

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Yemen Policy Note 5:

Aid Coordination and Delivery



WORLD BANK GROUP

Table of Contents

Acronyms	1
Acknowledgements	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
IMPACT OF THE CONFLICT ON THE PRIVATE SECTOR	6
Physical Damage	6
Impact on the Labor Market	7
Impact on Access to Input Materials and Markets	9
Impact on Access to Finance	10
SECTORAL ANALYSIS AND POLICY RECOMMENDATIONS	10
TRADE SECTOR	10
Institutional Constraints	11
Impact on Trade Flows	12
Trade Infrastructure	13
Road Network and Land Ports	16
Trade Costs and Trade Logistics	17
Trade Financing	18
Sector Recommendations	18
FINANCIAL SECTOR	19
Constraints in the Sector	21
Depletion of Foreign Exchange Reserves	21
Weak Banking Sector Solvency	21
Severe Restrictions in Correspondent Banking Relationships with Yemeni Banks	22
Weak Intermediation Capacity	23
Sector Recommendations	23

CONSTRUCTION SECTOR	25
Constraints in the Sector	26
Financial institutions and the role of the CBY	28
Sector Recommendations	28
KEY RECOMMENDATIONS FOR ACCELERATING	29
The Role of the Private Sector in Socio-economic Resilience and Recovery	29
Recommendations for the short to medium term (3 to 24 months)	29
REFERENCES	35
List of Tables	
Table 1: Composition of and impact on employment by sector	8
Table 2: Impact of the Conflict on Yemen's Critical Commercial Exports	12
Table 3: Impact of the Conflict on Yemen's Critical Commercial Imports	13
Table 4: Current Status of Yemen Ports	14
Table 5: Assets, Deposits and Equity of Banks in Yemen (2014)	20
Table 6: Financial soundness indicators	22
Table 7: Imports of construction & building materials	27
Table 8: Wartime status of Yemen's main cement plants	27
List of Figures	
Figure 1: Incidence of physical damage to businesses	7
Figure 2: Workers laid off by area	9
Figure 3: Logistics Performance Index for Yemen over time	12
Figure 4: Average delays in entering ports in Yemen, October 2016	14
Figure 5: Yemen road access map, December 2nd 2016	16
ANNEX 1: Overview on Damages to Commercial Road Network and Wartime Alternatives	34

Acronyms

APA	Alternative Procurement Arrangements
ARTF	Afghanistan Reconstruction Trust Fund
CDR	Council for Development and Reconstruction
EB	Executive Bureau
EODP	Emergency Operations Development Project
EU	European Union
FCV	Fragile, Conflict and Violence
FIDIC	International Federation of Consulting Engineers
FPA	Fiduciary Principles Accord
GCC	Gulf Cooperation Council
GEMAP	Governance and Economic Management Assistance Program
GoY	Government of Yemen
HATC	High Authority for Tender Control
HTB	High Tender Board
IDPs	Internally Displaced Persons
IHIP	Internationally Humanitarian Infrastructure Partnership
IMF	International Monetary Fund
ISIS	Islamic State of Iraq and Syria
LIWs	Labor Intensive Work Programs
MAF	Mutual Accountability Framework
MDTFs	Multi-Donor Trust Funds
MENA	Middle East and North Africa region
MOPIIC	Ministry of Planning and International Cooperation
OECD	Organization for Economic Cooperation and Development
PCU	Project Coordination Unit
PIU	Project Implementation Unit
PM	Prime Minister
PMTs	Project Management Teams
PMUs	Project Managing Units

PPSD	Project Procurement Strategy for Development
PWP	Public Works Project
RPBAs	Recovery and Peace Building Assessments
SDF	Social Development Fund
SDRF	Somalia Development and Reconstruction Facility
SOEs	Statement of Expenses
SWF	Social Welfare Fund
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Emergency Fund
USAID	US Agency for International Development
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization
Y-SECCG	Yemen Socio-Economic Consultation and Coordination Group

Acknowledgements

This policy note is the result of a team effort that relied on knowledge, experience, and guidance from individuals across the World Bank Group. The note was led by the Asbjorn Wee (Fragility, Conflict, and Violence) with significant collaboration with regional procurement expertise from the Governance Global Practice under the guidance of Yolanda Tayler (GOV). The core team consisted of Corey Pattison (FCV), Nabil Shaiban (FCV), Luis Prada (GOV), Jamal Abdulla Abdulaziz (GOV), and Simeon Sahaydachny (GOV) and Walid H. Al-Najar (GOV). Wilfried Engelke (MFM), Nadia Piffaretti (FCV) and Balakrishna Menon Parameswaran (GSURR) provided overall guidance and advice throughout the process.

Yemen Policy Note Five: Aid Coordination and Delivery

1. Summary:

1. ***This policy note outlines options for aid coordination and delivery in Yemen. It draws on a vast amount of experiences and lessons learned from post-conflict recovery and peacebuilding processes both in Yemen and elsewhere over the past decade.*** Its central message is that timely international support and targeted financial aid will be critical to the implementation of a new peace agreement in Yemen, but delivery of this support will have to be carefully designed, sequenced, and coordinated in order to overcome divisions and assist Yemen in addressing the challenges driving the cyclical nature of conflict in the country. The recent relapse into conflict reaffirms the need for a special emphasis on building institutions able to address or balance key conflict drivers. This note highlights the importance of focusing efforts in the immediate term on sequencing and coordinating while the conflict is ongoing, and negotiations move forward to support immediate recovery programming once negotiations achieve a positive outcome.
2. ***This note argues that the peace dividend, that is recovery and development, and humanitarian assistance need to be effective immediately to build peace and overcome the causes of conflict.*** In particular, this note argues that planning, coordination and implementation of arrangements need to reflect the dual

challenge of providing immediate peace dividends and humanitarian response to Yemenis in need. At the same time such arrangements should strengthen national systems and capacities that are needed to eliminate poverty, promote development objectives, and help to build peace. These challenges are compounded by the fact that expectations will be extremely high during the immediate aftermath of the latest round of conflict, absorptive capacity will remain limited for years to come, and the government capacity to deliver will be hindered by its lack of access and legitimacy in certain parts of the country even following a peace agreement.

