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**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE****International Network on Conflict and Fragility (INCAF)****Towards a Donor Coordination and Financing Strategy for Yemen****Key opportunities and challenges**

This note is part of the Development Co-operation Directorate's (DCD) contribution to the EU-OECD project on Promoting Economic Resilience in Yemen, in which the Crises and Fragility Team is supporting a financing strategy process for more effective donor coordination in Yemen. The process aims to facilitate bringing together decision makers on joint priorities, sourcing of funds, and strategic programming regarding sustainable economic development in Yemen. It draws from interviews conducted with donors and key stakeholders in August – November 2022 and was prepared for discussion in March-April 2023. The note and its key findings were presented to the Yemen Partner Group in June 2023.

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Introduction

The objective of this document is to support a process that helps bring together decision-makers on joint priorities, sourcing of funds and strategic programming, in the context of the broader financing landscape and work on the donor coordination architecture.

This note constitutes the second stage of the Development Co-operation Directorate's (DCD) contribution to the *EU-OECD project on Promoting Economic Resilience in Yemen*, in which the Crises and Fragility Team is supporting a financing strategy process for more effective donor coordination in Yemen, in line with Development Assistance Committee (DAC) commitments under the [DAC Recommendation on the Humanitarian-Development-Peace Nexus](#) adopted in 2019 (hereafter the DAC Recommendation). The DAC Recommendation is a unique standard aimed at enhancing the effectiveness of collective action in fragile and conflict-affected settings. In addition to the DAC members, several UN entities have adhered to the DAC Recommendation¹, committing to operationalising its principles.

Specifically, the DAC Recommendation calls for cost-effective coordination across the humanitarian, development, and peace architecture, including through efficient and collective efforts at global, regional, national, and local levels; as well as evidence-based humanitarian, development, and peace financing strategies at global, regional, national, and local levels, with effective layering and sequencing of the most appropriate financing flows. Consultations among donors and multilaterals constitute a key part of the process.

The document is made up of two halves: the first section provides context on the operational environment as it affects financing and programming choices, and provides analysis of the financing landscape, especially as it concerns donors' aid.

The second section presents some directions for the international community to consider, based on the analysis of trends and goals above and from expert sources working on and in Yemen, and the findings of key informant interviews conducted August-December 2022 with development partners, key stakeholders, and members of the IRG.

The term "donors" is used to refer to the sources of funds (especially Official Development Assistance or ODA) to highlight the strategic decision-making role over sourcing, allocation, and coordination of the funds used in the humanitarian, development and peace response. In a technical data sense this includes all donors that report their ODA to the OECD unless indicated otherwise – for example, it captures bilateral ODA providers, whether OECD members or not, as well as "own account" financing from multilaterals.² Nevertheless this term should not always be seen as a clear-cut or exclusive category relative to the international community as a whole, given the important links to crucial political processes and operational activities, including the important role played by the United Nations, other multilateral institutions and the IRG.

Following an initial workshop in June 2022 that sought to understand and establish the key strategic goals of the donor community in Yemen, the OECD conducted a consultation process with data mapping, collection, and interviews with DAC and non-DAC donors, multilateral partners and Yemeni government counterparts in the final quarter of 2022. Here, we present the main findings from this research, presented

and discussed during a workshop with donors in March 2023 and during the YPTT in April 2023. Given the ongoing uncertainty in the environment and outlook, the ambition is that the report will continue to support peace preparedness going forward.

Given the depth of development needs in Yemen, the protracted and evolving nature of both (i) the coordination architecture across Riyadh, Amman, Sana'a, Aden, and other centres, and (ii) the dimensions of the conflict itself, readers should consider this report as a snapshot in time, and flexibility may be needed regarding subsequent next steps and overall ambition. Examples, where they are given, are designed to be illustrative rather than comprehensive.

1 State of play

A complex operating environment affects approaches to programming and financing

Some positive signs against a backdrop of extreme fragility

Yemen is one of the most fragile countries in the world - alongside Afghanistan, Somalia and South Sudan it faces severe fragility across all six dimensions of fragility (economic, environmental, human, political, security and societal) (OECD, 2022^[1]). In its ninth year, the conflict in Yemen is both protracted and complex, combining a complex and shifting set of local conflicts and allegiances with evolving political positions, and security and financial interventions from external, regional actors.

A six month period of short of truces negotiated and extended under the auspices of the UN Secretary General's Special Envoy ended on 2 October 2022. Large-scale fighting has not resumed and some benefits of the truce remain in place, such as flights between Sana'a, Yemen and Amman, Jordan (Grundberg, 2023^[2]). Along with a favourable domestic growing season, the resumption in economic activity enabled by the truces led to a remarkable overall reduction in those going hungry, and those facing near-famine conditions (Griffiths, 2023^[3]). Nevertheless, retaliatory measures have increased and interviewees vary in their assessment of the prospects and pathways for sustained peace.

While careful to reinforce that full-scaled conflict has not returned following the end of the truce period – an important point as it underscores the potential for resumption of formal progress towards peace – UN Secretary General's Special Envoy Hans Grundberg has nevertheless spoken about the worsening security situation in the country (Grundberg, 22 November, 2022^[4]). Economic infrastructure in particular has been targeted with the aim of depriving the Internationally Recognised Government (IRG) of revenue, especially through attacks on oil terminals and ports in, for example, Hadramawt and Shabwa Governorates. Such attacks continue to impact civilians and risk triggering further escalation of the conflict and instrumentalising of the economy.

Yemen is a heavily non-permissive operational environment, especially in certain parts of the country, with restricted and shrinking operational space identified as the single most significant challenge amongst interviewees. The December 2022 ACAPS Humanitarian Access Overview noted extreme constraints including violence against aid workers, the spread of anti-humanitarian misinformation, sometimes extreme bureaucratic hurdles, and the worsening impact of *mahram*, the requirement for a close male relative to give approval or accompany women when they travel (ACAPS, 2022^[5]).

Figures from UNOCHA's Yemen Access Snapshot, July to September 2022 note bureaucratic interference in the response, with humanitarian partners reporting 429 incidents pertaining to movement restrictions within and into Yemen (OCHA, 2022^[6]) largely due to bureaucratic interference in the humanitarian response, across both the IRG areas (by default, due to the division of power) and the de facto control authority areas in the north (as part of a more deliberate and calculated strategy). In IRG-controlled areas for example, humanitarian workers have cited delays in sub-agreements of up to 72 days, rising to 130

plus days in de facto authority areas. The result is up to 2,347,583 people affected by operational access constraints and delays in sub-agreement approvals (OCHA, 2022^[6]).

Impact on the architecture of donor responses

The challenges presented by this operational environment has direct implications for how donors organize themselves and their responses. The evolution of the conflict means that some donors operate their Yemen programmes out of Amman, some out of Riyadh, some out of their capitals, Gulf donors and notably the Saudi Development and Reconstruction Programme for Yemen (SDRPY) have staff in Yemen, while the UN Resident Coordinator and most UN staff are based in Sana'a. This geographic fragmentation makes it harder to coordinate well between donors and means that donors have very different information sets with which to inform their funding and programming decisions.

Security in the country remains fragile and is a barrier to both humanitarian and development activities. Operational and administrative costs are generally very high in fragile contexts. Alongside rising inflation, this has a knock-on effect to the cost and reach of aid delivery. In the Yemen context pressure on administrative and operational costs has likely increased significantly since the conflict began³, given the relocation of Embassies and offices out of Sana'a, the increased cost of security as the conflict escalates, and the significant administrative burdens and access issues. Prioritising joint missions (shared security costs) alongside joined up monitoring and evaluation can be helpful.

There was a notable trend through the interview process that donors appear more sensitive to security risks the lower their direct exposure to and visibility over events in Yemen. For example, those donors managing their portfolio from headquarters, with no presence on the ground, and/or a highly limited ability to visit Yemen appeared more risk-averse the less they had access to up-to-date information about Yemen. In general, those who have managed to visit Yemen appear more optimistic in their interventions and ambitions, independent of the size of their portfolio. While significant efforts have been made to engage a wide range of stakeholders in the new co-ordination architecture, there nevertheless appears to be a group of normally well-engaged donors who remain risk averse in principle to providing development support in the Yemen context given this informational 'vicious cycle'. There may therefore be an opportunity to increase engagement over time through a focus on easily digestible information-sharing beyond the core development donors' group.

Security concerns appear to become less of a constraining factor once donors have conducted an initial visit, suggesting that generalised perceptions of risk may obscure the on-the-ground reality across geographies that can vary significantly in their level of security risk. It is not always clear what pathway there may be out of these concerns. For instance, some donors note that conditions are not in place for visits and for development support, but without being able to indicate what those conditions might be – "how secure is secure enough", "how much peace is enough peace".

The absence of development donors from the operational space has a direct impact on their understanding of risks and opportunities, ability to establish partnerships and dialogue inside Yemen (including at national and subnational levels), and ability to monitor and engage directly with their own projects and programmes. Distance, low risk appetite, and a lack of clarity as to the evolving situation in Yemen can therefore be self-reinforcing. The Saudi Development and Reconstruction Program for Yemen (SDRPY) stands out as notable due to its presence in-country and direct delivery of development programming.

There is significant diversity in donors' approach to the geographic spread of their assistance. While it is generally not disputed that humanitarian aid should be nation-wide – though recent positions on banking, bureaucratic hurdles and *mahram* by the IRG and De Facto Authorities in the north (DFA) may have rattled its implementation – the approach to development assistance is more varied. Some major donors apply development funds only in IRG-controlled areas, while others in principle are open to coverage across the country.

