



**Republic Of Yemen**  
Ministry of Planning and International Cooperation

# National Partnership Policy

**YEMEN DONOR CONFERENCE** Riyadh September 4-5, 2012

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## Foreword

This strategic framework for foreign aid is a policy document of the Republic of Yemen which reaffirms the role and responsibilities of the Government of Yemen (by its Central Coordinating Agency, the Ministry of Planning and International Cooperation) and foreign agencies for external resources mobilization and aid coordination functions in accordance with existing laws and regulations of the Government of Yemen. It also outlines the objectives and principles that shall guide the management and the effectiveness utilization of foreign aid for sustainable development and state building enhancement which are one of the biggest challenges facing the Government of Yemen. Yemen still has further to go and ensure to its citizens freedom and prosperous lives that will lead the nation to sustainable development.

Yemen endorsed *Paris Declaration on Aid Effectiveness* and the *Busan Partnership for Effective Development Cooperation* along with its bilateral and multilateral development partners, with the aim of stimulating increased efficiency in the provision and management of external aid. The present document builds on the spirit of the Paris Declaration and has been developed in the context of the *Busan Partnership*. It sets the ambitious goals that respond to Yemen's situation and needs. It is the outcome of extensive consultation with stakeholders from across the Government of Yemen, development partners, civil society and the private sector.

Whilst the Government of Yemen makes important efforts to realize a gradual reduction of dependence on external aid, it sees high quality aid as crucial to Yemen's development in the short and medium-term, especially in the context of the Arab spring which resulted so far in leadership change, as well as implementation of GCC implementation mechanism that was signed on 23 November 2011 in Riyadh, Saudi Arabia, and the Security Council of the UN resolution 2014.

Hereby, I would like to commend the effort of the United Nations Development Programme (UNDP) office in Sana'a for their assistance in the preparation of this policy paper under UNDP funded project, as well as for their support in setting up of a Development Assistance Database (DAD) ([www.yemensdp.org](http://www.yemensdp.org)) and preparation of the first Development Cooperation Report (DCR) which reflects the level of the received ODA for years 2008-2010. Since DAD system is entirely depends on the data entered by the donor on a regular basis, Ministry of Planning and International Cooperation will only analysis the information and prepare the DCR on an annual basis.

This strategic framework was adopted by the Government of Yemen at a Cabinet meeting held on xx **July 2012**. The Government places a high priority on all parties conforming to and complying with the policies outlined in this document that embody the principles of the *Paris Declaration on Aid Effectiveness*, the *Accra Agenda for Action* and the *Busan Partnership for Effective Development Cooperation*.

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## Acronyms

<b>BSc</b>	Balance Scorecard
<b>CPs</b>	Country Partners
<b>CSO</b>	Civil Society Organization
<b>DAD</b>	Development Assistance Database
<b>DevInfo</b>	Development Information
<b>DCR</b>	Development Cooperation Report
<b>DPPR</b>	Development Plan for Poverty Reduction
<b>DPs</b>	Development Partners
<b>GCC</b>	Gulf Cooperation Council
<b>GDP</b>	Gross Domestic Product
<b>GoY</b>	Government of Yemen
<b>MDGs</b>	Millennium Development Goals
<b>MoF</b>	Ministry of Finance
<b>MoPIC</b>	Ministry of Planning and International cooperation
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NAP</b>	National Action Plan
<b>NAR</b>	National Reform Agenda
<b>NGOs</b>	Non-Governmental Organizations
<b>NPP</b>	National Partnership Policy
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PIP</b>	Public Investment Program
<b>PPMO</b>	Public Procurement Monitoring Office
<b>PPP</b>	Public Private Partnership
<b>SWAps</b>	Sector Wide Approach programs
<b>TA</b>	Technical Assistance
<b>WB</b>	World Bank
<b>Yemen SDP</b>	Yemen Sustainable Development Platform

## *Background and Rationale for a National Aid Policy*

The importance of effective development cooperation is gaining increasing recognition and has been the subject of dialogue at several international fora and conferences. The Government of Yemen (GoY) adheres to the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), and has endorsed the Busan Partnership for Effective Development Cooperation at the Fourth High Level Forum on Aid Effectiveness (HLF-4) held in Busan, South Korea from 29 November - 1 December 2011. The Government of Yemen recognizes that the effective and efficient utilization of official development assistance (ODA) is critical to achieve the priorities of the *Transitional Program for Stabilization and Development (TPSD)*, 2012-2014, which will address the transitional requirements during the implementation of GCC Initiative and its Implementation Mechanism, and to improve aid effectiveness and management to maximize its benefit for the people of Yemen, as well as future development plans to overcome sustainable development challenges.

Recognizing the critical role that foreign aid occupies in the economy, this policy seeks to analyze and establish the guiding principles, objectives, priorities, policy instruments, monitoring and evaluation, problems and prospects of foreign aid in Yemen so as to maximize its impact and effectiveness in terms of achieving better development results. The paper begins with a brief review of the past performance of aid in Yemen. It then outlines the steps the government is undertaking to address these concerns, including the incorporation of new guidelines, policies and strategies aimed at influencing or regulating the flow and composition of aid, and thus ensure better utilization of such assistance. It also includes a discussion about the new initiatives on aid effectiveness in the context of Paris Principles on Aid Effectiveness 2005, Accra Agenda for Action 2008 and Busan Partnership for Effective Development Cooperation 2011, in order to reorient donor support to Yemen's development efforts with reinforced commitment and resources on a more predictable and reliable basis.

### **The Current Situation in Yemen**

The **2011-2012 Yemen Youth revolution** had a negative impact on development when all programs and projects were suspended due to low security aspects. In its early phase, protests in Yemen were initially demonstrating requesting constructive solution to address increase unemployment among youth and women, improving economic conditions and concrete step to fight corruption as well as against the government's proposals to modify Yemen's constitution. The protestors' demands then escalated to calls for the previous President of Yemen to resign. Mass defections from the military, as well as from the previous government including the ruling party, effectively rendered much of the country outside of the government's control, and protestors vowed to defy its authority. As a result of the deadlock in the political transition, the political, economic, humanitarian and security situation deteriorated with increasing rapidity and the Yemeni people suffered a great hardship. This situation required that all political leaders fulfill their responsibilities towards the people by the immediate engagement in a clear process for transition to good democratic governance in Yemen. Therefore, on 23<sup>rd</sup> November 2011, the signature of

the power-transfer agreement brokered by the Gulf Cooperation Council (GCC) in Riyadh gave birth to the transition period which is currently experienced by Yemen.

The Government of Yemen is aware of the many challenges it faces to achieve its development goals. Although significant progress has been made in the last three years, much remains to be done to improve aid effectiveness; both by the ministries and agencies implementing the development programs and projects, as well as by Yemen's development partners who need to harmonize their practices and procedures to minimize the burden on the limited capacities of implementing ministries and agencies, and ensure greater transparency in the utilization of resources that are reported to have been disbursed in Yemen.

The donor-Government of Yemen relationship has been positive in the recent years that have led to good achievements in the socio-economic arena and emergency assistance provided to persons that were affected by disasters, but since the commencement of foreign assistance, voices have been raised against themis-performance and non-performance from donors and recipients alike. Development assistance has led to dependency, eroded self-reliance, bred corruption, promoted inequality and intoxicated people with its short-term, myopic and unsustainable deliveries. In many instances such criticisms have proved valid, which strongly suggests the need for critical rethinking of the current concept, scope, motive, quality, utility and mobilization instruments.