2. Key Challenges and Considerations

2.1. Overview and challenges:

3. ***Yemen has experienced repeated cycles of violence and several past attempts to promote peace, recovery, and reconstruction.*** The most recent round of conflict has its roots in a post-2011 political transition process that was unable to produce consensus on key power sharing arrangements. It reflects not just a breakdown in the National Dialogue Conference, the centerpiece of the 2011 political transition, but exposed continued contestation around fundamental ideas regarding the structure of the state, levels of decentralization, and national identity. In parts of the country, the legitimacy and capacity of the central government's

authority remains disputed, at times violently.¹

4. ***Yemen's cycles of conflict reflect a pattern of 21st century fragility and conflict: today, many countries face repeated cycles of violence, weak governance, and instability driven by security, justice, and economic stresses that compound weak institutions.***² To break out of this cycle, national governments need to build legitimate institutions which can provide security, justice, and jobs. Transforming institutions is a generational project that requires building confidence of national stakeholders through inclusive coalitions and early results that demonstrate ability to deliver immediate peace dividends and meet expectations of the population.
5. ***Peace is not brought by the signature of a peace agreement but by implementing the agreement.*** While prospects of a new peace deal in Yemen are currently uncertain, proactive preparations, planning and coordination of international support in parallel to the active conflict will be critical to both: to facilitate immediate improvements in people's lives and livelihoods, to kick-start the recovery process, and to prepare to address the many underlying challenges and grievances that have fueled conflict and violence in the past. Rebuilding Yemen's economic and social infrastructure and providing services and tangible benefits to the population will become paramount once a political end to the conflict has been secured, on which the viability of the political agreement and Yemen's socio-economic future will depend.

¹ International Crisis Group, "Yemen: Is Peace Possible?" 9 February 2016.

² World Bank, 2011 World Development Report: Conflict, Security, and Development.

6. ***Moving from a political agreement towards sustainable peace requires addressing the many challenging elements that triggered and fueled conflict in the past.*** This includes restoring public confidence in the ability of the government to provide security to all citizens, re-capacitating government systems to provide key public services throughout the country to facilitate livelihood, reduce poverty, address inequality, tackle the needs of IDPs, to rehabilitate public infrastructure, and encourage private sector activity to create jobs, and, critically, aligning state structures and levels of political, administrative, and fiscal decentralization to create and further a national political consensus on the form and function of government systems.

7. ***Finding ways to address continuous insecurity, weak institutional capacity, lack of cohesion among international partners, and unrealistic expectations will be critical for the success of national and international efforts in a post-agreement Yemen:***

- ***First, security will likely remain a challenge post-peace agreement.*** The current round of fighting has witnessed a proliferation of armed actors in the country, including fundamentalist groups that will not be part of any new political settlement. The fragmentation of security, particularly outside the capital, will considerably constrain the resumption of normal service delivery and implementation of programming to support improvements. Private sector investment and trade is also likely to be severely affected. Security concerns were largely behind the

lack of attention paid to some areas of the country during the 2011-2014 transitional period; these conditions will likely be exacerbated by the intensification of the conflict since 2014.

- *Second, government reach and institutional capacities have been severely damaged by the conflict.* The ability to deliver services—and the legitimacy to do so in some parts of the country—will have to be rebuilt and regained, respectively. Development partners, who for the most part were forced to leave the country due to the conflict, will similarly be constrained by the need to re-establish a presence and re-open their aid programs before delivery can commence. The likely focus on humanitarian aid during the early stages of the re-engagement period will also further constrain government efforts to rebuild critical capacity, given the preference for third party delivery inherent in this instrument.
- *Third, the peace agreement is likely to be followed by a large-scale promise of international support, but Yemen's past experience has shown the difficulties to absorb high levels of aid pledges.* Development aid pledges for Yemen doubled in volume from \$3.7 billion in 1997 and 2006 to an unprecedented \$7.8 billion in 2012. However, only a limited amount of this pledge actually materialized. Over the 3-year period, only 30 percent of the total aid was disbursed including a \$1 billion Saudi deposit in the Yemen Central Bank.³
- *Fourth, the lack of coherence among humanitarian, development, and security partners might become problematic given the proliferation of agendas and actors.* To address the human security and development needs, it is important that security, humanitarian, and development agendas mutually understand and reinforce each other during the pre- and post-peace phases; however, coordinating these diverse agendas, their disparate actors and expectations will be a significant challenge. The Ministry of Planning and International Cooperation (MOPIC) is in charge of the coordination process between international and governmental partners. However, MOPIC faces its own institutional weaknesses related to public administration, project development and public investment management.
- *Fifth, it is critical that the diverse international donors supporting Yemen, including OECD and GCC donors, dialogue, plan, and act in concert toward mutually agreed-upon outcomes.* This will require enhanced coordination efforts in order to avoid lack of coordination witnessed during the 2011-2014 period. In the past, Western donors concentrated on government economic reform delivery (and counter-terrorism) as a precondition for aid, whereas GCC donors linked aid with the implementation of the GCC Initiative, and focused on capacity challenges in preparing and implementing infrastructure projects
- *Sixth, the assumed mismatch between expectations that come*

³ World Bank briefing note to Yemen Economic Consultation and Coordination Group, 2 June 2016

with peace and the time it takes to deliver real improvements in people's lives imposes a significant risk. A new peace deal will likely generate expectations of large-scale and immediate improvements, while implementation capacity will be constrained by the security situation and a range of other interlinked challenges impairing the state's service capability, as the 2011 World Development Report demonstrates, creating legitimate institutions that can prevent falling back into violence requires significant time: even the fastest transforming countries have taken between 15 and 30 years to raise their institutional performance from that of a fragile state—Haiti is an example—to that of a functioning institutionalized state, such as Ghana.⁴