It is common in extremely fragile situations that the needs of recipient populations increase – and the importance of accountability to them – while at the same time the demands and processes for accountability to taxpayers in donor countries also increases (Cliffe et al., 2023^[7]). This can result in an increased focus on transactional controls, sometimes at the expense of assessments and communications of bigger-picture goals and impacts, creating competing narratives and high audit requirements, potentially diverting resources from the response itself. The point is not to undermine the important role that evaluations and auditing can play in ensuring a high-quality response and accountability to recipients and taxpayers, but to manage back the risk of that too sharp a focus on this aspect can itself undermine the overall goals of donor responses.

Working with national leadership and development planning

By default, strategic leadership on development planning and the use of ODA should be led by a country's legitimate government – in Yemen's case, the IRG – as a widely recognised principle of good donorship and development effectiveness (Global Partnership for Effective Development Cooperation, 2016^[8]). Realising this objective however can be extremely challenging in highly fragile settings with limited government capacities to frame and implement national development strategies; where government legitimacy is in question; or where territorial integrity has been compromised.

These challenges are certainly, and very understandably, present in the case of Yemen, where the central economic institutions and other civil service entities have been fractured by the conflict, and territorial control has been fragmented between the IRG and other parties. During the latest Global Partnership for Effective Development Cooperation (GPEDC) monitoring round in 2018⁴, the quality of Yemen's national development planning was assessed as low, as was development partners' use of country-owned results frameworks. Donor use of Yemen's Public Financial Management (PFM) systems decreased from 23% in 2016 to 0% in 2018 and only 35% of development partners reported their ODA through one or more shared tracking systems. Medium-term predictability was not assessed, while annual predictability of development co-operation was rated as high at that time (Global Partnership for Effective Development Cooperation, 2018^[9])

Support to national leadership and development planning relies on cross-government coordination. Both IRG and international partners note that pre-conflict coordination mechanisms led by MOPIC were relatively effective, with donors focussing on aid absorption capacities, but the conflict has depleted human resources and stretched capacities. At present, the IRG has extremely limited capacities to effectively coordinate and provide a centralized entry point to manage external support. Existing capacities are largely dependent on individuals, as for instance within the Ministry of Planning and International Co-operation (MOPIC) and the and Central Bank of Yemen (CBY), and liaison is more challenging with those Ministries lacking an English-speaking focal point for non-Arabic speaking donors. One noticeable aspect at present is the perception that fragmented support to capacity building is exacerbated by different donors supporting different entities (for example, between MOPIC and the *Executive Bureau for the acceleration of aid absorption*, an independent entity) without alignment across the system, potentially compounding fragmentation against the backdrop of complex political dynamics among and between government bodies, including within the IRG. What is missing is a strong central coordination function and entry point for the international community.

At the same time, the absence of development donors from Yemen and the extremely thinly spread Yemeni administration means that establishing relationships of trust, and understanding the dynamics and needs of Ministries, is harder. Meetings, workshops and seminars are usually held outside of Yemen, providing much needed opportunities for engagement. However this also means that Yemeni officials spend increasing amounts of time outside of the country, carrying the risk of distracting from the day-to-day management of government in an already stretched environment with depleted human resources.

Box 1.1. Emerging lessons from the DAC Joint Task Team on Afghanistan

Following the Taliban offensive and takeover in May-August 2021, many development partners were left questioning the impact of their engagement in Afghanistan over the last decades, as well as their ability to learn from experience and evaluations in fragile settings. Events in Afghanistan presented the development community with two significant challenges: how to manage the challenges and dilemmas presented by the new regime in order to protect development gains achieved over the last decades; and how to respond to relevant evidence and the lessons of twenty years of significant engagement in the country. These reflections and choices have been extremely difficult, both politically and as a matter of humanitarian and development practice.

In September 2021, DAC members asked the International Network on Conflict and Fragility (INCAF) and the Network on Development Evaluation (EVALNET) to work together to generate insights and evidence that could inform the DAC's work in other fragile contexts. As of early 2023, the temporary Joint Task Team is considering findings from three studies that provide the basis for an emerging narrative around development in extremely fragile and politically constrained contexts, relevant beyond Afghanistan. Some of the emerging findings include⁵:

- **Politically constrained environments are no longer the exception:** the number of contexts where development engagement is constrained is rising, as is the number of fragile contexts. Research shows that one in two people living in fragile contexts are also living in politically constrained situations.
- **Staying engaged over the long term is key to preparing for opening.** Even with minimal levels of support, staying engaged throughout crises allows to maintain trust and nurture local networks with a view to being ready when opportunities for development arise. There is value in carefully weighing the costs and benefits of continued support and where possible, staying engaged to 'keep the lights on' and preserve basic state functions to limit spillovers or state collapse. Diplomatic and development efforts should be combined to identify the inflection points and intermediary milestones that can help donors calibrate their engagement.
- **The concept of basic services should be expanded to include fiscal and macro-economic stability and data.** In these contexts, aid is often predominantly humanitarian because the system is designed for crises and can operate without national authorities in the lead. Yet macro-economic and social functions, fiscal and monetary stability, expanding food production, affordability and access, are as fundamental as the provision of basic services like health, education and social protection. Access to reliable data on the macro-economic situation is critical to tailoring and targeting support. All of these have a direct impact on the cost, reach and effectiveness of humanitarian and development responses. There is value in broadening the concept of basic services to reduce risks and needs
- **The crisis response model in politically constrained environments should be modernised.** There is a strong case for donors and the humanitarian system to collectively acknowledge that crisis response requires concurrent urgent and longer-term actions to support local source of resilience, rather than being a sum of basic needs to be filled through external funding. The historical dichotomy between humanitarian and development needs and responses is obsolete in most cases. The system should evolve toward solid, well-resourced and staffed "crisis response and prevention" mechanisms instead of overloading a stretched humanitarian system. It would allow a combination of flexibility with longer-term and transformational strategies linked to development objectives.

Coordination across the international community

The newly established Yemen Partner Group (YPG), Yemen Partners Technical Team (YPTT) and related working groups can help international partners develop a shared strategic narrative and common understanding of where donor support is in place and could align, linking analysis of financing and programming with strategic goals, in particular peace preparedness. The YPG, enabled by targeted support to the Resident Coordinator's Office (RCO), has been broadly welcome by donors and multilateral partners. Expectations are high that it can become the convening platform that will provide a more comprehensive overview of international engagement in support of Yemen, including in terms of financing and programming priorities across the system.

Until 2022, the structure of donor coordination mechanisms was largely dictated by geography, with Amman and Riyadh developing in parallel. The YPG is designed to help bridge these two centres of gravity. To date, Arab donors have maintained mainly high-level relations with their DAC counterparts, conducting their humanitarian and development activities bilaterally or through the UN system, whilst other non-DAC providers have been entirely absent.

There is broad consensus that a more strategic and collective approach is both possible and desirable. As was reiterated by many interviewees, DAC donors and Arab donors alike aspire to closer coordination on development activities. If these aspirations are serious, pragmatic approaches with realistic ambitions that acknowledge the difference in approaches to development that exist between DAC and Arab donors can provide opportunities for more complementarity. For example, proactive efforts to look for synergies between the 'hardware' infrastructure projects usually supported by KSA and the 'software' capacity building provided by DAC donors could yield interesting results. The Yemen Technical Assistance and Capacity Development Group (CDG/TA) group is already taking forward some work on sequencing and prioritising interventions and could extend this to a hardware/software approach. This requires a degree of trust, information sharing and (some) forward planning. Nevertheless, the participation of Gulf partners in the YPG is already a significant step towards demystifying some of the perceived barriers to closer collaboration.

Beyond the YPG, several formal and informal coordination structures exist, all of which have the potential to bring added value to the YPG and strengthen the links to political and diplomatic processes. Decision-makers involved in these different settings can help ensure the information flows across the different communities. These include Ambassador-level economic discussions in Amman, Quad and Quint formations in Riyadh, an informal group of economists in Amman, the Arab Donor Coordination Group, P3 and P5 formations – the latter still functioning despite Russia's war of aggression against Ukraine.

Donors have very different capacities for engagement in coordination structures, with generally small teams thinly spread across humanitarian, development, political and consular work, often with high turnovers. While this is not unusual for fragile contexts, what is noticeable in the Yemen context is that:

1. Personnel resources are not always reflective of donors' political involvement or their financial commitments. Some of the most politically active donors have achieved this standing on the basis of their constructive diplomatic engagement rather than necessarily through significant financial commitments.
2. While Yemen is seen by many bilateral donors as a conflict at risk of 'donor fatigue', where messaging and dialogue with capitals is seen as critical to keep awareness high and resources flowing, in the multilateral community, including among the IFIs, Yemen is seen as an already high priority for their respective institutions at a high level.
3. Access to easily available, usable information is more important than size when it comes to trialling new ideas and pursuing innovation. Some of the 'smaller' donors have not been able to attend coordination meetings, contribute or exchange information on a regular basis because of capacity

constraints. Yet these same donors have appetite to pursue sometimes innovative development approaches and/or can have significant political sway.

