohammed Saleh Moqbil