- *Finally, given Yemen's own history, international financial support risks becoming politicized as actors move to implement the peace agreements. It will be important that international donors agree upon support within a framework of mutual accountability to avoid divergent, and even contradictory, approaches and outcomes. Such a framework, while important, will also have to overcome skepticism related to the past use of mutual accountability agreements in Yemen.*

2.2. Considerations

8. ***International experience suggests that effective and close coordination and collaboration will be required to address the many challenges, along with early policy discussions,***

planning, and implementation of humanitarian response, recovery and reconstruction, peacebuilding and development efforts, including during active conflict. Overall, there is a need to ensure that the immediate relief and recovery period promotes confidence and trust between former conflict parties, allowing aid to have an assisting but also transformative impact to help break the cyclical nature of violence. The signing of the political accord will need to be quickly underpinned by visible early action that builds confidence in the process within the population. The donor community will need to engage in actions for post-conflict recovery, reconstruction, peacebuilding and socio-economic stabilization while continuing and possibly expanding humanitarian assistance. This includes a broad spectrum of activities along the path out of conflict and active coordination and collaboration between security, humanitarian, and development agendas.

9. ***Lessons from successful international examples of post-conflict support suggest the following as key points of consideration:⁵***

- *Ensure national strategic leadership of the process from the start.* Past support to recovery and peacebuilding in countries such as Indonesia and Nigeria shows that the process needs to be coordinated and managed by Government and national stakeholders, but that international support can be helpful and instrumental both in terms of bringing necessary technical knowledge and financing, and in terms of supporting explicit efforts to

⁴ 2011 World Development Report.

⁵ World Bank, Review of Experiences with Post-Conflict Needs Assessments 2008-2015, April 2016.

generate national consensus around the recovery and peacebuilding project, which can include supporting the development of the public investment management systems.

- *Use international support to promote consensus around a new social, economic and institutional vision that can guide recovery and peace building.* Experiences from the Eastern European transition economies have highlighted the need to define a vision that future support can be organized around it. Yet, Yemen's own example offers a reminder that this vision also needs to be widely consulted and communicated to ensure that recovery priorities are understood

and accepted by the population.

- *Focus on prioritizing efforts that can immediately support reconstruction and give space for peace consolidation within a sequenced framework for longer-term development.* Recent recovery and peace building plans in Northeastern Nigeria and Central African Republic have placed emphasis on immediate actions that are both critical, visible, and possible to implement in the current environment, while also moving beyond the narrow reconstruction focus to promote inclusion, social cohesion and state legitimacy across the country. Careful prioritization and sequencing of activities have

Box 1: Dual Accountability in Afghanistan and Liberia

Examples from Afghanistan and Liberia show how aid instruments and different degrees of external oversight and accountability have been used to both build and speed up the transition toward using country systems:

In Afghanistan, pooled donor financing was used to support state-building process and reconstruction. The Afghan Interim Authority Fund (AIAF) was established immediately following the liberation to support recurrent expenditure by the Afghan Interim Authority. The Recurrent Cost Window was carried forward by the larger Afghanistan Reconstruction Trust Fund, jointly set up and managed by the World Bank, the Asian Development Bank, the Islamic Development Bank, the United Nations Assistance Mission in Afghanistan (UNAMA) and UNDP. RCW started off as quasi-unconditional budget support disbursed against the submission of expenditure statements that met a set of eligibility criteria related to expenditure category and compliance with PFM laws and procedures. Eligibility was verified by an Independent Monitoring Agent (MA), contracted directly by the WB, who acted as additional layer of controls and monitored, supported, and reported on the efficient and effective implementation of program. While still a parallel structure, the MA acted as an additional layer of internal rather than external control, thus allowing it to produce valuable information that was used both to promote financial management and fiduciary standards and to help the finance ministry and national audit office to meet them. By way of demonstration, the ARTF's standards have influenced how the government conducts the control and audit function for regular public expenditure.

In Liberia, the Governance and Economic Management Assistance Program (GEMAP) was a multi-donor agreement signed by the National Transitional Government in early 2006, along with USAID, the EU, IMF, WB, African Union and the Economic Community of West African States. GEMAP was based upon the premise that in order to restore the public trust in government and attract investments, Liberia had to stem the diversion of state resources, manage public finances transparently, deliver services, and demonstrate the political will to prosecute corruption. The unique feature of GEMAP (and also the most controversial) was the placement of international financial controllers in key state-owned enterprises, and experts in the Ministry of Finance, Bureau of Budget and Treasury. These experts were granted co-signing authority on spending and were therefore managerial rather than advisory in capacity, as distinct from other public sector support programs.

Source: OECD (2012)

been introduced in these plans over the short and medium term, as well as recognition of the link between humanitarian, security and development tools and objectives, based on jointly agreed prioritization criteria.

- *Recognize that conflict response can be used to transform the way institutions and systems function post-crisis.* The experiences from Indonesia in particular suggest that the government, with international support, can use the post-conflict response to root out corruption and improve accountability, procurement and oversight functions over time. By introducing additional oversight to the Trust Funds that are often established to finance the recovery period, as was also done through GEMAP in Liberia and the ARTF in Afghanistan (Box 1), the government was able to gain a better overview of the full resource envelope available for recovery and peace building efforts, and donors gained higher degree of confidence in the transparent and accountable use of these resources.