Yemen is now engaged in charting out a course of development which stands on the plank of two-leg economy. On the one hand, Yemen wants to embark on a high, inclusive and sustainable economic growth with high return, massive investments in physical infrastructure coupled with the development of matching social capital. On the other hand, Yemen needs to take great care of the distribution of such growth opportunities to the people who have always been at the bottom, by enforcing all necessary measures with a more proactive and assertive role of the state. In the process, state building and poverty reduction are the overall goals of the TPSD and the 4<sup>th</sup> DPPR. These goals are to be achieved by focusing on four priorities:

- Finalizing the peaceful transfer of power and restoring political stability;
- Achieving security stability and enhancing the role of law;
- Meeting urgent humanitarian and material needs; and
- Achieving macroeconomic stability.

The Government of Yemen is thankful for the support of its external development partners (bilateral, multilateral agencies and NGOs) and hopes that they will continue to provide their support to enable Yemen to achieve its goal for state building enhancement and reducing poverty among its people. Accordingly to OECD/DAC database, on average, over the last three years (2008/2010), around US\$ 550.6 million per year have been reported by the external development partners to have been disbursed to Yemen. In recent years, however, there has been a significant shift in the composition of this assistance in terms of loans and grants. The loans component of official development assistance (ODA) stands at US\$ 253.4 Million (2008); US\$ 234.2 Million (2009); and US\$ 220.6 Million (2010). The increase in the loans portion as of 2008 of ODA compared to the figures of 2007 of US\$ 147.5 Million has an implication for future national budget allocations because of the resulting increase in the size of the national debt and related debt service charges.



## **Overview of the Past Aid Performance**

External assistance has played a crucial role in Yemen's progress over the last decade, and will continue to do so in the years to come. There are concerns about Yemen's foreign aid that – despite a significant flow of external resources into Yemen's development efforts over the years – the country has not been able to optimize the gains from the aid. Discrepancy between what Yemen indeed achieved and what it could have optimally achieved from aid resources is far too wide. It is generally recognized that whatever growth impulses Yemen had generated from past investments have remained too weak to impact substantively on increasing the productivity of the economy, reducing poverty, implementation capacity to mobilize aid has not significantly increased, and institutional capacity in many areas is still inadequate to respond to over-growing demands and challenges. This document sets out the Government of Yemen's vision for improved aid coordination and management and improved mutual accountability between development partners and the Government; and those policies which will turn this vision into reality.

The donor perspective on the performance of foreign aid in Yemen is built on the assumption that aid works, provided the preconditions, absorption capacity and enabling environment exists, for which the donors and national counterparts are both responsible. Donors – in response to concerns about limited capacities of national counterparts – have tended to work more directly with local bodies, civil society organizations (CSOs) and community groups or to engage their own implementing agencies and consulting institutions. However, they are increasingly realizing that there is no alternative to strengthening the country's national systems and to enhancing the institutional capacity of the Government to make aid work better, in the interests of the people of Yemen.

From the national perspective, it can safely be argued that aid has achieved successes in a number of areas such as building physical and social infrastructures like roads and facilities for health services, drinking water and education. However, despite the volume and magnitude of aid received by the country in the last decade, no commensurate improvement in public life has been noticed. In fact, going by the widespread popular perception, aid in most cases has led to concentration of wealth in certain pockets and even exacerbated income disparity among the people. It has become imperative, therefore, to conduct an independent evaluation of aid performance in Yemen to objectively and empirically suggest the fault lines as well as recommend the road ahead for implementing the Transitional Program for Stabilization and Development and the 4<sup>th</sup>- *Five Year Socio-Economic Development Plan for Poverty Reduction*. The key problems contributing to ineffective development cooperation and poor development results seen both from the donor and country perspectives are briefly outlined below.

The major concerns expressed by the donor community are:

- Lack of ownership, internalization and institutionalization by the government of the development programs and projects, particularly those financed by donors;
- Lack of leadership and direction by the government, particularly in expenditure prioritization and also in taking required responsibilities in designing, preparing and implementing the programs and projects.

- Unrealistic, ill-suited and top-down planning and budgeting process with little involvement of actual stakeholders, including local institutions, community groups and beneficiaries in program preparation and implementation;
- Pressure to increase development programs and projects beyond such level that can be effectively handled within the constraints of the country's limited institutional implementation capacity;
- Linkage between planned and actual results and budgetary allocations are weak;
- Systems are not fully functional to ensure that data are reliable;
- Weak public financial management and procurement systems and poor program supervision and monitoring, leading in turn to lack of accountability and transparency, leakages and misuse of resources.

The following concerns are often expressed by national counterparts of aid agencies:

- There is a mismatch of priorities between the recipient and donors;
- Many programs and projects are still excessively driven by donors rather than by the recipient. National counterparts recognize that the roots of this may in fact be Yemen's own limited capacities for engagement which give way to donor dominance. For example, most projects suffer from time and cost extensions due to the lack of adequate project planning and management systems that involve rigorous reviews of project formulation, implementation, supervision and evaluation.
- In many cases, sustainability, operation and maintenance aspects of the projects have been conspicuously ignored.
- In the absence of adequate appraisal, foreign aid has often focused on a multitude of small projects, which may have been unnecessary or even undesirable from the country's long-term perspective. This has led to proliferation in the number of projects, leading to aid fragmentation and duplication.
- In technical assistance (TA), there is a tendency to depend excessively on foreign expertise instead of tapping local technical capacities through enhancing the capacity of local institutions. Technical assistance especially when obtained through loans instead of grants creates enormous burden for the recipient.
- Yemen still does not have an appropriate and effective mechanism to evaluate technology aspects of foreign assistance, particularly capital assistance.
- Disbursing the aid committed to Yemen has been a slow process. The weakness in the country's institutional capacities may have contributed to this phenomenon.
- Sizeable amount of foreign aid has been flowing through various non-governmental organizations (NGOs), meaning that it was channeled outside of the government system and not recorded in the treasury. Operational modalities of NGOs often run in parallel with those of the government.
- Aid resources available to Government of Yemen have not all been reflected in the budget. Donors usually make direct payments to project accounts without informing the related ministries or departments. As a result, there are difficulties in updating the records and ensuring transparency and accountability in such transactions.



- Over the years, the Government of Yemen's stock of outstanding foreign debt and its debt servicing obligations have risen, as a result of utilizing foreign loans. Although these loans are concessional in nature with high degree of grant element, they still constitute a growing burden to the government treasury.
- There is a significant cultural gap between donor institutions and the country institutions.

Yemen's position on mobilizing foreign aid stands on the prime pillars of aid effectiveness such as national ownership and leadership, alignment, harmonization and mutual accountability. Any external support should be driven by national demands rather than supplied at the discretion of the donors. To ascertain such national demands, country's national planning and policy framework as well as sectoral policies should be taken as guiding frameworks for the alignment of assistance. Equally important, the unilateral imposition of conditionalities will not only delay and hinder implementation, but also fuel anti-reform sentiments among the people, so they should be eliminated or kept at a minimum, when agreed mutually.

