



Republic Of Yemen
Ministry of Planning and International Cooperation

A Partnership to Improve the Flow and Absorption of External Assistance to Yemen

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Background

This analytical study on the flow and absorption capacities for external assistance is intended to inform the Consultative Group (CG) meeting or/and International Donor Meeting of donors to Yemen, scheduled to take place in Riyadh, Saudi Arabia, in September 2012. It has been elaborated against the backdrop of Yemen's political unrest and crisis in 2011 and the subsequent Gulf Cooperation Council (GCC) Initiative and Agreement on the Implementation Mechanism for the Transition in Yemen. The GCC Initiative and the 2012 United Nations Security Council Resolution No. 2014 on Yemen call upon the international community to offer assistance for implementing the GCC Initiative in order to facilitate Yemen's transition. The Government of Yemen has elaborated the *Transitional Program for Stabilization and Development (TPSD)*, 2012-2014 to address the transitional requirements during the implementation of GCC Initiative and to improve the effectiveness and management of development cooperation to maximize its benefit for the people of Yemen. The Government recognizes that the effective and efficient utilization of official development assistance (ODA) is critical to achieve the priorities of the TPSD.

ODA has played an increasingly important role in Yemen's progress over the last decade, and has gained additional significance to accompany and support the ongoing transition. Yet, there are concerns 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 development cooperation. Discrepancy between what Yemen indeed achieved and what it could have optimally achieved from ODA resources is far too wide. It is generally recognized that Yemen's implementation capacities to maximize the benefits from external assistance have not significantly increased, and institutional capacity in many areas is still inadequate to respond to over-growing demands and challenges. At the same time, external support to Yemen has often been fragmented; appropriate coordination mechanisms are lacking to harness the possible gains of these partnerships.

This study provides an analytical overview of the absorption capacity for external assistance to Yemen and identifies challenges and opportunities for strengthening national capacities, as well as for improving the coordination and management of development cooperation. It also offers recommendations and practical guidelines to improve mutual accountability between the Government of Yemen and its development partners, so that all stakeholders jointly engage in an equal partnership to increase the volume and effectiveness of ODA flows and national absorption capacities – in support of the transition and to maximize its benefit for the people of Yemen.

Constraints and Solutions to Improve the Flow and Absorption of External Assistance

The development partners' perspective on the performance of foreign assistance in Yemen is built on the assumption that development cooperation works, provided the preconditions, absorption capacity and enabling environment exists, for which the development partners and national counterparts are both responsible. Development partners – 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 cooperation work better, in the interests of the people of Yemen.

From the national perspective, it can safely be argued that development cooperation 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 ODA 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, ODA has in most cases 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 the performance of development cooperation 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 future *Five Year Socio-Economic Development Plans*.

Yemen's position on mobilizing foreign assistance stands on the prime pillars of effective development cooperation 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 development partners. 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 conditionality's 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.

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 also a lack of effective coordination between government agencies in the management of development cooperation. In some cases, the lack of clear processes leads to line ministries and decentralized entities directly negotiating assistance with development partners, 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 ODA flows. Politicization of development cooperation 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 ODA, 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 ODA 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 development partners 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 development cooperation is coordinated and aligned with government priorities. Too frequently, development partners 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 development partner agencies remain constrained by their own institutional arrangements.

Improving the Effectiveness and Management of Development Cooperation

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. The Government has recently established the Strategic Partnership Forum as an inclusive stakeholder platform to enhance the partnership between the Government of Yemen, external partners and direct beneficiaries and stakeholders.

Whilst the Government of Yemen aims to ultimately reduce its dependence on external assistance, simply increasing the effectiveness of cooperation that 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 development cooperation 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 the effectiveness of development cooperation, the Government of Yemen is committed to monitoring the implementation of actions and commitments of the *Busan Partnership for Effective Development Cooperation*. To this end, the following targets and indicators of the Busan Partnership's global monitoring framework should guide the Government of Yemen and its development partners' mutual accountability framework for improving the effectiveness of development cooperation in Yemen.

| Busan Partnership Principle | Indicator for Yemen |
|--|---|
| 1. Development co-operation is focused on results that meet developing countries' priorities | Extent to which development partners use the TPSD to align their support for transition and development results. |
| 2. Civil society operates within an environment which maximizes its engagement in and contribution to development | Extent to which the Government of Yemen and development partners create an enabling environment for civil society to exercise its role as independent development actors. |
| 3. Partnering to improve the environment for private sector development | Degree of inclusion of private sector stakeholders in dialogue around policy strategies and reforms of the enabling environment for private sector investment and development. |
| 4. Transparency: information on development co-operation is publicly available | All donors are on track to implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on development cooperation. |
| 5. Development cooperation is more predictable | (a) annual: proportion of aid disbursed within the fiscal year within which it was scheduled by donors; and (b) medium-term: proportion of aid covered by indicative forward spending plans provided at the country level. |
| 6. Aid is on budgets which are subject to parliamentary scrutiny | % of aid scheduled for disbursement that is recorded in the annual budgets approved by the legislatures of developing countries. |
| 7. Mutual accountability among cooperation actors is strengthened through inclusive reviews | Participation of all development partners in a government-led mutual assessment of progress in implementing agreed commitments for effective development cooperation. |
| 8. Gender equality and women's empowerment | Existence of systems that track and make public allocations for gender equality and women's empowerment. |
| 9. Developing countries' systems and institutions are strengthened and used | (a) Quality of Yemen's PFM systems; and (b) Development partners' use of country PFM and procurement systems. |
| 10. Aid is untied | % of aid that is fully untied. |