- *Build on existing capacity for oversight, fiduciary, and implementation, rather than the creation of parallel structures.* Experiences from other countries in the MENA region, including Iraq and Lebanon, highlight the importance of utilizing existing oversight bodies for procurement, implementation, and oversight, which, with the World Bank support, had been significantly strengthened prior to the crisis. This would avoid undermining those positive reforms and also avoid weakening rather than strengthening institutional development and governance in Yemen. Between 2011 and 2014 Yemen's Social Fund for Development and Public Works Project (Box 2), for example, demonstrated capacity to effectively absorb and disburse significant donor support, although scaling up support to these programs did not receive the highest priority of the government. It is estimated that Yemen four major social safety net programs (SFD, PWP, SWF, and Rural Access Roads Program) could absorb over \$1.3 billion USD, and thus could serve as an effective platform for timely

Box 2: Yemen's Social Fund for Development and Public Works Project

Entities such as SFD and PWP can be critical to quick reengagement of the World Bank once Yemen is on a path toward peace. For example, SFD and PWP have a good track record and are well reputed as regards their political neutrality, the technical quality of their projects, their contributions to building the capacity and quality of local community groups and of small and medium private sector contractors and enterprises, all of which are important for Yemen's recovery and reconstruction. Despite the significant impact of security and funding challenges, SFD and PWP, which have well-established community networks, continue to operate and adapt to the current environment. SFD and PWP, have strong and extensive experience in mitigating risks related to service quality and social accountability. Moreover, the implementation capacity and fiduciary arrangements of SFD and PWP have been confirmed by a recent UNDP capacity and readiness assessment. Engagement with such groups will help to ensure the preserving of local implementation capacity and the resilience of much-needed employment and service delivery programs in the post-conflict recovery phase. Furthermore, SFD and PWP have extensive experience in labor-intensive works, community-based interventions, and small and micro enterprise development.

Source: World SoSource: World Bank

and effective disbursement and absorption.

- *UN agencies may play a critical encompassing role in ensuring early service delivery.* To bring services quickly up and running, established procurement mechanisms are of high importance. Flexibility in designing procurement arrangements is available under the Bank Guidance on the use of streamlined Procurement Arrangements for Projects in Situations of Urgent need for Assistance or Capacity Constraints. The World Bank itself would be a source of advising on flexible procurement options, available under the Bank's new Procurement Framework. These include the possibility of engaging UN agencies (e.g., UNIFEC, UNDP, WHO) which have a track record of service delivery through partnerships with local institutions and stakeholders, especially at the community level, including having a strong presence on the ground and experience in partnering with SFD and Labor Intensive Work Programs (LIWs) interventions in Yemen. For example, the UNDP has continued active presence in the country despite the conflict, and has significant field presence with over 100 national and international staff currently operating in Yemen in crisis response and recovery efforts. From the point of view of the Bank's Procurement team, given the unique FCV situation in Yemen, UN agencies may conduct project implementation/support as needed using their own procurement arrangements. In such a scenario, the Bank would agree up-

front that the procurement rules of the UN implementing agency – as an “agency ... of the Borrower” – would be acceptable to the Bank and could be used, in line with the Alternative Procurement Arrangements (APA) provisions in the Bank's new Procurement Policy Framework. Under such an analysis, no waivers on procurement policy matters would be necessary, including waivers of the United Nations Fiduciary Principles Accord (FPA) established pursuant to the World Bank and UN Fiduciary Principles Accord for Crisis and Emergency Situations.”⁶

3. Lessons Learned from Yemen's Transitional Experience

3.1. Planning

10. ***Yemen's transitional experience (2011-2014) demonstrates the need for international development partners to closely coordinate, through government, humanitarian, development, security and political agendas so that they are mutually reinforcing.*** As outlined above, there is a need to ensure that the immediate relief and recovery period promotes confidence and trust between former conflict parties, allowing aid to have a transformative impact and help to break the cyclical nature of violence. To this end, planning for a recovery strategy to guide efforts in the immediate period should not be delayed until the conclusion of the political dialogue but rather work in concert with it by

⁶ World Bank and UN Fiduciary Principles Accord for Crisis and Emergency Situations, (SecM2008-0404), endorsed by World Bank Executive Directors 7 October 2008.

informing that process with an empirical assessment of the needs and costs of recovery. International development partners can support the Government through undertaking joint planning and analysis, such as that may lead to a formal partnership through a recovery and peace building needs assessment, in order to improve coordination from the outset and commit to mutually-reinforcing sectoral agendas.

11. ***Special emphasis on proactive planning for the recovery period is based on Yemen's experience after 2012, when international development partners pledged approximately \$10 billion USD based on an estimated gap of \$11 billion proposed by the Government of Yemen.*** Only a minor proportion of that total, however, was actually disbursed—around 30%—largely

due, as mentioned above, to challenges of absorptive capacity but, critically, also to a deficit of effective planning and management of the committed funds. This deficit, in turn, stemmed from insufficient matching of resources with empirically verified needs, inadequate prioritization and sequencing of aid programming, and, generally, a deficit in government ownership over the planning process.

12. ***Recovery efforts should be based on a government-led, mutually owned strategy that prioritizes different needs and brings the efforts together.*** This is the objective of a *Recovery and Peacebuilding Needs Assessment (RPBA)*, which is designed as a joint assessment carried out by national stakeholders and multilateral agencies. An RPBA normally produces

Box 3: Recovery and Peacebuilding Assessments (RPBAs)

An RPBA is a joint, structured approach to assess and address recovery and peace building requirements in a country experiencing conflict or in transition from a conflict-related crisis; it therefore helps to gain a deep understanding of both *needs* and *priorities*. It has three primary purposes:

- To help governments and their international partners to identify, prioritize and sequence recovery and peace building needs, priorities and related activities;
- To provide an inclusive process to support dialogue and participation of stakeholders in the identification of recovery and peace building priorities, and resource mobilization; and
- To coordinate international support through a joint assessment exercise and implementation planning.