Donors provide a critical lifeline in the financing landscape

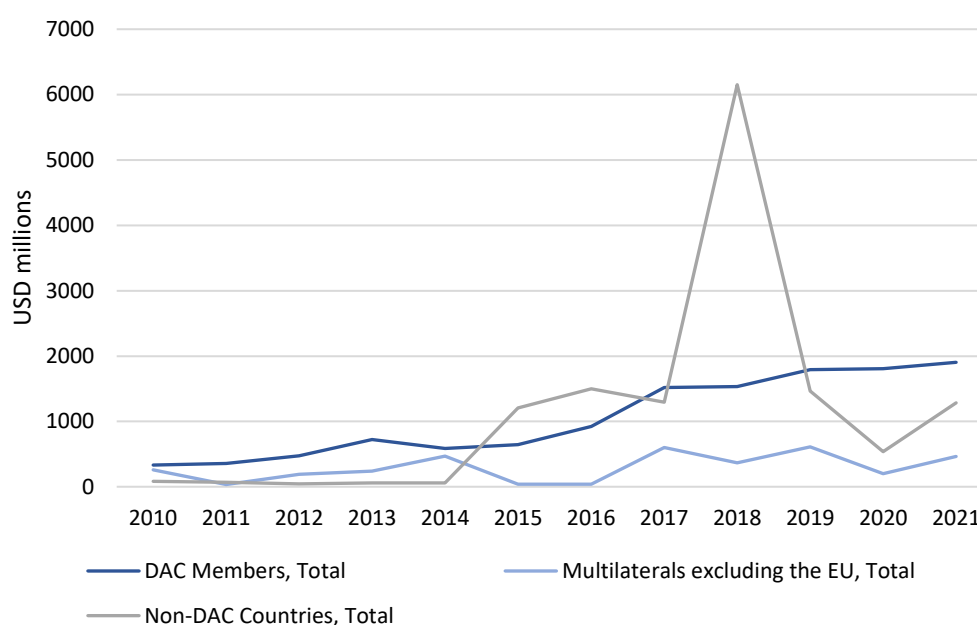
Donors provide significant humanitarian and development assistance

Donors have provided significant and sustained humanitarian and development assistance to Yemen since the conflict began. In 2021, this assistance exceeded USD 3.6 billion, up from USD 2.5 billion in 2020. Gulf donors have stepped in with considerable development finance direct to the CBY at key moments (for example, in 2018 and through a recent USD 1 billion deposit). For their part, DAC members have also provided important, steadily increasing, and consistent financing, building on existing investments that pre-date the conflict. Multilateral agencies are important implementers in Yemen, and though volumes are lower, they do also act as donors in their own right¹.

Since the outbreak of the conflict, ODA support has been almost entirely in the form of grants, largely channelled through the UN, the IRG, donor country-based NGOs and international NGOs, and to a lesser extent through Yemeni NGOs. The UN system both plays a donor role and serves as a main conduit between implementation and strategic direction, across multiple sources and types of finance.

Figure 1.1. Aggregate net ODA to Yemen

Total net ODA, 2020 USD millions



Note: The principal non-DAC reporters providing ODA to Yemen are members of the GCC, in particular the Kingdom of Saudi Arabia and the United Arab Emirates. DAC Members include DAC member countries plus the European Union institutions.

Source: (OECD, 2023^[10]), Dac2a, downloaded 26 Feb 2023.

¹ Donors here refers to the origin of financing -e.g. for multilaterals this only captures their “own account” financing. Funds that are provided by a bilateral and passed through a multilateral mechanism are counted as bilateral.

At a time of increased fragility globally and especially in the face of the war in Ukraine, donors are faced with “a tragedy of choice” between crises. High-profile crisis situations tend to generate the highest levels of support to humanitarian appeals, at least in the short term. As crises become protracted it can become harder to successfully sustain high volumes of support, even when positive contextual developments occur. As is widely reported, these factors coalesce to result in a chronic underfunding of humanitarian response plans and appeals, which were funded to an average of 47% in 2022 (UNOCHA, 2022^[11]). This means that, shockingly, Yemen’s appeal, at 53.5% in 2022 was higher than the average.

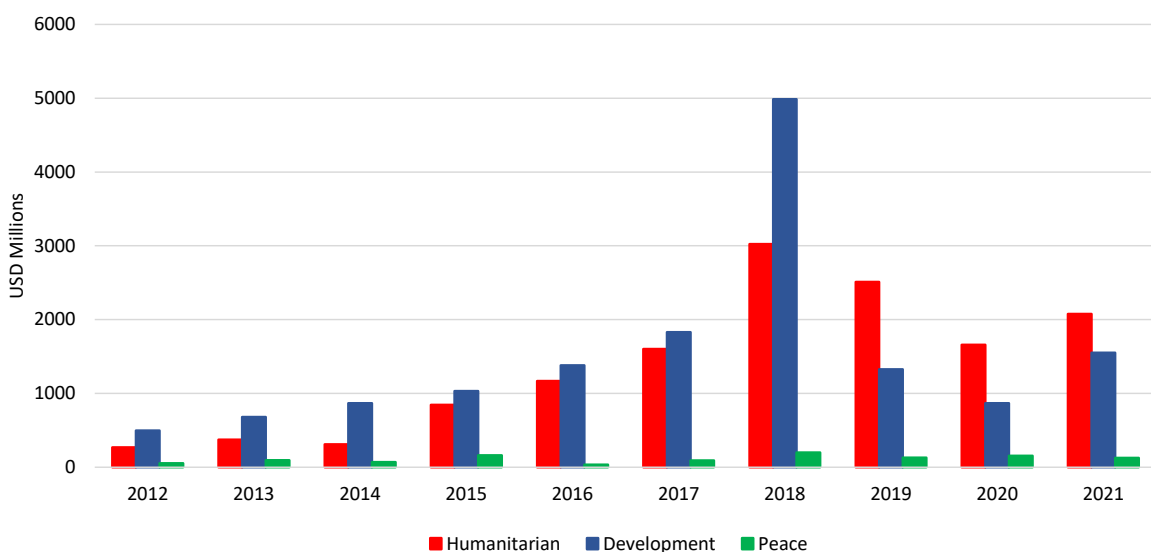
ODA straddles the nexus but emergency approaches remain the most prevalent

Yemen is one of the contexts with the highest volumes and proportions of humanitarian ODA in the world Figure 1.2 and Figure 1.3. As in many crisis contexts, reliance on humanitarian instruments to meet human needs has grown over time, driven by multiple factors. Firstly, there is a need for swift disbursement for an immediate life-saving response, particularly in a complex and dynamic conflict context. Secondly, humanitarian aid is often asked to do more in such contexts (for example, “humanitarian plus” activities) given the difficulties of physical access to the country for development actors, a lack of nation-wide, government-owned strategic development planning, and the often less nimble, medium-term cycle attached to standard development co-operation approaches. In Yemen, humanitarian funds represented an average of around 60% of total ODA flows between 2019 and 2021, compared to an average of 44% for 2015-2017 (omitting 2018 due an exceptional one-off injection). The proportion of ODA that is humanitarian has grown steadily since 2014 until 2021 when it reduced slightly to 55%.

Whilst there is no set definition of ‘peace ODA’, the OECD has developed a methodology outlined in the *States of Fragility 2022* (OECD, 2022^[11]) to illustrate to what extent development co-operation activities contribute to peace objectives. Debate is still live on this issue, including some analytical research into peace ODA (Watson, forthcoming^[12]). In the OECD’s fragility framework, ODA to peace-related sectors includes 18 purpose codes in the DAC’s Creditor Reporting System covering basic safety and security, inclusive political processes and core government functions.⁶

Figure 1.2. Volume of all donors’ aid across the HDP nexus in Yemen

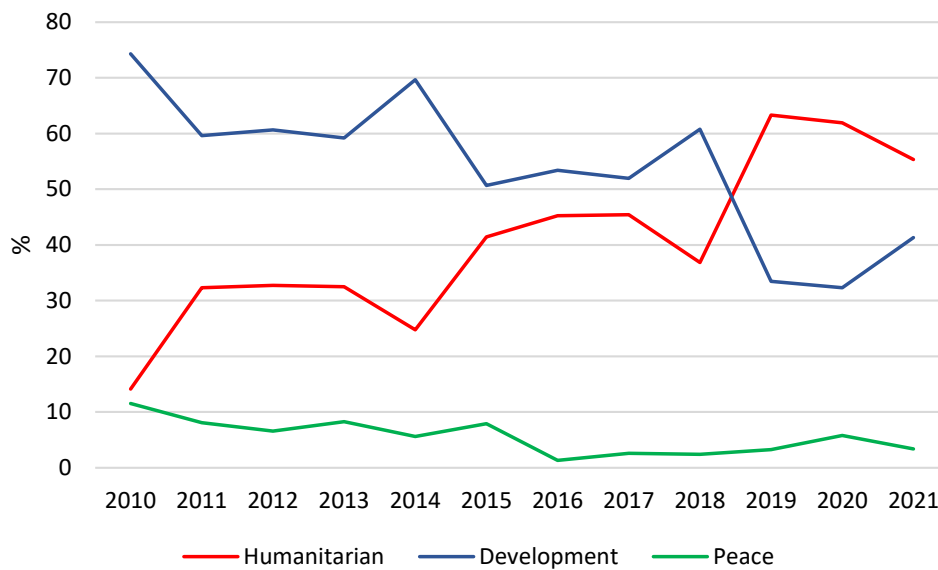
All reporting donors, 2020 USD millions



Note: This analysis uses the methodology outlined in the *States of Fragility 2022* (OECD, 2022^[11]), outlined in endnote 6
 Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.3. Proportion of all donors' aid across the HDP nexus in Yemen