### **Rationale for a National Aid Policy**

Historically, the Government of Yemen has lacked clear structures and guidelines for the mobilization and management of external assistance, exacerbating the problems. By endorsing the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation, Yemen committed to increase the effectiveness of the assistance it receives. It is intended that the present document will act as a strong foundation for improvements, on the part of both Government and development partners. Increased aid effectiveness is particularly important in improving service delivery to the Yemeni citizen and accelerating the implementation of the *Transitional Program for Stabilization and Development* and *4<sup>th</sup> Five Year Socio-Economic Development Plan of Poverty Reduction*.

The political transition the country is currently passing through has clearly created a momentum in favor of peace, democracy and development in the form of a 'compact'. This has become necessary for moving the agenda of peace and development simultaneously, and not letting development take a back seat with reduced focus and priority. This compact will involve the government and the people on one hand (defined by accountability framework), and development partners and the government on the other (based on accountability and predictability).

Reflecting on Yemen's special context of transition to transformation, it can thus be safely concluded that peace, democracy and development need to be intertwined in a simultaneous sequence rather than treated in isolation. Foreign aid needs to reinforce this inter-linkage and donors need to heed this approach. It is satisfying to note that there is a growing convergence of opinions among donors regarding this approach.

In today's development interface, donors and recipients are both development partners and aid is an engagement in development partnership. However, in order to become equal and meaningful development partner, Yemen needs to join hands with the donor community for acquiring matching sophistication and resources, both technical and financial, in mutual cooperation and partnership.

This document clarifies what Yemen needs to achieve with its assistance from Development Partners, preferences in terms of mobilization and management of assistance, and the changes necessary in order to reach the goals of the *Transitional Program for Stabilization and Development 2012-2014* and ***future plans***.

## *Objectives and Priorities*

By providing clearly articulated policy statements and action points, this document has two ultimate goals. These are 1) to increase the effectiveness of external assistance to Yemen, and 2) to provide a basis on which the additional assistance can be mobilized that is required by Yemen to meet its investment needs.

### **Purpose, Guiding Principles and Objectives**

The purpose of the Aid Policy of the Government of Yemen is five-fold, in response to five main challenges and opportunities for development cooperation in Yemen:

- 1) **Increase the levels of development assistance:** The levels of development assistance received by Yemen have been low in relation to other countries with comparable levels of need in terms of poverty and level of development.
- 2) **Improve the effectiveness of development cooperation:** The significant concerns about the effectiveness of aid in Yemen needed to be addressed to improve the impact of the aid provided and strengthen the case for increased aid from development partners.
- 3) **Support the implementation of the TPSD and the 4<sup>th</sup> DPPR:** The Government of Yemen has produced the *Transitional Program for Stabilization and Development* and the *4<sup>th</sup> Five Year Socio-Economic Development Plan of Poverty Reduction*, both of which require a substantial increase in net foreign financing (mainly aid).
- 4) **Implement international commitments and actions for effective development cooperation:** The Government of Yemen and its development partners are signatories to the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation.
- 5) **Forge new partnerships with additional development partners:** The number of donor agencies currently operating in Yemen is low by international standards. Establishing and communicating a clear policy framework should simplify the process of engaging with new donor agencies.

The national aid policy has been elaborated with the following guiding principles in mind, which build on the international commitments enshrined in the Paris Declaration and the Busan Partnership for Effective Development Cooperation:

- **Country ownership is of prime importance:** The Government of Yemen will continue to set its own development objectives and policies, and will seek to ensure that these are the outcome of broad dialogue and consultation across government, the private sector and civil society.
- **Consultation and dialogue with development partners:** This document is a statement of Government policy, and as such its content is 'owned' by the Government of Yemen. In order to ensure country ownership, the government will seek to mobilize external assistance in forms that do not undermine its autonomy. The importance of consultation and dialogue with development partners is recognized, and to this end the government has sought to consult with its partners throughout the development of this Policy.
- **Demand-driven nature of aid:** The national aid policy would form an integral part of the overall policy of mobilizing resources for development both

individual project level and economy-wide sectoral level. This requires foreign aid to be demand-driven. It will also ensure greater transparency, accountability and predictability both within and outside of the government system.

- **Inclusiveness:** In order to maximize the effectiveness of external assistance to Yemen, it is important that this and any subsequent statements of policy be inclusive in their nature. This document is therefore intended as a statement of government policy towards all official development assistance (ODA) received by Yemen.
- **Ultimate strive towards self-reliance:** While requesting for the increased quality and quantity of foreign aid during the short and medium term, it will be the government's policy to strive to achieve self-reliance and sustainability in the longer term by enhancing domestic resources mobilization and optimizing the opportunities for trade, investment and private capital inflow in the country.
- **Policy is a living document:** This statement of policy is intended as a living document, and it is envisaged that revisions will be made in the future, as the needs of the government and its development partners evolve over time, and as the government's capacities to implement reforms are strengthened.

The national aid policy is geared towards achieving several key objectives with a view to addressing the challenges and opportunities for development cooperation in Yemen listed above:

- **Improve alignment:** All aid to be aligned on agreed national priorities and strategies, either through national budget or by ensuring that it is provided with an overall planning framework that ensures it is directed towards agreed priority activities.
- **Strengthen coordination:** The national aid policy provides a vision and management framework for development partners to enable them to align assistance to Yemen priorities and a framework for coordination across the Government of Yemen to improve aid effectiveness. **Enhance state building and poverty reduction:** To enhance state building and reduce poverty by ways of effective utilization of foreign aid through high, inclusive, and sustainable economic growth with distributional equity, focusing on productive employment and improved linkages among public sector, cooperatives and private sector fostering Public Private Partnership (PPP).
- **Foster Yemen's self-reliance and exit from aid:** To create conducive climate for investment and trade by ways of effective utilization of foreign aid so that the dependence on foreign aid will be reduced leading to self-reliant economy in the long run.
- **Establish a partnership and accountability framework for effective development cooperation:** To define the partnership between government and development partners in line with the principles of aid effectiveness committed and reaffirmed through Paris Declaration 2005, Accra Agenda for Action 2008 and Busan Partnership for Effective Development Cooperation 2011, respectively.
- **Improving the transparency and predictability of aid flows:** To provide a framework through which information on foreign assistance to Yemen is shared with national counterparts, transparently and in time to improve the

predictability of aid. Incomplete reporting of ODA to the government (including that provided through NGOs) reduces transparency, and hinders the ability of the government to monitor and manage the assistance that Yemen receives. This information is critical to the planning and budgeting process, as well as the execution of the development budget.

### **Overview of Challenges for Effective Development Cooperation in Yemen**

Despite moves towards better coordination and dialogue on the part of both the Government of Yemen and its development partners, a number of problems remain. These problems continue to limit the efficiency and effectiveness with which assistance is delivered, and weaken the Government's case for the scaling-up of assistance in the short- to medium-term.

**Capacities:** The government of Yemen continues to suffer from capacity problems: The administrative, procurement and financial systems within Government are weak. The Government of Yemen's ability to attract and retain highly qualified and skilled staff remains limited, and this affects planning and negotiations and can result in poor coordination and implementation.

There is a lack of effective coordination between government agencies in the management of aid. In some cases, the lack of clear processes leads to line ministries and decentralized entities directly negotiating assistance with donors, thus undermining the role of Ministry of Planning and International Cooperation (MoPIC) in the management and coordination of assistance.