An RPBA fits within a broader and long-term process to support countries in conflict or recovering from a conflict-related crisis, and should therefore be grounded in a shared understanding of the impact and underlying causes of the conflict. The strategic value of the RPBA process is threefold; it provides an evidence-based assessment of recovery and peace building requirements, a platform for consensus-building and prioritization, and mechanisms for identifying the implementation and financing arrangements required to deliver on these priorities. An RPBA should not be seen as a one-off data collection exercise or a sectoral needs assessment, but an on-going process of gathering and analyzing information that can inform the response.

RPBAs are carried out through a three-step process: A ***pre-assessment*** is designed to provide some initial guidance on the process in order to decide whether an RPBA is necessary, and to provide inputs on the scope, objectives and institutional arrangements; this stage of the process may also provide an initial indication of the recovery and peace building issues to consider if the assessment goes ahead. The second element, ***assessment, prioritization, and planning*** includes the assessment of recovery and peace building needs and their prioritization in the context of a strategic recovery and peace building plan, and is accompanied by a results matrix. It also presents options for implementation (including coordination and monitoring arrangements), and financing-related issues. The third element, ***validation and finalization***, focuses on ensuring that the plan is agreed upon, and that the necessary arrangements to begin the implementation and financing are in place.

Source: World Bank

an agreed upon strategic, prioritized and sequenced recovery and peace building plan and results matrix as well as proposals for implementation and financing arrangements (Box 3).

3.2. Coordination

13. ***Based on the principle of coordination of support toward stabilization, peacebuilding and recovery in Yemen should be based on accountability and transparency, the Government of Yemen (GoY) and international development partners agreed during the previous transition on a Mutual Accountability Framework (MAF).*** The MAF aimed to bind the transitional GoY to some agreed reforms. It was considered a key component of the previous transitional architecture, in order to (1) respond to the demands voiced in the upheaval of 2011 (e.g. improved governance), and (2) to facilitate aid delivery and growth (including through staged and phased reform steps). Reform milestones listed in the MAF were also seen to bind and motivate donors in delivering committed aid (Riyadh donor conference of September 2012) - the “mutuality aspect” of the MAF. By adding a time horizon to the various reforms steps and commitments made on both sides, a sequence of mutually planned events could clearly and explicitly be established. The MAF also offered an important entry point for public scrutiny, and guided also the GoY communication with citizens, and donors. As in the case of the Executive Bureau (EB) of 2013, it remained unclear whether the MAF could have been effective as implementation time did not suffice due to the outbreak of the most recent conflict. In a new post conflict scenario, it would be important to re-establish such a MAF. GCC donors

already asked in informal discussions for a new MAF. Especially in the early post conflict period (e.g. first 18 months), it could also usefully fill the anticipated void of having no valid recovery plan. It would be ideal, if a future MAF could be GoY driven instead of donor driven as in the past.

14. ***Building on the MAF and corresponding agreements in other policy areas, the GoY, development partners, and political and humanitarian actors should agree on a strategic continuous coordination form to integrate traditional development aid relief efforts, political reconciliation and security engagements.*** The proposed Yemen Socio-Economic Consultation and Coordination Group (Y-SECCG) would work with existing and emerging national and international coordination mechanisms to build a better response covering overlapping objectives and to coordinate (or be aligned) with humanitarian, development, political and security actors. The Y-SECCG is envisaged as a forum for dialogue, exchange and to coordinate support to Yemen that leverages the expertise, knowledge and resources of Yemen’s national, regional and international partners in addressing emergency and post-conflict recovery needs, and to support economic stabilization measures, planning for assistance, prioritization and program or project implementation.
15. ***A successful MAF will need to be grounded in a renewed partnership between Government and international partners based on consensus at the highest level on the top priorities for the short-term and adapting the way of delivering international assistance.*** Lessons from

other transition situations suggest that the MAF should be based on a very limited number of priorities and associated government commitments toward a set of milestones. Commitments will need to be extremely selective and should reflect support at the highest political level. Progress against the milestones should be reviewed regularly and can provide a useful basis for a political and policy dialogue. They can also provide a good basis for more effective communication with the population on progress on delivery of critical recovery efforts and reforms.

16. ***Procurement is an important tool for facilitating aid coordination and collaboration among donor and relief agencies.*** Under the Bank's new Procurement Framework, which

"Alternative Procurement Arrangements" (APAs, i.e., procurement rules other than the Bank's own Regulations for Borrowers, such as the rules of another donor, or the procurement arrangements of an agency of the Borrower). Under the APA approach, the Bank may rely rather on the application of the procurement rules and procedures of another multilateral or bilateral agency or organization, and may agree to such a party taking a leading role in providing the implementation support and monitoring of procurement activities. The utilization of APAs can facilitate aid coordination and remove the burden placed on the government when it has to apply multiple procurement systems – a burden that hampers efficiency and further strains capacity, especially in the FCV context.

Box 4: New World Bank Procurement Framework and FCV context

Outlined below are features of the Bank's new Procurement Framework that enhance the ability to conduct procurement in FCV scenarios in ways that maximize efficiency and responsiveness. Project Procurement Strategy for Development (PPSD) – possibility to prepare a short-form PSD in lower-value, less complex projects.

Alternative Procurement Arrangements (APA) -- The Bank may agree to rely on application of procurement arrangements of another multilateral entity, or of a bilateral agency, or of an agency or entity of the Borrower, provided that the APA is consistent with the Core Procurement Principles and Anti-Corruption Guidelines of the Bank.

Bank prior review – higher thresholds for prior review, coupled with increased delegation to procurement specialists on the ground.

Enhanced Bank hands-on implementation support -- available in FCV and low capacity contexts

Project start-up activities – possibility that those may be carried out by the Bank.

Principle of "fitness-for-purpose" – allows greater flexibility in designing the procurement procedure to take into account applicable objectives and conditions.

Retroactive financing – procurement must be conducted in a manner consistent with the Core Procurement Principles and the governance requirements in Procurement Regulations, within limits specified in the Legal Agreement (up to 40% retroactive financing).