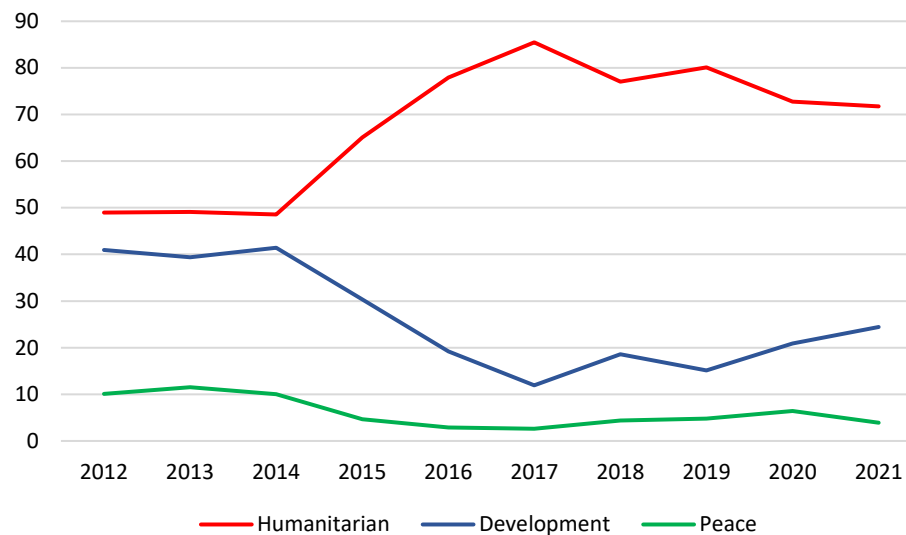
Percent of total ODA each year



Note: This analysis uses the methodology outlined in the *States of Fragility 2022* (OECD, 2022_[1]), outlined in endnote 6..
 Source: (OECD_[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.4. Proportion of DAC donors' aid across the HDP nexus in Yemen

Percent of total ODA each year

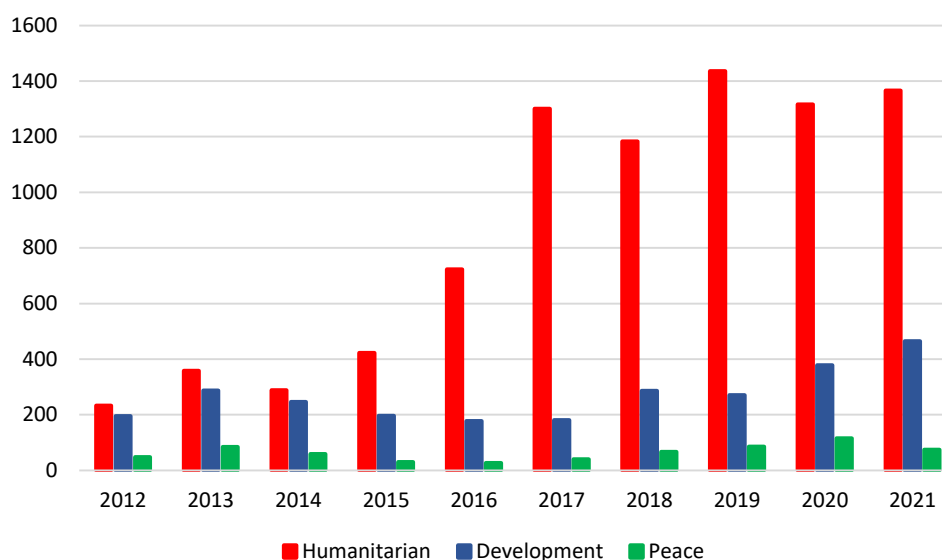


Note: This analysis uses the methodology outlined in the *States of Fragility 2022* (OECD, 2022_[1]), outlined in endnote 6. Similar analysis is available for DAC donors as a group, and for individual reporting donors. All donors refers to all reporting donors to the OECD, including all DAC members and Gulf donors.

Source: (OECD_[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.5. Volume of DAC donors' aid across the HDP nexus in Yemen

2020 USD millions



Note: This analysis uses the methodology outlined in the *States of Fragility 2022* (OECD, 2022^[11]), outlined in endnote 6. Similar analysis is available for DAC donors as a group, and for individual reporting donors. All donors refers to all reporting donors to the OECD, including all DAC members and Gulf donors.

Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Across the donor community, Good Humanitarian Donorship principles seem to be broadly respected, especially in terms of predictability, coherence, and support to the multilateral response. A closer analysis reveals that, more broadly, there are several different approaches to funding. For instance, most DAC donors tend to remain stable within their sectoral preferences and partners, perhaps due to limited budgets and difficulty justifying radical shifts to their own domestic audiences – although this is an area for further research. Elsewhere, there are several more ‘technical’ donors, with seemingly greater levels of in-built institutional flexibility. The benefit of this more technical approach is greater potential for flexibility regarding allocations. A small number of donors are in fact very flexible in moving their financing between humanitarian and development modalities. In other words, they do not draw a hard line between humanitarian and development funds, making them perhaps more tailored to extremely fragile contexts.

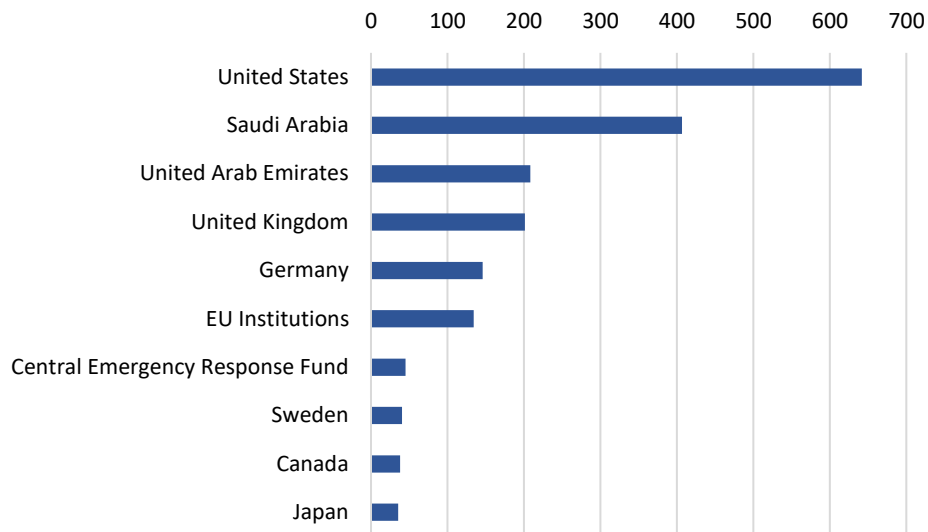
Donors play very different roles in the financing landscape

Given the protracted nature of the conflict, and the existence of an – albeit fragmented – IRG, a reliance on humanitarian aid is increasingly questionable and some donors are exploring other options, including increased development funding across a range of sectors, joint programming between development and humanitarian actors (most notably in the water sector), interventions by macro-economic agencies and/or Treasuries/Ministries of Finance, and even the use of private sector instruments.

Using a methodology to describe aid flows across the HDP nexus according to their declared purpose⁷, it is clear that different donors focus their efforts on different types of interventions, especially among the mid-sized and smaller donors by volume, many of whom play critical technical and/or political roles (Figure 1.6, Figure 1.7, Figure 1.8).

Figure 1.6. Top ten humanitarian aid donors by volume

3-year average, 2019-2021, USD millions 2020

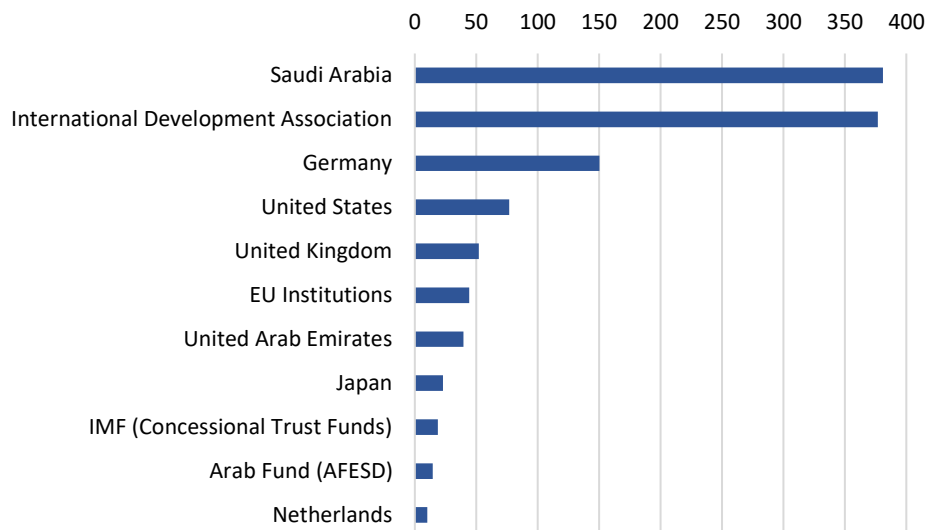


Note: This graph should be viewed in conjunction with data for development and peace ODA. The OECD uses a methodology for classifying ODA against these goals according to the donors' stated intentions, as outlined in endnote 6.