**Predictability:** There is a lack of predictability in aid flows. Politicization of aid remains an issue in Yemen. Excessive conditionality arises, and this may result in problems of predictability in terms of the volume, quality and timing of aid, which in turn stop or slow down implementation of pro-poor programs. Project support is in many cases characterized by implementation delays rather than lack of predictability as such.

**Transparent Information on Aid Flows:** A comprehensive database on development assistance to Yemen is still missing. As a result, the information available to the Government of Yemen on assistance received is fragmented and incomplete for management and monitoring purposes. It is difficult to obtain a complete picture of external assistance to Yemen, as some donors are unwilling or unable to meet the government's requests for information. This reduces levels of transparency and accountability in the delivery of assistance. At the same time, it is clear that the Government of Yemen may in some areas place unstructured demands on development partners for information, with different ministries and implementing agencies making requests for information, and then failing to share such information effectively.

**Alignment:** There is no effective process for ensuring that aid is coordinated and aligned with government priorities. Too frequently, donors continue to promote their own objectives at the expense of government ownership. Much assistance remains off-plan and off-budget, reflecting a lack in alignment with government priorities and systems. Some of the problems surrounding the lack of alignment are a symptom of

weak (or non-existent) strategies in some sectors, this often being the result of weak national capacities in planning. At the same time, some donor agencies remain constrained by their own institutional arrangements.



## *Improving Aid Effectiveness and Management*

The Government of Yemen and all of its major development partners are signatories to the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation. These international commitments bind both the Government and its development partners to implement policies and strategies that will increase the effectiveness of development cooperation with Yemen. As such the principles set out in the Declaration and the Busan Partnership for Effective Development Cooperation form the basis of the Government's definition of effectiveness.

Whilst the Government of Yemen aims to ultimately reduce its dependence on external assistance, simply increasing the effectiveness of the aid Yemen currently receives will be insufficient to enable the levels of investment required for Yemen to meet its development objectives (as set out in Yemen's *Vision 2025* and the *Millennium Development Goals*). It is recognized that the Government's case for the scaling up of aid is dependent on its ability to manage current volumes of external assistance effectively. In attracting additional external resources, the government will seek to ensure debt sustainability.

### **Mutual Commitments to Improve the Effectiveness of Development Cooperation**

Within the overall aim of improving aid effectiveness, the following principles of the Paris Declaration have been identified as central to improving the effectiveness of development cooperation in Yemen:

<b>Aid Effectiveness Principles</b>	<b>Targets for Yemen</b>
<b>(a) Operational development strategies</b>	clear linkages between the 4 <sup>th</sup> DPPR, sector strategies, budget and district development plans facilitating donor alignment to government priorities
<b>(b) Reliable country systems</b>	foreign assistance management , procurement and reporting systems are strengthened
<b>(c) Alignment of aid flow on national strategies</b>	all aid flows are reported on the Government's budget and in line with strategic plans
<b>(d) Strengthening of local capacities by coordinated support</b>	technical assistance is focused on knowledge transfer through coordinated programs consistent with Yemen's priorities
<b>(e) Use of country systems</b>	all assistance is delivered through Yemen's foreign and development assistance systems
<b>(f) Avoiding parallel PIUs</b>	The stock of parallel project implementation units (PIUs) is reduced

<b>Aid Effectiveness Principles</b>	<b>Targets for Yemen</b>
<b>(g) Aid is more predictable</b>	assistance to Yemen is disbursed as scheduled
<b>(h) Use of common arrangements</b>	significant increase in the proportion of assistance delivered in the context of sector-wide approaches
<b>(i) Joint mission and analysis</b>	joint missions and analytical work between donors becomes increasingly prevalent
<b>(j) Results-oriented frameworks</b>	harmonization of conditionalities is achieved and performance indicators are commonly defined
<b>(k) Mutual accountability</b>	independent monitoring mechanism in place

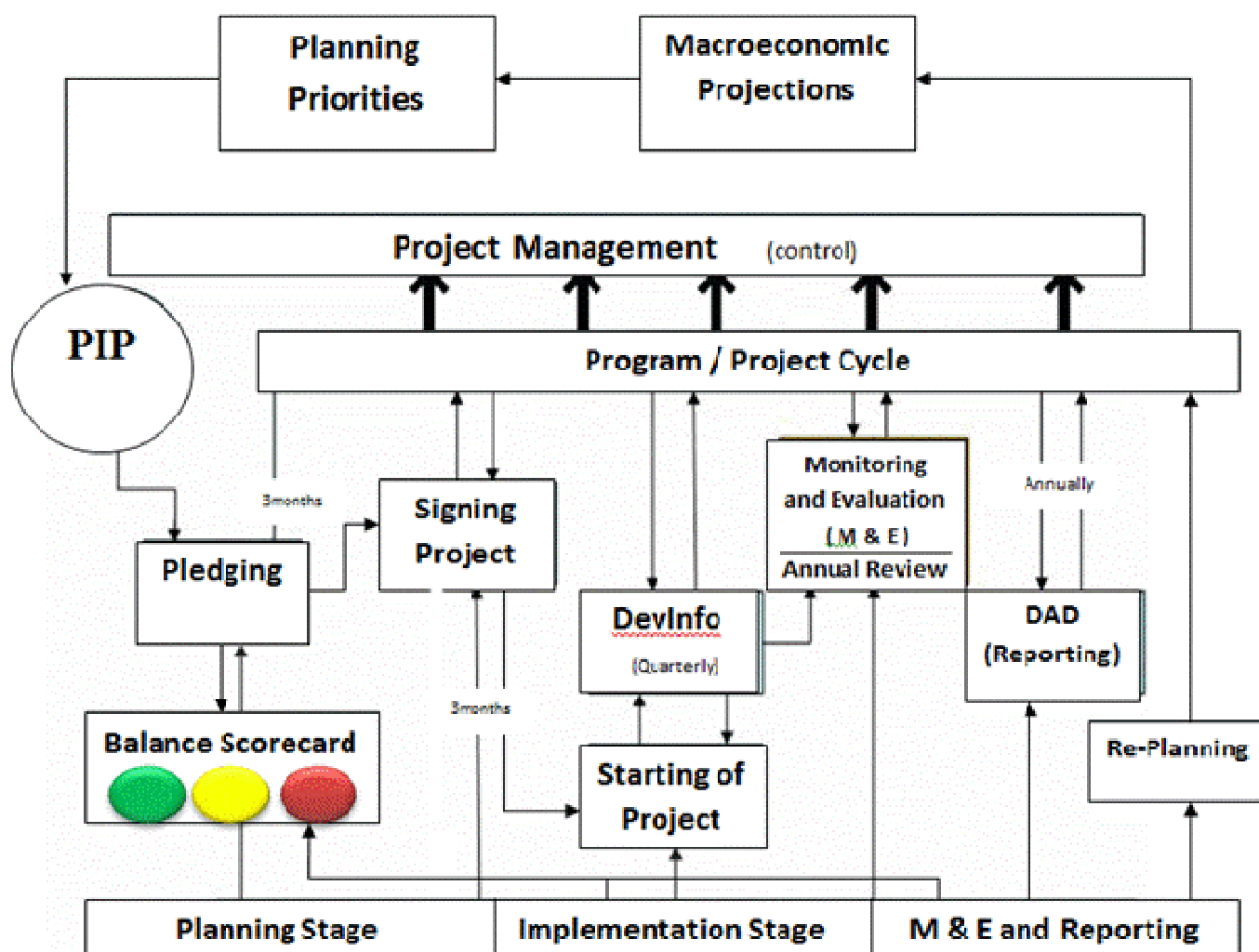
The above principles and targets will form the basis of regular donor-government performance reviews, which will be discussed within the framework of the Strategic Partnership Forum (see also section on Monitoring and Evaluation).

