

Yemen

The National Rural Electrification Association International, Ltd. is providing technical assistance to the government of Yemen in the design and development of a national rural electrification program. The Rural Energy Access Program (REAP) will create 27 new electricity distribution cooperatives that will provide electric service to over a million households and businesses, benefiting more than 7 million people in rural areas.

NRECA used the CLARITY Principles to analyze and evaluate the cooperative legal enabling environment in Yemen. The two primary goals were to:

- Develop a legal and regulatory approach for the creation of electric cooperatives, and
- Establish a foundation for future amendments to the cooperative law that will strengthen the legal basis for all cooperatives and promote the success of rural electric cooperatives in particular.

The support of local officials was critical to the rapid mobilization of the steering committee and activities related to the formation of an electric cooperative.

NRECA also used CLARITY Principles to inform and educate stakeholders regarding cooperative concepts and the cooperative business model.

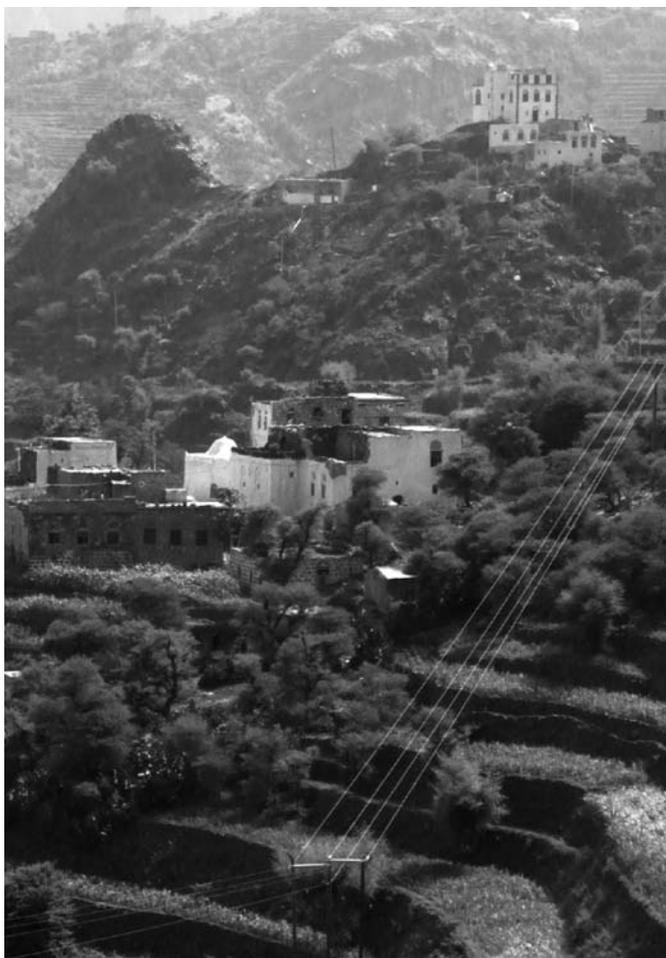
Yemeni legal counsel was engaged to prepare a comparative analysis of CLARITY Principles applied to specific provisions of the Law on Cooperative Societies and Federations (Law 39.) The analysis identified numerous



areas in which CLARITY Principles were lacking in the law and was the basis for proposed amendments. Because legal reform is a long-term solution, an alternative approach was selected to facilitate the creation of electric cooperatives under the existing law. NRECA developed and submitted a regulatory decree under Law 39 to provide the foundation for the cooperative rural electrification project. The decree to create the first electric cooperative was submitted in 2008. In 2009, NRECA plans to submit proposed amendments that are consistent with CLARITY Principles, for consideration and approval by the cabinet and parliament.

NRECA developed a comprehensive business plan for the first electric cooperative in Ibb governorate. It will continue to provide technical assistance in organizational development, management and operational training, and utility systems design and implementation. REAP has attracted more than \$100 million in funding commitments from international donor organizations, and the first phase of the program is expected to begin in 2009.

The Republic of Yemen was established in 1990 through the unification of North Yemen and South Yemen. It is among the poorest countries in the Middle East, with per capita income of about US\$570 and a rapidly growing population of more than 23 million. Most people live in rural areas, and more than 80 percent do not have access to electric service.



Cooperative businesses and apex organizations have had mixed success in Yemen. Prior to unification, the British colonial administration in South Yemen encouraged the production of cotton through cooperatives. After unification, the state established additional cooperatives to gain control of agricultural production. In the north, agricultural cooperatives developed through farmer initiatives. However, as these cooperatives evolved into semi-public entities, the cooperative movement in general began to lose its reputation as a member-oriented and efficient service provider. The current political leadership in Yemen supports renewed efforts to decentralize management and operations through the development of private service providers, including member-owned and -operated electric cooperatives.

NRECA provided technical assistance to Yemen's Ministry of Electricity and Energy in the development of a national rural electrification strategy. It is currently assisting in the design and creation of a new institutional framework for national rural electrification. The goal is to support the legal formation and establishment of a national Rural Electrification Authority (REA) and the formation of the first local electric cooperative in Yemen.

As part of this project, NRECA has been instrumental in developing and revising key legal documents, including the Electricity Law, the decree to establish the REA, and the decree to establish the first electric cooperative.

The Electricity Law was approved by the Yemeni parliament in 2009. It will fundamentally restructure the power sector in Yemen by ending the Public Electricity Corporation's vertical monopoly over generation, transmission and distribution; establishing the new REA; and allowing for the creation of new distribution service providers. NRECA proposed amendments to the law to reflect some of the goals of the rural electrification program. NRECA also developed a decree for the REA that includes provisions for governance, management, operation and administration. The decree is an essential next step after the Electricity Law to establish a functional REA. The Government of Yemen is expected to approve it in 2009.