Source: (OECD, 2023^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.7. Top ten development aid donors by volume

3-year average, 2019-2021

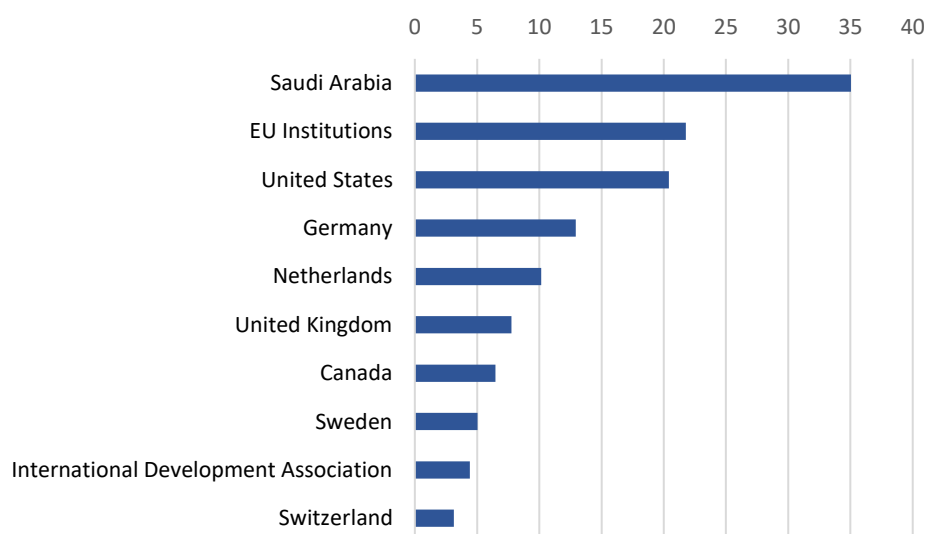


Note: This graph should be viewed in conjunction with data for humanitarian and peace ODA. The OECD uses a methodology for classifying ODA against these goals according to the donors' stated intentions, as outlined in endnote 6.

Source: (OECD, 2023^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.8. Top ten peace aid donors by volume

3-year average, 2019-2021



Note: This graph should be viewed in conjunction with data for humanitarian and development ODA. The OECD uses a methodology for classifying ODA against these goals according to the donors' stated intentions, as outlined in endnote 6.

Source: (OECD, 2023^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

A notable exception to the general absence of direct government-to-government assistance is the budgetary support, classified as development aid, committed by Saudi Arabia (KSA) and the United Arab Emirates (UAE), some in the form of in-kind fuel shipments⁸. In April 2022, KSA and UAE pledged USD 3 billion to Yemen, of which USD 2 billion was provisionally earmarked as economic support for the IRG's Central Bank, and USD 1 billion pledged specifically by KSA for development projects and fuel support. In November 2022, the Arab Monetary Fund signed a KSA-sponsored USD 1 billion agreement with the IRG of Yemen in support of an economic, financial, and monetary reform programme. In February 2022, KSA announced it had deposited USD 1 billion into CBY Aden in support of the IRG's fiscal position and the value of the Yemeni rial, with conditions on disbursements and tranches (Reuters, 2023^[14]).

This type of direct support, while difficult for most donors, has served as a financial lifeline especially in the face of lost revenue due to severe disruption to oil and gas exports linked to the conflict. Nevertheless, their effectiveness could be further enhanced by greater dialogue among donors regarding the timing and triggers of these disbursements, including as they relate to a USD 1 billion Arab Monetary Fund programme announced in November 2022 (Addam, 2022^[15]) as this will have a direct impact on humanitarian need.

Geographic and sectoral focus of aid

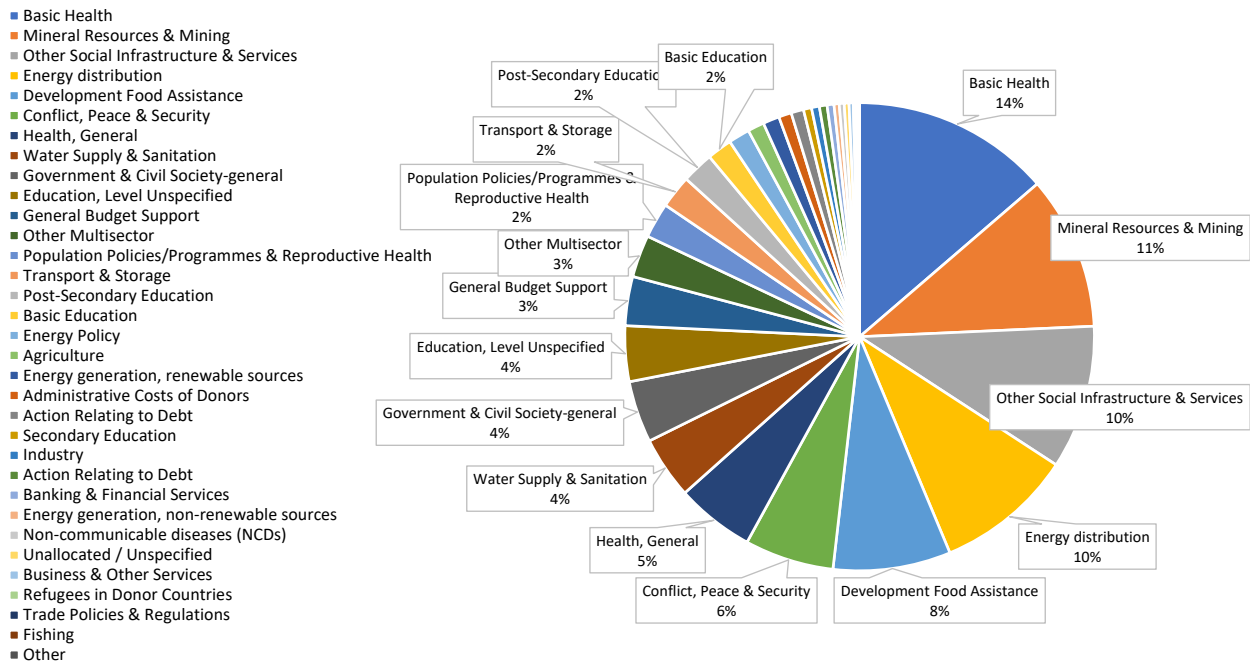
In geographic terms most development support is focussed on the south of the country in areas controlled by the IRG. That said, whilst some donors are explicitly bound by their political engagement, others are more flexible in the potential reach of their non-humanitarian support. Some donors can work for example at the technical level, across all parts of the country, accessibility issues notwithstanding. Regional approaches can also serve as a useful entry point for whole-of-Yemen interventions, for instance where Yemen is considered as a part of the wider Red Sea maritime security and trade landscape. This geographical nuance can provide an avenue for strategic thinking around possible complementarities.

Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Excluding humanitarian aid, the sectors receiving the most aid over the last three years are basic health and mineral resources and mining, together making up 25% of total development and peace expenditure, with the mineral resources share due to a significant (USD 410 million) expenditure by Saudi Arabia in 2021⁹. Another 50% of expenditure has been across other social infrastructure and services, energy distribution, development food assistance, conflict, peace and security, general health, water supply and sanitation, government & civil society Figure 1.10

Figure 1.10. Main sectors of development and peace ODA

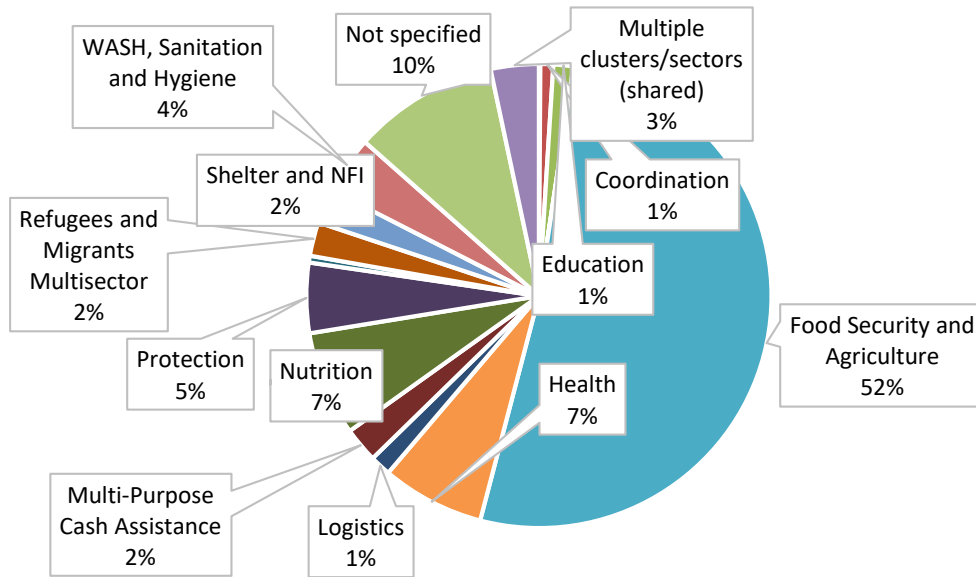
All donors, 3-year average 2019-2021, USD 2020 million



Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Within humanitarian aid, analysis of HRP funding by cluster in 2022 shows that over half (52%) of funding went towards food security and agriculture, while a further 28% was spread over health, nutrition, protection, WASH, or multi-sectoral responses (Figure 1.11). As of April 5, in 2023 food security had again received the most funding in absolute terms followed by WASH. The most under-funded clusters relative to funding sought (less than 5% funded) were emergency telecommunications, refugees and migrants, rapid response mechanism, camp management, shelter and NFI, education and protection (OCHA, 2023^[16]).

Figure 1.11. Humanitarian Response Plan funding by cluster, 2022

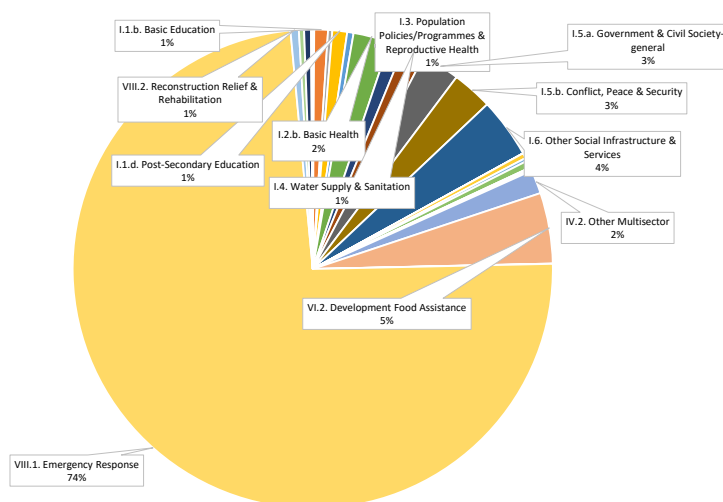


Source: (OCHA_[17]), Financial Tracking Service: Yemen Humanitarian Response Plan 2022, <https://fts.unocha.org/appeals/1077/summary>

Aid data can also be disaggregated to isolate DAC donors' sectoral allocations, which over the last three years have been heavily focused on emergency response (74%) Figure 1.12, including emergency food assistance. Once humanitarian aid is excluded, the largest sector of development and peace ODA is development food aid, a grouping that covers provision of food assistance as a social safety net in a longer-term programmatic way. Other major allocations for DAC donors included conflict, peace and security, water supply and sanitation, other social infrastructure, government & civil society, and the health- and education-related sectors Figure 1.13.