### **Mechanism and Process to Improve Aid Information Management**

As stated above, the Government of Yemen is experiencing considerable difficulties in maintaining detailed consolidated information of assistance received and what is planned for future allocations. The fact that much foreign assistance received remains off-plan or off-budget makes efforts to improve the intra-governmental coordination of the Government of Yemen more and risks undermining the transparency and accountability of its public financial management overall.

To remediate this situation, the Government of Yemen has put in place the [Yemen Sustainable Development Platform](http://www.yemensdp.org) (Yemen SDP) [www.yemensdp.org](http://www.yemensdp.org), which has been designed on a twin approach, on one hand to provide information in a transparent manner and on the other provide a working space for the Government of Yemen agencies and its partners in managing development agenda for results. The platform is meant to increase level of coordination among Government institutions and between Government of Yemen and its development partners. The platform is expected to support Ministry of Planning and International Cooperation efforts in aid effectiveness and aid management. On-line systems will be introduced such as Public Investment Program (PIP); Development Assistance Database (DAD); and DevInfo (for M&E) in order to improve aid effectiveness, management and reporting. These systems will be linked to a Balance Scorecard, which will empower the Ministry of Planning and International Cooperation to identify project cycle (i.e. planning, signing, implementation, M&E and reporting) impediments at its early stages and address them immediately. This platform will also facilitate intra Government agencies coordination and central Government coordination with its development partners.

Development cooperation with Yemen undergoes three stages in the program/project cycle: the planning stage; the implementation stage; and the monitoring, evaluation and reporting stage, as shown in the figure below



### *i. Planning Stage*

From the moment the donors pledge for Public Investment Program (PIP), all projects information will be entered in the Balance Scorecard, *figure (1)*, of the Yemen SDP, through which performance is monitored, including for the implementation of projects. The performance of providers is indicated by 3 colours: green, yellow and red – green gives an indication that the performance is on track, yellow indicates that it requires attention and follow up, and red indicates that the performance is off track. In order to ensure segregation of duties, a **Technical Office of the Minister of Planning and International Cooperation** will be responsible for the management of the Balance Scorecard and Monitoring & Evaluation as well as for analyzing data entered by donors in the DAD (on line system) and for the preparation of an annual ODA report (i.e. Development Cooperation Report).



*figure 1.*  
*BSc in Yemen*  
*SDP Platform*

The maximum lapse of time between the pledging of a contribution and the actual signing of the project (MoU/project document/agreement) is defined to be 3 months. The same maximum acceptable delay applies for the time between signing and starting of a project. In view of this, donors should be precise when determining the time periods for each stage. The aim of fixing and monitoring these delays is to improve donor performance and increase the predictability of aid; thus supporting the project's objectives and making aid more effective.

### *ii. Implementation Stage*

Throughout the implementation of a project, it is controlled by means of specific methods and instruments in order to ensure the transparency of the project parameters, particularly with regard to financial commitments and disbursements and as to whether the project is on track to achieve the desired development results. The DAD and DevInfo systems are dedicated to facilitate such control, by collecting clear information on the projects' implementation. The Balance Scorecard overview of the implementation stage includes information on performance with regard to annual budget implementation and quarterly delivery (expenditures), as well as development results.

iii. Monitoring, Evaluation and Reporting Stage

Throughout and towards the end of a project cycle, the project implementation is monitored evaluated and reported on, so that potential problems can be identified in a timely manner and corrective action can be taken, when necessary, to adjust the implementation of the project. The primary purpose of monitoring and evaluation is to assess whether the project is actually achieving the development results that it is expected to achieve. Monitoring and evaluation of development results is facilitated by the DevInfo system, while the reporting on financial the financial aspects of project implementation is facilitated by the DAD system.

**Improving and Using Government Internal Systems**

The Paris Declaration states (paragraph 17) that “using a country’s own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country’s sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring. Also according to Busan Partnership document paragraph 19: *“The use and strengthening of developing countries’ systems remains central to our efforts to build effective institutions. We will build on our respective commitments set out in the Paris Declaration and Accra Agenda for Action to: a) Use country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country.”*

**The Government of Yemen is committed to the strengthening of national institutions and systems but recognizes that substantial progress is required** in a range of areas of reform before all government institutions and systems are effective in managing resources. Sector and institutions that have proved most effective in managing aid in Yemen (such as Social Fund for Development) have tended to use specially developed arrangements that have allowed general constraints on effective government functioning (for instance inflexibilities in the hiring and firing of staff) to be by-passed. The Government of Yemen considers that it is appropriate to continue to use such mechanisms as a pragmatic means of increasing the effectiveness of the management of aid (and of domestic resources managed through the same arrangements), pending progress in system wide reform that is likely to yield fruit in the longer term. The Government of Yemen recognizes the risks (stressed in the Paris Declaration) the poorly designed approaches to the development of such arrangements may undermine government capacity and contribute to the fragmentation of the management of aid. However, successful institutional innovations may also point the way towards more effective ways of providing and managing government activities that may in the future be mainstreamed into the overall public service reform agenda.



**The Government of Yemen therefore considers that the continuing use of special institutional arrangements is both a pragmatic solution to the problem of increasing the speed, flexibility and impact of assistance in the face of significant constraints to government capacity, and can provide guidance for making the overall functioning of government more effective.** However, in order to maximize the positive impact of such arrangements (including in some cases project implementation units) and to minimize their potential negative side effects, a clear policy framework and guidelines need to be developed and existing project management arrangements should be reviewed against these. Responsibilities for ensuring that appropriate aid management arrangements are in place need to involve MoPIC, the Prime Minister's office, the line ministries responsible for implementation and government agencies responsible for overall public service capacity and effectiveness.

**A review of current project implementation arrangements should be undertaken, including:**

- Preparation of a comprehensive listing of all project implementation units and related mechanisms, including documentation of their operating procedures for instance in relation to staff selection, management and remuneration, division of responsibilities with line ministries and other government organizations, reporting and oversight arrangements, and indicators of efficiency and effectiveness.
- Development of a set of guidelines based on experience and emerging best practice on how such arrangements should function.
- Preparation of an Action Plan for the review and rationalization of project implementation arrangements across government in order (a) to improve the effectiveness of the resources managed through them (b) to contribute to the strengthening of overall government capacity. This could include, for instance, consideration of whether there should be a single integrated PIU for each major aid receiving sector or government organization, or whether there is a scope for amalgamating and simplifying the institutional structure.

**Over time, reviews of selected country systems should be undertaken jointly by the Government of Yemen and key development partners, using mutually agreed diagnostic tools.** The Government of Yemen will prioritize reviewing the country systems that have been identified as bottlenecks with technical and managerial constraints in the 4<sup>th</sup> DPPR, particularly procurement systems, reporting and financial management systems, systems used for project design and preparation and other. Based on the results of these assessments, providers of development cooperation will decide on the extent to which they can increase their use of country systems. Where the full use of country systems is not possible, the development partner will state the reasons for non-use, and will discuss with government what would be required to move towards full use, including any necessary assistance or changes for the strengthening of systems. The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes.