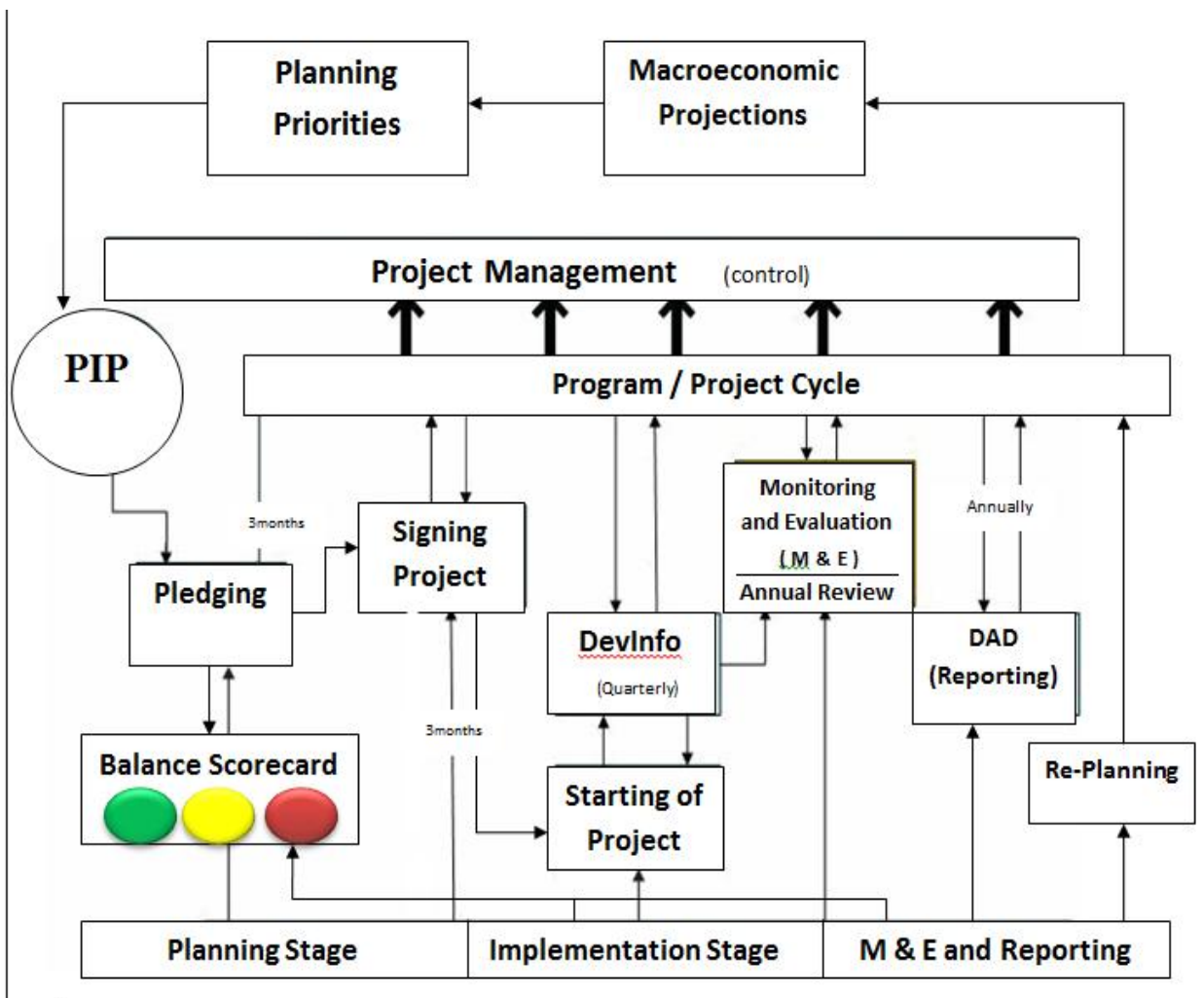
The above principles and targets should form the basis of regular development partner-government performance reviews that will be discussed within the framework of the Strategic Partnership Forum (see also section on Monitoring and Evaluation).