Figure 1.12. DAC members' sectoral allocations

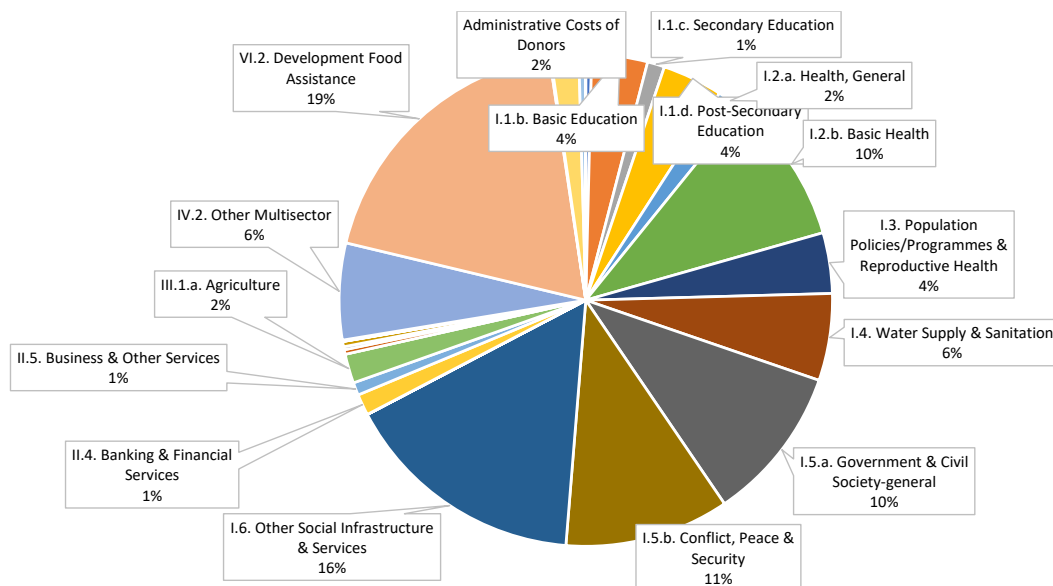
3-year average 2019-2021, USD 2020 million



Source: (OECD_[13]), Creditor Reporting System, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.13. DAC members' development and peace allocations

3-year average 2019-2021, USD 2020 million

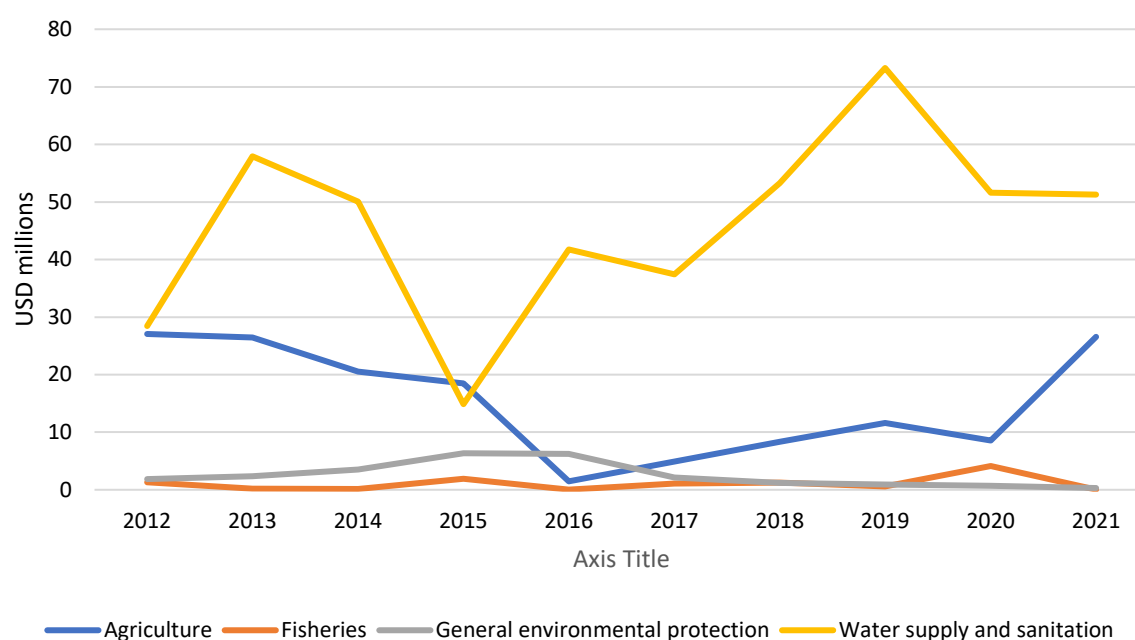


Source: (OECD_[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Food security is a particular concern over the longer term as well, especially in light of a very low level of domestic production compared to highly volatile food imports that are vulnerable to physical attacks and the impacts of e.g. insurance costs and inflation. While investments in water supply and sanitation have rebounded since the conflict began and then remained relatively consistent, development finance to fisheries, general environmental protection, and agriculture have remained low, with the latter beginning to increase in 2021 Figure 1.14.

Figure 1.14. Development ODA in food-security – related sectors

All donors, USD 2020 millions



Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Yemen sees very modest volumes of non-ODA funds

Given Yemen's very severe level of physical insecurity and economic fragility, including concerns over aid fraud, physical integrity of assets, currency convertibility and capital flight, in recent years there has been little recourse to non-ODA sources of external financing (private investment, blended finance, etc.). Some small operations, for instance investments by Development Finance Institutions (DFI), are being explored although they are rare (see below), and most donors do not consider that conditions are in place for such investments.

Other official flows (OOF) are defined as official sector transactions that do not meet official development assistance (ODA) criteria. OOF include grants for commercial purposes or intended to promote exports, and loans not meeting the ODA threshold of concessionality. This category includes many mechanisms used for private sector operations and blending, including export credits, funds in support of private investment and subsidies to the private sector.

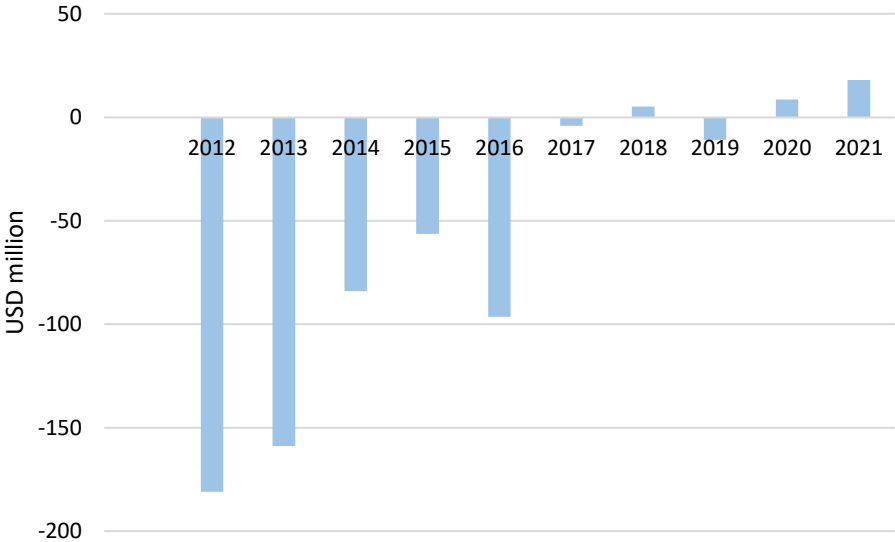
Even prior to the conflict outflows of OOF were significant, but this has begun to reverse since 2017, with small net positive inflows in 2020 and 2021 Figure 1.15. Limited operations have been made in recent years, alongside reduced flows out of Yemen to DAC and other official donors (these outflows, for example, can comprise repayments on loans, returns on investments etc).

Beyond OOF, Yemen is highly reliant on remittances, and increasingly so since the onset of the conflict, but data at the national level has been extremely limited since 2017 (World Bank, 2023^[18]). Even without exact figures, it is widely accepted that remittances are one of the primary sources of foreign currency in Yemen. An October 2021 report described in some detail the difficulties of estimating the value remittances to Yemen – official and unofficial – noting however that the total value of annual remittances is likely higher than the USD 3.8 bn World Bank figure for 2016, with upper end estimates ranging from UDS 5 bn to 8 bn according to different sources (ACAPS, 2021^[19]). The same report explores in some detail the challenges

that this dependency presents, including vulnerability to external shocks exemplified by Covid lockdowns and movement restrictions in remittance sending countries, and the impact of international measures on anti-money laundering and countering terrorist financing (ALM/CFT). Households reliant on remittances are also vulnerable to internal financial sector fragilities such as the fragmentation of monetary policy and banking regulation.