### **Monitoring and Evaluation of Development Results**

The Government of Yemen encourages its development partners to move towards use of the national systems to monitor and evaluate the development results that their assistance has contributed to; thus simplifying monitoring, evaluation and reporting, and ultimately reducing the burden on both government and donors.

The government lends its full support to joint missions and analytical work. Joint sector reviews should report on targets agreed in strategic plans, namely the link between expenditures and results, with the outcomes of this feeding into the following year's policy actions. The GoY seeks to facilitate these and other forms of joint and/or delegated cooperation between development partners.

Improved reporting of donor activities to GoY is essential if aid management is to be improved. At the same time, the GoY recognizes that for donors to provide comprehensive, timely and accurate data, the data collection process must be simplified. The DAD put in place by MoPIC will act as an interface between development partners, NGOs and government for the collection, verification and basic analysis of data pertaining to all external financial assistance to Yemen. It is foreseen that the DAD system will be integrated and directly relate to information on development results that are captured by the GoY's *Devinfo* system; and MoPIC is responsible for communicating information to, and training of both development partners and line ministries in the use of these systems as necessary for the monitoring of external financial assistance, once the tools are operational.

In order to ensure transparency and accountability in its relations with development partners, the GoY will make data on its external financial assistance from these systems freely available.

## *Policies Instruments and Preferred Aid Modalities*

The Government of Yemen considers that alignment to government priorities and the cost-effectiveness of support provided should be the main factors in determining whether an offer of aid should be accepted or not. Cost effectiveness (including but not limited to the financial terms on which aid is provided, such as grant or loan) and alignment is increased to the extent that aid is delivered without extraneous or excessively complex conditions, and through mechanisms coordinated between donors.

Strong strategic plans are essential in all sectors if alignment of donor funds to national priorities is to be achieved. Some existing sector strategic plans and policies must be improved to strengthen donor alignment, and to do this end the Government will take steps to ensure that these contain clear objectives and targets, which are consistent with plans at the national level, and are the outcome of a consultative process involving development partners. All external assistance packages in a sector should be identified in an updated annex to the sector strategic plan, with sectors ultimately developing a comprehensive sector-wide approach (SWAp).

### **Responsibilities in the Mobilization and Management of External Resources**

There is often a concern from donors that several aspects of project implementation need drastic improvements to enhance the effectiveness of aid. To address this concern, which is mostly valid, the Government of Yemen will focus on complying with measures agreed jointly during the mutual donor-GoY dialogues, consultations and M&E meetings such as the Strategic Partnership Forum and Annual Reviews regarding the choice of implementation modalities and mutual commitments to improve the effectiveness of aid.

**Adhering to prudent resource allocation and management procedures:** Aid effectiveness depends, *inter-alia*, on realistic budgeting, prioritization of public expenditure programs and screening of projects. In this respect, special attention will be paid to the improvement of the budget formulation process as follows:

- The linkages between annual budgeting and periodic plans will be further strengthened through coordination of activities among MOF, MoPIC and line ministries, through the MTEF process.
- Budget allocation will follow clearly defined priorities and ranking of projects in terms of their potential for achieving sectoral and national development targets. Adequate considerations will be given to forward planning for resource needs of on-going projects and programs so as to complete projects by stipulated times and to avoid cost and time overruns.

In order to avoid over-stretching of the development budget, rigorous project screening and evaluation of new foreign-aided projects will be made mandatory before they are included in the development budget.

**Effective project planning and implementation:** Project planning exercises will be undertaken at the beginning of the project cycle. Such exercises would focus, among other things, on the justifications of projects, the extent of foreign aid resources

required, implementation schedules, etc. and would cover all key aspects of project formulation, identification, selection, and monitoring and evaluation. Institutional capacity for project planning exercise would be strengthened.

GoY will redouble its efforts to improve implementation of projects financed by domestic and foreign resources by:

- making counterpart funds available in time,
- decentralizing decision-making authority all the way down to the project or program managers in the field, and holding them responsible for performance, and
- enforcing donor compliance to new GoY laws on procurement that clearly spells out new procurement procedures including standard bidding documents and strengthening PPMO for effective monitoring.

**Improvement in project evaluation, impact study, supervision and monitoring:**

Rigorous project evaluation, as well as impact studies of at least major projects will be undertaken. A strong feedback mechanism capable of incorporating voices of stakeholders and interested parties will be established. A system of "public hearing" on impact study reports of the projects will be initiated. A reasonable number of aid projects implemented under each sector will be studied on a periodic basis by independent groups of experts. Supervision as well as monitoring of the project implementation will be strengthened and established wherever necessary in order to avoid problems and to deliver expected benefits. For making supervision and monitoring effective, efforts will be made to create project-monitoring committees at operational level.

**Encouraging "common pool" and joint financing approach:** GoY will encourage a "common pool" approach whenever co-financing arrangements are involved so that implementing agencies are not bound to submit separate reports as required by multiple donors and the limited capacities of institutions are not over-stretched. The recently developed basket-funding approach that has a simpler reporting format applicable to every individual donor in the consortium will be put into operation. In this model, the cost-sharing of individual project components has to be decided mutually between donors and GoY. It requires GoY to assume full ownership in program execution. GoY shall be made accountable for program outputs and the use of funds. However, the government would also allow separate stand-alone financing of projects, as usual. Hence, there would be two windows modality for financing projects and programs. However, irrespective of the nature of funding windows, the project should fit in sectoral priorities. Implementation of programs/projects by development partners creating parallel structure will not be encouraged.

**Strengthening financial management:** The financial management of foreign-aided projects will be strengthened as follows:

- Financial disbursement will be closely linked to comprehensive reporting of expenditure by spending units, including indicators of physical progress of projects (DAD, Devinfo, Balance Score Card, etc...).
- In foreign-aided projects/programs, submission of reimbursement claims on a timely basis will be ensured.

- Audited financial statement will be made available within six months of the completion of the fiscal year. Delays in submission of expenditure statements will be penalized.
- Retroactive financing in foreign-aided projects will not be allowed unless and otherwise agreed with the concerned donor in advance, and upon agreeing with the donors, quick disbursements for such financing will be ensured to meet the objectives of the project,
- Financial accountability system will be further strengthened with effective Action Plan, enforcement of Social or Public Audit and other harmonization procedures,
- The budget release process and its criteria will be made fully transparent, and
- Results framework that puts emphasis on broader outcomes and impact will be fully adhered to, going beyond reading and verifying the statistics to prove progress, while evaluating the performance and delivery of the project.

**Improving disbursements:** Mechanisms will be identified to increase foreign aid disbursement in order to reduce the gap between the commitment and utilization of aid funds. In order to address this problem, GoY will make necessary arrangements to reduce delays that come up at various stages. In this respect, top priority will be accorded to making project management more efficient, by addressing bottlenecks and problems, which hamper project activities and schedules. Likewise, reimbursement procedures and practices will be reviewed and actions taken to speed up the process. Donors will also be expected to become flexible and responsive for quicker disbursements and simplify their procedures, including through more delegated authority from to their country offices. This would indeed go along the spirit of the Busan Partnership for Effective Development Cooperation which emphatically highlights 'mutual accountability for results' on account of a shared responsibility of donors and the country.