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](#) (Yemen SDP), 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 the Ministry of Planning and International Cooperation's efforts to improve the effectiveness of development cooperation through improved aid information 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:



Planning Stage

From the moment the development partners pledge support, all projects information should 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 colors: 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, **the Ministry of Planning and International Cooperation** should be responsible for the management of the Balance Scorecard and Monitoring & Evaluation as well as for analyzing data entered by development partners 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
website
www.yemensdp.org

The maximum lapse of time between the pledging of a contribution and the actual signing of the project (MoU / project document / agreement) should not exceed 3 months. The same maximum acceptable delay should apply for the time between signing and starting of a project. In view of this, development partners should be precise when determining the time periods for each stage. The aim of fixing and monitoring these delays would be to improve development partners' performance and increase the predictability of ODA; thus supporting the project's objectives and making development cooperation more effective.

Implementation Stage

Throughout the implementation of a project, it should be 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).

Monitoring, Evaluation and Reporting Stage

Throughout and towards the end of a project cycle, the project implementation should be 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 would be 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 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 ... 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.”

Busan Partnership (para. 19)

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 development cooperation 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 development cooperation management (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 development cooperation management. 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 management arrangements for development cooperation 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 enhancing 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 assistance 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 should prioritize reviewing the country systems that have been identified as bottlenecks with technical and managerial constraints in the TPSD, 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 should state the reasons for non-use, and 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 development partners.

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 development partner activities to GoY is essential if aid information management is to be improved. At the same time, the GoY recognizes that for development partners 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 should make data on its external financial assistance from these systems freely available.

Recommendations and Actions

The Government of Yemen recognizes that its ability to implement effective leadership over development cooperation management is contingent on its own capacity, as well as that of other stakeholders. Building systems takes time, and the articulation of this envisaged partnership is the first stage in a labor-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 should work with its partners to ensure that its capacity to assert and implement effective leadership is strengthened in a sustainable manner. The Strategic Partnership Forum should serve as the inclusive stakeholder forum for dialogue and mutual accountability in this regard.

Agreement on a Transition Compact to Support the TPSD

The Government of Yemen is committed to implementing the *Transitional Program for Stabilization and Development (TPSD) 2012-2014* to address the immediate needs of the population in all regions of Yemen, as called for by the Gulf Cooperation Council's Initiative's Agreement on the Implementation Mechanism for the Transition in Yemen. The TPSD builds on the framework of the *Fourth Socio-Economic Development Plan for Poverty Reduction 2011-2015* and has been elaborated in consultation with all relevant parts of government, civil society, the private sector and external partners.

The TPSD is accompanied by a Transition Compact between the Government of Yemen and its development partners that reflects the partnership agreement to support the implementation of the TPSD and contains (i) a framework for transition financing on the basis of a matrix on external support to the TPSD priorities, (ii) a statement of mutual commitments to improve the effectiveness of cooperation in support of the transition – guided by the Busan Partnership and the Government of Yemen's National Partnership Policy – and (iii) a partnership and accountability framework that builds on the Strategic Partnership Forum and the Yemen Sustainable Development Platform.

Launch of a National Partnership Policy

At the same time, the Government of Yemen reaffirms its international commitments to improve the effectiveness of development cooperation by adhering to the *Paris Declaration on Aid Effectiveness* and endorsing the *Busan Partnership for Effective Development Cooperation*. In light of these commitments, it has elaborated a National Partnership Policy as the strategic framework for effective development cooperation in Yemen.

The policy spells out the role and responsibilities of the Government of Yemen, external partners and other stakeholders for effective cooperation and partnership, in accordance with existing laws and regulations of the Government of Yemen. It outlines the objectives and principles that shall guide the management and the effective utilization of cooperation for stabilization and development, which is one of the biggest challenges facing the Government of Yemen today. The National Partnership Policy is meant to localize international principles of effective development cooperation and will help develop a common platform, which will lead

Yemen's cooperation architecture toward being a more selective, harmonized and self-led process that brings out more sustainable and self-reliant outcomes for the country.

Development of a National Action Plan

Upon adoption of the National Partnership Policy by the Cabinet, MoPIC will be tasked with the drawing up of a National Action Plan for its effective implementation. The National Action Plan will be developed jointly by the GoY and the development partners and will show the road map for future management of development cooperation, 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, including (i) a communications strategy for sensitizing stakeholders at both central and decentralized levels, (ii) a manual of procedures that provides detailed advice to different government actors on the processes of negotiation and management of development cooperation, (iii) a roadmap for strengthening the Government of Yemen's capacities for development cooperation management, (iv) joint commitments of the Government of Yemen and its development partners on how to implement the National Partnership Policy, and (v) a joint performance assessment framework to monitor the implementation of national and international commitments for effective development cooperation.

The Way Forward

"Foreign aid" by its very nomenclature denotes a charity by development partners 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.

At the same time, our challenge now is to mobilize these external resources to accompany Yemen's transition towards stabilization and development and 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 assistance 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 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 the management of development cooperation and spelt out necessary measures to be undertaken. They have stated the obligations to be met in that direction by development partners and by national counterparts. The Government of Yemen is seriously committed to complying with them, and would expect the development partners to reciprocate in the matching spirit. The National Partnership 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 towards peace, inclusive development and democracy manifested in the TPSD.