NRECA also developed a decree to establish the first electric cooperative in Yemen. The decree would create the cooperative according to the terms of Law 39 under the Ministry of Social Affairs and Labor. However, the decree stipulates that since the cooperative's business is the provision of electric service, oversight should be provided by the Ministry of Electricity and Energy. The Ministry of Social Affairs and Labor is considering the decree and is expected to approve it in 2009 after the Electricity Law and the REA decree are executed by parliament and the president, respectively.

Comparative Analysis of Yemeni Law & CLARITY Principles

CLARITY Principle	Law 39
Protection of democratic administration by members	Law does not grant such autonomy for cooperatives. It does include provisions for membership and stipulates the number of member founders to be no less than 31.
Protecting autonomy and self management	<ul style="list-style-type: none"> ■ Law prevents cooperatives from developing their own constitutions and regulations, obligating them to apply certain existing constitutional forms. ■ Law gives Ministry of Social Affairs and Labor the right to override any decision made by the cooperative board of directors if the decision contradicts the law.
Respecting volunteer membership	Law does not give members the right to dissolve, merge or break up a cooperative without an agreement by two-thirds of the members and approval from the minister.
Promoting equitable treatment	Law stipulates that cooperatives must be registered at a different agency than the one where firms are registered. It grants relevant privileges neither to cooperatives nor to other private businesses.
Providing for a solid and effective organizational structure	<ul style="list-style-type: none"> ■ Law does not mandate action on cooperative applications. ■ Law stipulates that cooperatives may establish operational procedures only with the permission of the minister.
Avoiding conflict of interests	<ul style="list-style-type: none"> ■ The Ministry of Labor and Social Affairs has the authority to organize and register cooperatives, while the Ministry of Electricity and Energy is tasked with promotion. ■ Law does not give cooperatives the right to go directly to courts. It restricts this right by procedures stated in Article (145,) which defines to whom the matter should be referred in case of a dispute between two or more cooperatives.

Assessing the Cooperative Environment

Since 1994, cooperative societies in Yemen have been governed by the Ministry of Social Affairs and Labor under Law 39. NRECA engaged Yemeni legal counsel to undertake a comparative analysis of the law and the CLARITY Principles. The analysis identified several legal barriers to the development of electric cooperatives, such as those listed in the chart.

The full comparative analysis of CLARITY Principles and Yemen’s Law 39 provides excellent resource material for potential amendments. However, because it was unlikely that the law could be amended in the short term, NRECA proposed republican and ministerial decrees to create the REA and establish the

first electric cooperative in Yemen. This was deemed the most expeditious approach to lay the legal foundation for a new rural electrification program.

Educating and Mobilizing Stakeholders and Policymakers

The NRECA project team used CLARITY Principles to educate and mobilize opinion on cooperative law and regulation. Three workshops were conducted to educate government, nonprofit, private and cooperative stakeholders at the national, regional and local levels.

The focus of the first workshop held in 2006 was on cooperative concepts and key



financial, institutional and regulatory issues that affect the establishment, operation and viability of electric cooperatives. Most participants agreed that Yemen required new local and national institutions to implement and manage a cooperative rural electrification program. Most agreed that a new rural electrification authority should be legally established and that electric cooperatives were the preferred approach for rural electricity service delivery. Potential legal and regulatory reforms were also discussed. Workshop participants included Yemeni senior policymakers, representatives from the international aid community and local leaders.

At the second workshop held in late 2007, policymakers discussed preliminary institu-

tional frameworks for the rural electrification program, possible legislative modifications, and a proposed REA decree.

The first CLARITY report (*Enabling Cooperative Development: Principles for Legal Reform*), published in Arabic,¹⁶ was presented at the third workshop held in early 2008 in the Ibb governorate, which had been selected as the site for Yemen's first rural electric cooperative. CLARITY Principles were discussed and local stakeholders were briefed on the development of the pilot project in their area and its importance for the success of the national rural electrification program.

CLARITY creates guidelines that can be broadly useful to cooperatives facing similar problems in a great variety of legal systems. The principles and guiding documents can be applied in different settings without losing their validity.

A steering committee was formed with an equal number of representatives from each district included in the pilot project. The support of local officials was critical to the rapid mobilization of the steering committee and the activities related to the formation of an electric cooperative. The steering committee will promote the pilot project within the service territory, act as the local entity taking ownership of the process and as a direct counterpart for NRECA.

NRECA has established an advocacy relationship with a leading member of the Yemeni Parliament. This influential person is a strong promoter of the cooperative business model and believes the community orientation of rural Yemen provides an ideal environment for a cooperative electric distribution system

¹⁶ Available at www.clarity.coop and NRECA's web site at www.nrecainternational.coop/News/Publications.htm.

Conclusion

NRECA succeeded in developing a viable national rural electrification strategy for Yemen, which proposes to use electric cooperatives as the institutional model for service delivery. The comparative analysis of Law 39 and the CLARITY Principles identified areas of concern and provided a foundation for recommendations for amendments to the law.

Education and advocacy efforts with consumers, policymakers, local and national stakeholders, and political leaders will continue through the steering committee, using CLARITY concepts as a touchstone and educational tool. The committee will communicate with local citizens about the new institution and will help organize the election for the pilot cooperative's board of directors.