Figure 1.15. Other official flows to Yemen

USD 2020 million

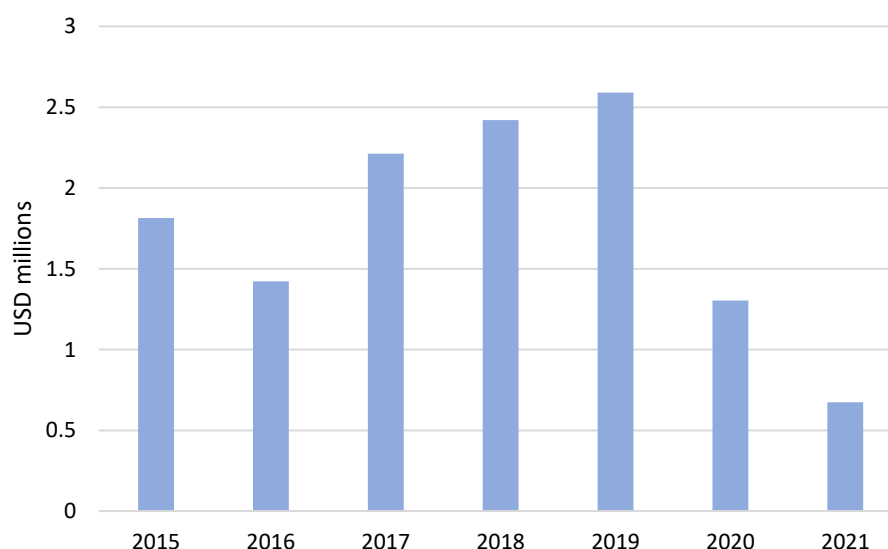


Source: (OECD_[20]), *Other official flows (OOF) and export credits – disbursements*, 2023 <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Private grant giving in Yemen remains extremely limited, with between USD 1.3 million and 2.6 million a year declared to the OECD since 2015. Private philanthropy and development finance from reporting foundations is exceptionally low in Yemen, averaging just USD 1.8 million a year over the last 5 years and dipping down to under USD 700 000 in 2021. It is unclear what stands behind such low levels of private philanthropy in Yemen although perceptions of security, limited access to reliable information on options for development finance and restrictions linked to AML/CFT are likely drivers. These figures do not include data on Islamic finance in Yemen, most of which is not yet reported to the OECD.

Figure 1.16. Private grant funding

Private foundations reporting to the OECD, USD 2020 millions



Note: These data are preliminary as the database is in the process of being updated for 2021.

Source: (OECD^[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

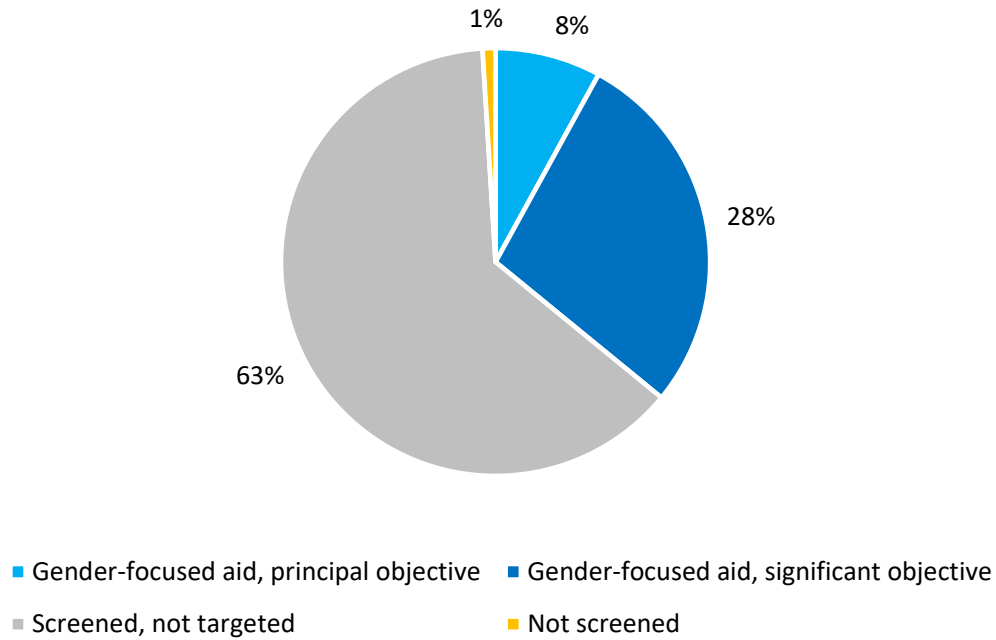
Gender equality is a major concern but has not been fully integrated into ODA

Gender equality and women's empowerment is often a key thematic goal for many donors in fragile contexts, yet it can be difficult to align this focus with crisis-response activities. Yemen has consistently ranked last on UNDP's Gender Inequality Index since the first year of analysis in 1998. And since 2020 the situation has deteriorated further (see Box 1.2). Donors express concern with the situation of women and girls in Yemen, yet only 36% of DAC member's bilateral allocable aid integrated a gender focus in 2021 across development and humanitarian aid¹⁰ – lower than the proportion in most recipient countries - while 63% included neither a principal nor a significant focus on gender outcomes Figure 1.17. The volume of aid principally focused on gender outcomes has grown in the last three years, but nevertheless remains low at USD 172 million in 2021 Figure 1.18. There is also a perhaps missed opportunity to more systematically integrate gender-related concerns into programming as a secondary objective.

The low proportion of gender targeted ODA in Yemen is likely related to the predominance of humanitarian aid in donor support to Yemen Figure 1.2. Analysis has shown that humanitarian ODA is generally the sector with the lowest gender focus overall, and much lower than the overall average. Over 2020-2021, only 19% of bilateral humanitarian aid from DAC members integrated a gender focus (OECD, 2023^[21]), and in fragile contexts only 22% of bilateral humanitarian aid from DAC members did so in the period 2012-2019 (OECD, 2021^[22]). The average across all sectors currently stands at around 44% (OECD, 2021^[22]). More could be done to integrate a gender equality lens into programming in Yemen, including drawing on recent guidance in this field (OECD, 2022^[23]).

Figure 1.17. Proportion of ODA that is gender-focused in 2021

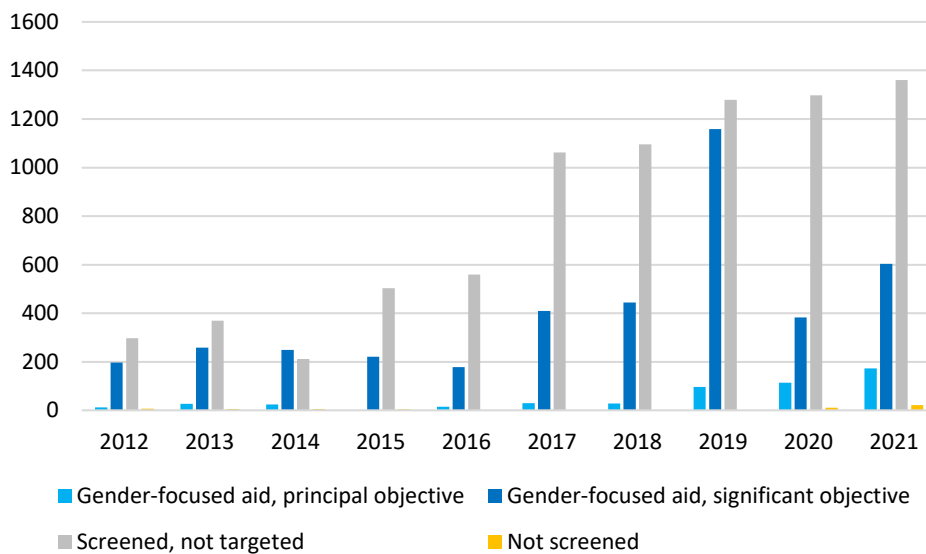
DAC member bilateral allocable ODA to Yemen, USD 2020 millions



Note: The above graph includes only DAC member bilateral allocable ODA as this is the only ODA type that is tagged for gender equality goals.
 Source: (OECD_[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Figure 1.18. Gender-focused ODA

DAC member bilateral allocable ODA to Yemen, USD 2020 millions



Note: The above graph includes only DAC member bilateral allocable ODA as this is the only ODA type that is tagged for gender equality goals.
 Source: (OECD_[13]), *Creditor Reporting System*, 2023, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>

Box 1.2. The challenge of responding to the impact of *mahram* on access

Multiple interviewees highlighted that a key challenge restricting access and effectiveness of aid responses is the requirement for women to travel only with the permission of a *mahram* or male guardian, or as is increasingly common, that the *mahram* must physically accompany them. This is a breach of women's rights and limits the delivery of effective aid, especially to women and girls.

Yemen has had the highest level of gender inequality in the world since 1998, the first year of analysis, in UNDP's Gender Inequality Index. And this has only worsened since 2020. Increasing restrictions have prevented female Yemeni humanitarian workers from conducting fieldwork. In his report to the UN Security Council in November 2022, Special Envoy for Yemen Hans Grundberg confirmed that "this is now affecting all Yemeni women in the North, including United Nations staff, and we need to be clear that there are no excuses for such actions". While *mahram*-related restrictions are primarily in the Houthi-controlled areas of Yemen, some have been reported in the IRG-controlled areas as well.