Source: World Bank

establishes—along with a number of other techniques especially relevant to the FCV context (see Box 4 below)—the possibility for the Bank to accept the use of

17. ***The Bank's cooperation with UN agencies in procurement can support government effects by supporting coordination and collaboration between***

humanitarian and development actors. A potentially relevant resource in this regard is the International Humanitarian Infrastructure Partnership (IHIP), in which the Bank is playing a leading role. IHIP joins humanitarian response and development agencies, as well as FIDIC, in developing tools and other resources to facilitate humanitarian response, recovery and reconstruction in coordination with the development strategies of FCV countries and donors.

3.3. Implementation

18. ***Demand for new financing instruments and arrangements, like multi-donor trust fund (MDTF), need to be well balanced with existing instruments to avoid overstretching weak implementation capacity.*** New financing instruments may need to be designed and implemented in order to absorb increased inflows of aid in the

post-conflict context, including a multi-donor trust fund (MDTF); however, this should follow from an assessment of existing instruments that have proven capacity to deliver significant aid inflows. Specifically, the Social Welfare Fund, Rural Access Program, and the Public Works program, which are outlined above, have proven capacity to achieve effective and timely delivery of aid. Subsequently, a financing strategy to fill the gaps identified through such an assessment should then be articulated in the short term, which will inform the creation of new financing instruments, and support project appraisal and capital budgeting.

19. ***A key priority will be to ensure that there is sufficient capacity to absorb, and to utilize the large sums that will be available in an effective and timely manner.*** Such will entail maintaining a balance between absorption capacity and fiduciary obligations, with disbursements

Box 5. Learning from the Somalia Experience

The Somalia Development and Reconstruction Facility (SDRF) was established in 2014 as a coordination and financing architecture for implementing the Somali Compact. Closely aligned with the Compact's principles, it serves as a platform for Government and development partners to provide strategic guidance and oversight for development activities in Somalia. The SDRF brings together several multi-partner trust funds under common governance arrangements administered by three technical agencies in areas based on comparative advantage: the UN, the World Bank and the African Development Bank. This coordinated financing facility has offered many benefits for improving aid effectiveness in Somalia:

- The use of the SDRF pooled funds has helped to strengthen Government ownership and alignment with national priorities. The overall pipeline and specific projects financed through the SDRF are systematically brought through working groups and the Steering Committee for discussion and endorsement.
- The pooling of resources through the SDRF generates economies of scale, and has allowed donors better leverage of their contributions through more coordinated assistance, avoiding fragmentation and duplication.
- A joint risk management strategy has been established to support the delivery of the SDRF strategic objectives. By sharing the analysis and management of risk, Government, donors and the fund administrators are able to respond to the substantial risks of engaging in Somalia in a way that is more effective in meeting the goals of the Somali Compact

Source: World Bank

and expenditures on investments and recovery. MDTFs are useful in this regard, as they allow pooling of resources behind a joint plan and state building effort (see Box 5). In cases where the WBG manages such funds, the new procurement policy would also allow use of national institutions, even in a fragile context, while balancing this with possible additional accountability requirements.

20. ***The strengthening of Yemen's regulatory and implementing institutions for public procurement will provide a basis for avoiding having to establish a central PIU external to line ministries for handling aid inflows and implementing projects.*** The trend

in a growing number of countries is to depart from the PIU model for project implementation, and opt instead for integrating project implementation into existing ministry structures of the host government (e.g., Bangladesh, Nigeria and Zambia). Such an approach is increasingly being viewed as a more effective development strategy, because it avoids the creation of parallel structures and focuses on strengthening the host country structures and capacity. Especially in light of the significant procurement reforms that had been accomplished prior to the crisis, Yemen will be well positioned to adopt such a progressive, development-oriented approach.

21. ***The overall advisability of the pure***

Box 6: Lessons Learned from Global Experiences with PIUs

Iraq- EODP	Lebanon CDR (Council for Development & Reconstruction)
<ul style="list-style-type: none"> • Reconstruction Fund (Under PM Office) established by Government to reconstruct damages incurred from the liberation activities from ISIS insurgency • Reports to Council of Ministers. • Borrower maintains a Project Coordination Unit (PCU) responsible for: coordination and facilitation of Project implementation (included among the PMTs), and providing overall strategy, guidance, and monitoring and evaluation for the Project; PCU helps in resolving macro level issues such as requirements of the budget law, or facilitating the required permits for the PMTs to make use of financing, • 4 PMTs established: 1- Roads & Bridges, 2- Municipalities & Public Works, 3- Electricity, and 4- Health. Those PMTs handle specific project management & procurement of their respective Ministries, and officials in each governorate. • PMTs are designated for specialized tasks, they still have a complex task as they need to deal with the requirements of various departments in each city (currently 7 cities in 2 governorates). • PCU also exerts pressure on low performing PMTs, and proposes re-allocation of funds. 	<ul style="list-style-type: none"> • CDR established in January 1977 under the PM, to assess infrastructural needs arising from civil war and allocate international and Lebanese finances for rebuilding the country • CDR engaged in all phases of project implementation from planning, feasibility analysis, detailed design, bidding, expropriation, and execution of most public facilities on behalf of Government. • In practice, CDR acts as a Mega PIU, capable of handling large and complex projects through the establishment of project-specific PMUs • CDR has a large administrative system that reviews and clears every TOR, advertisement, bidding document, PQ, shortlisting, award, contract, and amendments to contracts, effectively slowing down implementation. • Even though CDR usually tries to have the Line Ministries involved with project Implementation from the beginning, usually over-reliance on CDR has left the ministries with low capacity to take over the implemented Projects, having a negative effect on operations.

Source: World Bank

“mega PIU” approach is questionable, based on experiences in the region.