**Improving procurement:** GoY recognizes that sound procurement policies and practices are essential to fully utilize funds. In pursuance to this recognition, a new set of procurement laws has been enacted and put into effect, which has incorporated the best global practices in the field, including on developing standard bidding documents (SBDs). The new rules are in consonance with those applied in the international agencies, and donors have already shared their inputs and extended support to them. Now the issue in hand is to ensure its effective implementation, by seeking full compliance to it from the donors as well. A high-level body under the Office of the Prime Minister and Cabinet has been in place which of course needs necessary teeth before it really takes off. The gap between the country's regulatory and financial framework for procurement and donors' procurement guidelines and rules will be reduced.

**Procedural improvements:** Several procedural improvements will be further introduced and strengthened to enhance the effectiveness of foreign aid, both grants and loans. These include, among others,

- rationalizing and making uniform and consistent revenue exemptions and other facilities including immunities provided in relation to aid-supported activities;
- introducing clarity in the terms and provisions of treaties, agreements and understandings previously entered into with the donor countries and

institutions with a view to improving efficiency and effectiveness of aid through standardization, coordination and uniformity in external resource management; and

- establishing criteria for the acceptance of external aid, in light of the country's rising public debt burden, as noted earlier.

**Alignment of donor systems:** Donors will be required to align their financial management system including accounting, reporting, auditing and procurement with that of the government. Equally notably, they will also be required to accept Central Organization for Control and Auditing (COCA) as the independent and legitimate auditing authority for auditing all accounts related to foreign-aided projects.

### **Preferred Aid Modalities**

The Government of Yemen's preferred modality for financial assistance is un-earmarked direct budget support. Nevertheless, it also recognizes that a 'mixed' portfolio in terms of the modalities through which assistance is delivered can be beneficial. It is however concerned that certain types of assistance bring limited benefits, as the costs of accepting such assistance are often high.

With view to meeting the objectives of this national aid policy, the Government of Yemen prefers the following policies and aid modalities:

**Grant Aid:** As opposed to loans, grants will not impose any fiscal burden on future generations and do not constrain the already tight fiscal structure of Government of Yemen. Yemen needs to encourage grants for short and medium term projects and utilize them most effectively. Co-financing arrangements through grants shall also be emphasized for financing expenses of overhead and technical support of projects. The Government of Yemen will be selective in receiving grants; no grant aid below **USD million** will be accepted except grants for humanitarian support, emergency needs, and budget support. When providing grant aid, the Government of Yemen encourages donors to consider using the following modalities:

- ***Sector Budget Support:*** In cases where un-earmarked direct budget support is not an option, the Government of Yemen encourages donors to consider providing direct budget support through the treasury that is earmarked to a particular sector. Such support will be sought in the context of sectoral and /or microeconomic programs where donors and national counterparts have agreed sectoral plans and appropriate means of support.
- ***Sector-Wide Approach (SWAps):*** Yemen will encourage aid predictability and longer-term partnership from donors. To enhance harmonization both in terms of policy and process, program based approaches and measures such as SWAps will be applied to a large extent. Donors that do not want to support a SWAp through sector budget support are required to align their assistance as closely to the national sector plan as possible and coordinate jointly through the SWAp.
- ***Joint Programming and Pooled Funding Approach:*** Donors will be encouraged to undertake joint programming of development assistance in order to channel resources to priority areas on the basis of nationally defined priority areas and to agree on joint funding in the case of large projects

requiring multi-donor involvement. With regard to the program formulation, funding and implementation modalities of such programming, consultation with and leadership of the government would be required. This approach is consistent with the modalities for basket funding mechanisms or multi-donor trust funds, which based on commonly agreed upon joint funding mechanism. These approaches are useful in reducing the transaction costs, avoiding duplication of efforts as well as developing effective partnerships for development. In cases where disbursements of aid resources fall below expectations, joint recipient-donor investigations would be undertaken to look into the causes and suggest remedial measures.

**Concessional Loans:** Loan assistance would be utilized selectively, after careful scrutiny of the purpose, content and benefits of such programs and projects in order to reduce the burden of external debt, while contributing to accelerating growth and meeting socio-economic objectives. Yemen would encourage a closer partnership between the government and multilateral donors so that they can jointly examine the implications of these loans in terms of their contribution to economic and social development.

The Government of Yemen further encourages its development partners to consider the following provisions when defining the parameters of their assistance:

- **Technical Assistance:** Technical assistance needs to make a sustainable contribution to Yemen's development process. Reliance on technical assistance and expatriate consultants shall be gradually phased out by building domestic institutional capacity through the appropriate use of human resources, facilitating the transfer of expertise and technical know-how, and making appropriate and selective use of technical assistance. Efforts will thus made to transform technical assistance into knowledge support through knowledge dissemination and exchange.
- **Counterpart Contributions:** As a rule, GoY would prefer that its partners reduce requirements for pre-defined levels of the government's counterpart-funding. Such conditionalities of external assistance limit the GoY's capacity to autonomously manage its available financial resources and to flexibly react to unforeseen needs that may arise in the short term, particularly in the context of the current transition. The GoY will undertake to channel its resources according to its own priorities as outlined in the TPSD and the 4<sup>th</sup> DRRP; but – in accordance with the principle of ownership – it would prefer that it takes its own decisions about how, when and in which areas this should be done. As a result, the preferred requirement for counterpartfunding is zero.



## *Aid Coordination, Partnership Building and Mutual Accountability*

In keeping with the principles of this policy, it is vital that aid coordination mechanisms in Yemen are integrated into pre-existing and / or planned systems, in order to strengthen the coherence of structures and ensure the sustainability of the aid coordination framework.

Continuing international engagement in Yemen as business as usual, as in the current situation, is a recipe of failure. The lack of high-level and strategic priority setting, co-ordination, decision making, information and risk sharing among the government, development partners, and other stakeholders reduces the collective impact of interventions to address Yemen's development challenges as well as addressing its fragility. More effective and innovative approaches that involve pro-active relationships among all those concerned, as well as a high degree of flexibility to address the fluid nature of transition is highly needed. Such approaches not only improve priority setting, selection of financing modalities, implementation and risk management during transition but also aid effectiveness, transparency and mutual accountability.

**The Strategic Partnership Forum (SPF)** is a coordination mechanism established by MoPIC to enhance partnerships within the GoY (among different line ministries and government bodies); with donors and external partners, with relevant stakeholders (beneficiaries of governmental services and programs, NGOs, marginalized groups, etc.) as well as among donors, local beneficiaries and government. It is a Government of Yemen owned and led simple structure that is based on the Paris Declaration and the Busan Partnership; a mechanism that goes beyond funding and financing towards effective, consultative, inclusive and harmonized implementation; a mechanism for partnership and mutual accountability between national counterparts and development partners (GCC as well as traditional development partners); a forum for effective prioritization, exchange of technical expertise and addressing implementation challenges as they occur; and a dialogue forum that proved successful in most transitional countries but also applicable for post-transition.

The SPF does not to duplicate any existing structures, forums, and working groups/clusters but rather to accommodate, improve partnerships, make full use, and align such existing structures within the SPF and based on development priorities (more details in Annex 3):

- The existing donors' forum plays the role of a key body to better inform the SPF. The Chairs of the donor forum are to be co-chairs of the Strategic Partnership Committee (SPC) to reflect points/concerns that are raised during the donor forum and that are of interest to donors. The donor forum might also opt for nominating some of its members to co-chair. The existing donor coordination forum is to continue as an independent body to address sensitive issues that are exclusively donors related and that are not necessarily to be shared with others.
- The existing beneficiaries' forums plays the role of a key bodies to better inform the SPF. These include civil society, youth, women, entrepreneurs, etc. and other forums and committees that already exist or to be established during transition. They are to make sure that the voices of those beneficiaries and

disfranchised groups are heard and acted upon during both planning and implementation. Heads of such forums are to be members of the SPC and their constituencies are members/heads of the different working groups as decided within these groups. Existing beneficiaries' forums are to continue as independent bodies to address sensitive issues that are exclusively related to those beneficiaries and that are not necessary to be shared with others.

- The current working groups/clusters play a major role to better inform the SPF and its working groups. These include those established under the UN, G10, donor organizations and external partners as well as those established on the government side. They are to all be aligned to SPF working groups. Duplication of working groups is to be eliminated and, if needed, clusters and similar working groups are to be joined to improve the link between humanitarian and development work.
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## *Implementation of the National Partnership Policy*

The Government recognizes that its ability to implement effective leadership over aid management is contingent on its own capacity, as well as that of other stakeholders. Building systems takes time, and the articulation of this policy is the first stage in a labour-intensive process that requires a joint compact between Government, development partners and other stakeholders in the development process. In keeping with the principles of ownership and of national capacity development, the GoY already signed a two-year multi donor project **“Emergency Capacity Development Facility”** implemented with the support from UNDP to provide capacity support in four interrelated modules of interventions: 1) organization leadership; 2) aid coordination and partnership; 3) socioeconomic reforms; and 4) national dialogue process. With this focused capacity focused initiative, the GoY will work with its partners to ensure that its capacity to assert and implement effective leadership is strengthened in a sustainable manner.

The GoY is keen to ensure that the implementation of externally financed projects and programs currently underway is not adversely affected by the adoption of this policy. Disruption to such assistance may reduce, rather than increase, its real value. It is therefore intended that a phased approach be adopted in the implementation of this policy, which will not be applied retrospectively.

### **Development of a National Action Plan**

Upon adoption of this policy by the Cabinet, MoPIC will be tasked with the drawing up of a National Action Plan (NAP) for the effective implementation of this policy. The NAP will be developed jointly by the GoY and the development partners and will show the road map for future aid management, partnership and mutual accountability. This plan will prioritize actions on the part of government bodies, taking into account the government's capacities to implement change. The action plan will comprise a number of components, as identified below:

**Communication strategy:** A strategy for sensitizing stakeholders at both central and decentralized levels to the content and implications of the present policy will be devised and implemented. This will ensure that all GoY employees involved in the negotiation and management of external assistance are able to fulfill their roles as implementers of the policy.

**Manual of procedures:** A manual providing detailed advice on the processes of negotiation and management of aid will be devised, in order to ensure adherence to responsibilities. This document will provide clear guidance on the responsibilities of different government actors at each stage in the process, the necessary documentation, and timeframes within which requests must be actioned.

**Strengthening of GoY capacities for aid management:** An assessment of capacity needs to facilitate the management of aid will be undertaken, and on the basis of this, a prioritized capacity building plan will be devised and implemented, to include capacities in central and local government, as well as other bodies managing externally sourced resources. Training in the use of government systems relevant to the management of aid will be undertaken. Steps will be taken

to ensure that comprehensive information on the activities of international NGOs is collected. Steps will be taken to ensure that the present policy is implemented in a manner that is consistent with the principles set out in Yemen's policies on decentralization.

**Commitments of development partners:** This document sets out how the GoY intends to fulfill its international commitments to increase the effectiveness of development cooperation – international commitments made jointly with all development partners that have endorsed the Busan Partnership for Effective Development Cooperation. The GoY will continue to consult with its donors on the content and provision of this National Aid Policy. It will encourage them to provide clear statements on how they each see their role and invite them to jointly sign a statement of mutual commitments to implement these commitments in Yemen. Subsequent to this, a joint proposal to support the implementation of this policy will be elaborated. International NGOs active in Yemen will also be invited to set out how they intend to respond to the government's adoption of this Policy.

**Joint monitoring of progress:** A survey of aid effectiveness was conducted jointly with the development partners in 2008 which pointed to a number of important areas to improve and suggested a host of measures. Such surveys will be regularly conducted and their recommendations will be implemented with utmost priority. In consultation with donors, MoPIC will develop a performance assessment framework to monitor the implementation of international and national commitments for effective development cooperation through systematic reviews at all level that will automatically be captured at the balance scorecard [www.yemensdp.org](http://www.yemensdp.org). Annual implementation review of such reports will be also published and shared publically.

### **The Way Forward**

"Foreign Aid" by its very nomenclature denotes a charity by donors who dole out money to the recipients. This orthodox notion of aid should be changed in favor of development cooperation and partnership whose terms and conditions are primarily defined by the recipient and, when mutually agreed, implemented with the recipients sitting on the driver's seat. Cooperation with actively progressing country like Yemen means all forms of "external financial resources" which are entwined more in trade, investment and private capital infusion rather than be defined as conventional aid alone. This is the age of global interdependence, and cooperation in its redefined way would supplement rather than replace domestic initiatives and efforts globally on a necessary scale.

Our challenge now is to mobilize these external resources for Yemen's development to achieve self-reliance and sustainability. The country will gradually move to that direction with increased focus on domestic resources mobilization as well as all available economic resources externally available. The country will no longer receive aid on a never-ending basis. Our abundant natural resources and cultural endowments, our hardworking, honest and dedicated workforce, our diversity and tolerance, our resilience and patience and our guts and resolve to fight against all forms of injustice are our invaluable assets which should be optimally utilized for country's development. These assets can by no means be substituted with any amount of foreign money or foreign knowledge.

International initiatives on enhancing the effectiveness of development cooperation such as Paris Principles on Aid Effectiveness, the Accra Agenda for Action and Busan Partnership for Effective Development Cooperation have clearly defined basic elements for enhancing aid management and spelt out necessary measures to be undertaken. They have as well stated the obligations to be met both on the part of development partners and the national counterparts in that direction. The GoY is seriously committed to complying with them, and would expect the development partners to reciprocate in the matching spirit. The National Aid Policy is guided by these international initiatives on effective development cooperation but customized to the national context currently defined by the ongoing agenda of overall socio-economic transformation with peace, inclusive development and democracy manifested in the TPSD and the DPPR 2011-2015.

A National Action Plan on Effective Development Cooperation in Yemen – developed jointly by the GoY and the development partners – is meant to localize the principles of effective development cooperation. It will refer to the actions set out under this policy.

In nutshell, this National Partnership Policy will help develop a common platform for effective development cooperation – to be further detailed in the NPP – which will lead Yemen's aid architecture toward being a more selective, harmonized and self-led process to bring out more sustainable and self-reliant outcomes for the country. All necessary and possible efforts will be made to implement this policy including through full utilization of the proposed institutional arrangement.