Experiences in Iraq and Lebanon, outlined in Box 6 below, with additional details in Annex A, show that the mega-PIU approach may ultimately hinder rather than facilitate institutional development, and would not be in line with the types of decentralized approaches that are widely seen as essential for defusing the conflict in Yemen. At the same time, a hybrid approach, in which project implementation is conducted on a decentralized basis by PMUs embedded within line ministry structures, whilst certain planning, coordination and facilitation functions are performed centrally (see example of Iraq EODP), might be considered a viable approach. Such a hybrid approach would build on rather than stepping back from progress that has been achieved in institutional strengthening, while promoting efficiency with respect to certain common supporting functions related to planning, budgeting, facilitating permits, and the like.

3.4. Accountability and Monitoring

22. ***An immediate priority for the GoY in the post-conflict period will be to strengthen GoY institutional capacity to manage and monitor aid delivery during the recovery period.***

Due to the immediate challenges of coordinating and delivering aid in the post-peace period, the GoY should seek to build on the experience and architecture of the 2011-2014 transition. In 2012, the Executive Bureau (EB) was established and was believed to provide enhanced coordination and delivery. The EB was initially located at MoPIC, but in 2014 moved to the office of the Prime Minister in order to offer a more

coherent and effective superstructure for delivery of committed aid and project implementation. It is unclear whether the EB would have ever been successful as the conflict in Yemen arose shortly after it had become effective (six months). However, as its functions were also to bind in or align line ministries' functions and interests, there was increasing an overlap between and competition with normal government ministry operations, which in practice counteracted its purpose. While post-conflict periods often require additional (policy) coordination capacity—and especially in the case of Yemen where large inflows of foreign assistance are expected – based on previous experience – these inflows require beyond coordination also permanent political oversight, scrutiny, and ongoing political endorsement to remain manageable and to lead to positive impacts. However, there is a strong indication- also from cross country experience- that project and reform implementation should be left as a collective task across the Government based on established and tested procedures, instead of creating a parallel nucleus government.

23. ***Planning for and executing public Investment should become more transparent to the public and to the development partner.***

Inadequate budget planning and allocation can cause delays in project implementation, and may lead to weak contract management. To ensure budget cohesion and to avoid disconnects with the recovery programs, MOPIIC and other future aid absorption institutions, must coordinate with the Ministry of Finance (MoF) to integrate and coordinate the budget process that supports and accounts for external aid. The request for an integrated

and continuous coordination needs to cover planning for external aid, the public investment planning, allocation of resources for such investments, and its implementation. In that sense, MoF will need to lead the single formulation of the capital investment and recurrent expenditure budgets, of which donor financed investment shares are to be included in the state's general budget.

24. ***Reliance on the existing procurement institutions and procedures of Yemen could be complemented by appropriate fiduciary and technical monitoring and oversight mechanisms.*** This would be in addition to the enhanced hands-on implementation support available under the Bank's new Procurement Policy, and supported by further procurement reform and capacity-building initiatives. Moreover, provided certain conditions are met, which Yemen fulfills, the Bank's new Procurement Policy provides greater flexibility with respect to allowing the use of the country's own procurement procedures up to the established country specific thresholds for National Procurement Procedures. The viability of such an approach is reinforced by the demonstrated capacity of the High Tender Board (HTB) and the High Authority for Tender Control (HATC) structures, which prior to the crisis had already taken on and effectively implemented a greater role, including oversight of bidding documents and large projects, thus relieving some of the pressure on donors.

25. ***The Bank's new Procurement Policy can be instrumental in enabling an expedited response, recovery and reconstruction process.*** The degree of liberty and choice provided for in the Bank's new Procurement Policy

will enable a more rapid procurement processes and quicker restoration of essential services and infrastructure; in line with such an approach, the Emergency Procurement Toolkit developed by the Bank's MENA Procurement Team, and currently being used in Iraq, is available to make use of in Yemen. In accordance with techniques highlighted in the Emergency Procurement Toolkit, some preparatory steps and essential resources can be identified in the near term to lay the groundwork for rapid response once conditions on the ground in Yemen permit.

26. ***Monitoring and oversight should be a collective effort of the national institutions involved so as to ensure expected goals will be achieved.*** Throughout the public investment management cycle, internal controls should be applied in form of regular and publically reported assessments to provide reasonable assurance that aid is absorbed in an efficient and economically or politically agreed manner promising to achieve the expected social or economic goals. These assessments will include, but are not limited to, financial audits, internal controls, effectiveness reviews, project investment cycle management and evaluations, and technical audits. Stakeholders such as relevant target and interest groups, line ministries, Supreme Audit Institution (the Central Organization for Control and Auditing- COCA), and private consulting firms should be involved by MOPIC at the different stages of the oversight and monitoring system, thereby strengthening internal processes of aid absorption & coordination as well as assuring more success in achieving stated social and economic objectives associated with the external aid.

4. Policy Priorities:

Based on the foregoing analysis, there are three main policy areas of high importance where government attention should be focused in the immediate (3 months), short-term (6 months) and medium-term (18-24 months) post-peace period:

Policy Area	Objective	Immediate Term Action	Short Term Action	Medium Term Action
Planning	Incrementally develop nationally owned recovery and peace building strategy and vision	<ul style="list-style-type: none"> • Rapid Plan for deliverables in first six months finalized and implementation underway • Mechanism and process for inclusive planning agreed 	<ul style="list-style-type: none"> • RPBA finalized, including priorities and implementation arrangements • Financing secured • Institutional arrangements for implementation agreed 	<ul style="list-style-type: none"> • Institutional arrangements established and functioning • Regular monitoring of results, flows, and strategic impact
Coordination	Design and operationalize aid coordination mechanism	<ul style="list-style-type: none"> • Agreement between donors and GoY on required mechanism, and decree issued • Coordination mechanism operational 	<ul style="list-style-type: none"> • MAF developed as part of RPBA finalization • Secretariat fully operational and staffed • Regular coordination meetings taking place 	<ul style="list-style-type: none"> • Six-monthly meetings organized • MAF monitoring and communication around results
Implementation	Agree on financing strategy, and design required modalities	<ul style="list-style-type: none"> • Assessment of existing instruments undertaken (Social Fund, Rural Access Program, Public Works, etc.) • Gaps identified and process agreed for filling them • MDTF design completed if requested • Agreement reached on structure of possible dual accountability mechanism for implementation 	<ul style="list-style-type: none"> • New instruments designed and operational based on RPBA findings and capacity gap assessment • MDTF operational to absorb inflow of aid 	<ul style="list-style-type: none"> • Hold MTDf steering committee meetings and learn from initial experience to adjust operations for smooth absorption.
Accountability and Monitoring	Strengthen GoY institutional capacity to manage and monitor recovery period	<ul style="list-style-type: none"> • Finalize design of coordination/facilitation unit (EB) in executive, including capacity and institutional assessment, mandate and resource requirements, while leaving project implementation to line ministries • Restore reliance on the reformed procurement system architectures that had already been developed in alignment with international standards (HTB and HATC) 	<ul style="list-style-type: none"> • DU/EB operational and able to coordinate GoY recovery and peace building efforts 	<ul style="list-style-type: none"> • Implementation assessments based on monitoring results/ drawing first lessons to adjust implementation

ANNEX 1

Summary Comparison of Central Project Implementation Units in Lebanon and Iraq

		Lebanon - CDR	Iraq - PCU (EODP)
1	The rationale for establishing the Mega PIU	After Civil War, line ministries did not have capacity to implement Projects, and it was decided to place the resources of the country for rebuilding under one umbrella	Reconstruction Fund was established by the Government to manage the reconstruction with implementation by line Ministries, and iron out the bureaucratic requirements.
2	The initial role and scope of the Mega PIU	To assess infrastructural needs arising from Lebanon's civil war and allocate international and Lebanese finances for rebuilding the country to line Ministries for implementation.	To reconstruct damages incurred from the liberation activities from ISIS insurgency.
3	How was it managed? by an individual person or by a committee	CDR was established as a large government institution, managed by a president, and a Board.	Reconstruction Fund was established as an office headed by a Director that is equivalent to Deputy of Prime Minister.

Pros and Cons of a Mega Project Implementation Unit (PIU):

	Subject	Pro	Con
1	Authority	Usually linked with highest level in the Government.	
2	Enforcing implementation	Centrally linked Mega PIU may have the tools to force the project implementation on Ministries.	Line Ministries do not always abide by the orders from central PIU.
3	Ownership		Specialized PIUs that are linked with Ministries usually show a higher rate of ownership.
4	Capacity building of PIU	Capacity building of one mega PIU can be faster.	In any case, the capacity building is needed for specialized PIUs as well.
5	Implementation speed	Some Centralized PIUs might have enough capacity to work independent of line ministries for faster implementation.	In most cases, a mega PIU would need to work through other specialized PIUs (at Ministries) effectively slowing down the decision making process and implementation.
6	Sustainability		Line Ministries might not benefit from the experience gained during implementations, resulting in problems with operation and maintenance.
7	Long Term engagement		Working directly with PIUs at line ministries, helps in building direct relationship that facilitates future interactions.
8	Yemen experience		There is already a working relation with several PMUs in line Ministries that speeds up any future implementation.

ANNEX 2

Organizational elements of Yemen's procurement system Central level High Tender Board (HTB)

- Financially & administratively autonomous; reports to Cabinet,
- Chairperson and four members appointed by President on referral by Prime Minister after Cabinet approval
- Conducts prior review of procurements whose value is within its financial authority and which are referred to it by tender committees at the Ministries' headquarters, public establishments, bodies and other central authorities, and local tender committees in governorates and the Capital (approval of bidding documents, evaluation reports, contract final wording, finalization of award decisions)
- Capacity building
- Regular reporting to Cabinet and HATC
- Has technical secretariat

High Authority for Tender Control (HATC)

- Financially & administratively autonomous; may establish branches in governorates
- Run by a Board (chairperson and six members, appointed by President upon nomination by the Shura Council of a 14-person list, including representatives of business and industrial sectors, civil society and Judicial Services)
- Functions include: control and supervision of procurement activities; development of policy and legislation; review of financial ceilings; data collection; adjudication of complaints; development of capacity building policies and strategies; issuance of directives, guidelines, instructions, standard bidding documents and contracts; conducting field inspections; referral of violations for legal action and notifications to anti-corruption committee;

suspension of chairman or member of tender committee; establishment of single-portal website; regular reporting to President

- Maintains a technical bureau (secretariat)

High Tender Committee – Approves bids of SOEs exceeding threshold specified in Executive Regulations.

Arrangements in procuring entities

(Subject to financial authorities in accordance with Tenders Law, as specified in Executive Regulations)

- Tender Committee established in headquarters of procuring entities
- Tender Board established at branch offices of procuring entities
- Tender Board at branch offices of entities at the governorate level
- Local Tender Committees in the capital and governorates, and in each district
- Procurement Units in procuring entities to do the day-to-day work of procurement processes

Duties and responsibilities of tender committees include:

- Reviewing technical specifications, approving bidding documents and estimated costs
- Approving choice of procurement method
- Reviewing bid opening procedures and bid evaluations reports
- Deciding on tenders and auctions within the respective authority level
- Approving wording of contracts
- Periodically reporting to HATC

Reference

International Crisis Group. (2016, February 9). *Yemen: Is Peace Possible?*

OECD. (2012). *International Support to Post-Conflict Transition: Rethinking Policy, Changing Practice.*

World Bank. (2016). *Review of Experiences with Post-Conflict Needs Assessments 2008-2015*

World Bank. (2011). *World Development Report: Conflict, Security, and Development.*