There is no simple policy or operational solution for development partners to the challenge of *mahram* requirements. To be sustainable, rights- and needs- based, short-term as well as long-term responses need to be inclusive, and include women at all levels. Yet accommodating the need for *mahram* – for example, by recruiting married couples or funding accompanying spouses – entails its own set of problematic ethical issues and incentives, such as the risk of reinforcing discrimination or being seen to legitimise the restrictions. This approach can also bring additional operating costs in a response that is already thinly spread. These challenges were already acknowledged in the Afghanistan response since the early 2000s, and the options have not fundamentally changed since that time. Nevertheless, some lessons from the Afghan contexts could include:

- Discuss the issue and possible responses strategically, as an international community. This is a strategic issue that can affect both the effectiveness and the eventual cost of humanitarian and development responses. Approaching it as a community can combine experiences and networks, help develop more effective guidance, and provide greater leverage. This could include a discussion around conditions for aid delivery and the areas where aid is provided.
- Address the issue from a women-centric approach, to identify solutions that in the short and long run will best protect women's interests alongside aid delivery. The OCHA guidance for Afghanistan suggested being prepared to pay additional travel expenses for accompanying family members if necessary, although the experience has led the international community to re-assess and exclude this option. This is a long way from an acceptable outcome, but was initially seen as less problematic than excluding women from the response or placing staff in additional danger.
- Especially for large donors and those with a mandate that encompasses the whole of Yemen, look for ways to dialogue regarding the restrictions and elevate that dialogue. *Mahram* requirements are not enshrined in Yemeni law and are being carried out under verbal directive.

Source: Yemen: Huthis 'suffocating' women with new requirement for male guardians | Amnesty International UK; gender_inclusive_humanitarian_response_final_220621.pdf (humanitarianresponse.info); Gender Inequality Index | Human Development Reports (undp.org); (Grundberg, 22 November, 2022^[4]); (DAC Network on Conflict, Peace, and Development Cooperation, 2002^[24]); (ACAPS, 2022^[5])

2 Looking ahead: preparing for peace

This section presents some directions for the international community to consider, based on the analysis of trends and goals above and from expert sources working on and in Yemen, and the findings of key informant interviews conducted August-December 2022 with development partners, key stakeholders, and members of the IRG. A validation workshop held in March 2023 with key stakeholders contributed to the analysis. The below is intended to stimulate discussion and generate thinking on the next steps to bring a more strategic perspective to funding and programming choices.

At the highest level, donors have shared ambitions

All donors and multilateral partners, whether through interviews or strategy documentation, emphasise their support for long-term inclusive peace as a prerequisite for sustainable development. Not all donors have expressed strategic goals for their work in Yemen, but where they have, they converge around three cross-cutting priorities:

- (i) humanitarian crisis response to alleviate human suffering;
- (ii) longer-term support to tackle the root causes of instability, including food security and basic service delivery; and
- (iii) support to the peace process.

Prospects for peace were more encouraging in 2022 than over the past few years of the conflict, with a two-month truce renewed three times through the process spearheaded by the UN Secretary General's Special Envoy, supported by a political transition in the IRG in April 2022. This new sense of optimism helped improve macro-economic stability over the course of 2022 despite difficult economic conditions globally. Substantial pledges of support from Gulf donors alongside the implementation of foreign exchange auctions in 2022 contributed to improved currency stability.

Nevertheless, this relative stability remains fragile. The absence of a formal agreement since October 2022 has resulted in a situation of 'no truce, no war' where truce conditions largely hold but remain fragile, and tensions within the IRG remain a risk going forward. And there are striking, but perhaps not surprising, differences in perceptions amongst the donor community about the conflict dynamics. These differences of view do not appear to fall along traditional lines or donor groupings. The views appear to fall along three broad scenarios, which will impact donors financing and programming choices:

Scenario A: Moving towards peace, whether slow progress or a breakthrough agreement.

Hope for a breakthrough agreement remains, with intensive efforts since October 2022 to find a sustainable agreement to renew, expand and solidify the gains from the truce into a formal ceasefire and political process. This process could also be incremental and drawn out as prospects for peace gradually improve. Such an agreement would open up a longer-term perspective for donors to enhance support for sustainable development, though donors are generally not clear on what could trigger this shift outside of a formal peace agreement. Crucially, preparing for such a scenario means planning for increased investments in Yemen rather than a drawdown of support due to an end of hostilities. Development priorities could include, as in scenario B, a focus on preserving gains and the status quo, with the addition of concrete actions to

put in place the financing and programming instruments - mechanisms for collectively managing those investments - that will support the transition when the time is right. This can be seen as a long-term goal, though it is unclear what the exact timeframe will look like.

Scenario B: Stasis– no resumption of truce/progress towards peace.

There is the risk of continuation of the current situation for an undefined period of time, or a hardening of positions in the North - for example, we heard commentary such as “the Houthis don’t really want progress” and a suspicion that Houthi requests for the payment of military salaries constituted intentional undermining of the prior truce. In the South, there is the risk that hardened responses could increase the entrenchment of a *de facto* two state reality – for example, sanctions against the North, and attempts to channel aid funds exclusively through CBY in Aden and a very limited set of approved commercial banks. Development priorities for donors in this hardened scenario could revolve around the preservation of gains made so far and support of basic state functions, with a need for co-ordination around how to respond to restrictions in the operating environment such as mahram, interference in third-party monitoring etc. This recognises that in such an uncertain context preserving the status quo and shoring up government capacities and household-level resilience can itself be defined as success. This can be seen as a medium-term reality of unclear duration.

Scenario C: Deterioration, whether gradual or sudden breakdown of peace talks

The risk of a hardening of positions in both the North and South, or even of the collapse of UN-led or KSA-facilitated peace talks, remains tangible. At its extreme, this scenario could include the resumption of large-scale hostilities, collapse of the IRG and further fragmentation across the country. In this case, donors would need to assess the risks and consequences of re-allocating, drawing down or even suspending support in parts or all of the country. Finding ways of staying engaged at the political level and to ensure some level of basic service provision and economic resilience will be crucial to enable a resumption of support when conditions allow. There is no timeline for this scenario, but there appears to be appetite for early thinking around its plausibility and around what actions would be needed to help prevent knee-jerk reactions and prepare measured responses.

Prepare now for peace, the long-term shared objective

No regrets financing and programming includes preparing for peace

Donors say they stand ready to shift their engagement in support of longer-term investments linked to governance, institution-building, economic recovery and eventually reconstruction, and to support a political process that can stabilise gains and help rebuild the social contract. Yet most donors have yet to define what would help them shift their support more fully, beyond a full peace agreement, and intermediate milestones generally remain unclear.

For donors, the truce provided a window of opportunity to shift attention from the acute emergency to short-term planning, but it fell short of shifting the basic perceptions of the conflict. Interviews conducted throughout the truce period and after its suspension showed two-month periods were not deemed sufficient to allow for a real rethink of partners’ approaches to aid and had not had any substantial impact on the types, areas, or modalities of aid delivery in Yemen. Some key informants suggested that a 6-month agreement – which at one stage appeared possible – could create the space for a policy dialogue and start to move the narrative towards longer-term interventions. Overall, however, donors see a peace agreement as the main factor that would help shift their approaches, pointing to a predominantly wait-and-see attitude in the meantime.

Peace preparedness needs to start early to be effective, and present as coherent a face as possible amongst the donor community, even while doubts remain over the timing and process. Relevant triggers could be both positive and negative, to account for hardening in the operational environment and well as improvement. These intentions need to be backed by plans and identified inflection points – at least internally – so that the building blocks are in place when opportunities arise in a highly fluid and sometimes fast-moving political context.

Consider now the instruments and approach to the outbreak of peace, including the option of a transition compact

The UN Secretary General’s Special Envoy recently noted that “*In addition to working towards a shared vision for an end to the conflict, it is also essential to break that vision down into concrete, actionable steps; otherwise, challenges will arise and cause delays in the implementation phase*” (UN Security Council, 16 January 2023^[25]). What is true for the peace process is valid for international support to sustainable development too.

However, the absence of an overarching vision of the building blocks for positive peace means that actions remain somewhat disconnected. Understanding how international support is connected to Yemen’s own priorities and needs is crucial.

During the interview process, several ideas were raised around a possible framework to facilitate the shift towards more development and longer-term programming, from a short document that could outline what development support would be provided in the event of a peace deal over a three-to-six-month timeframe, to a more substantial transition compact. Transition compacts are designed to allow national and international partners to agree on priorities, financing sources and instruments for a collective effort in support of post-conflict peacebuilding in a specific context (Bennett, 2012^[26]). There is scope to consider whether an eventual compact of some kind – including the development as well as the peace communities – could help align development support behind implementation of an eventual peace process and bring together different actors around a collective contribution to peace, economic recovery and development. In doing this, it will be important to consider past experiences in Yemen and seek to draw on lesson from other contexts¹¹

Work through the incentives and signals that donor choices can create

In the immediate future, donors and multilateral partners express the need for a better understanding of the parties’ positions, incentives, and options for the future that could support a move away from conflict and hardening of the operational environment, even in the absence of firm agreements. The economy is central to this thinking. Work to help de-instrumentalise aspects of the economy is already a feature of the UN Secretary General’s Special Envoy’s approach – but still relatively detached from the work supported by donors and partners on the development side. Likewise, donors’ support for peace remains relatively compartmentalised between diplomatic and financial support to the UN Secretary General’s Special Envoy on the one hand, and individual peacebuilding initiatives under their development portfolios on the other.

Over the longer term, political will and the strength of the social contract will be central to building and sustaining positive peace. While this needs to be driven by domestic actors, external actors can contribute through progress related to development goals – basic service delivery, education and health, economic stabilisation, development of the tax base – that can help rebuild a social contract, and reinforce the visible wins from peace. At the same time, donors are looking for ways to better align incentives for peace and convey the message that a more concerted and collaborative approach can make existing support go further to the benefit of all. Talk of “peace dividends” among international partners is encouraging, yet it points to a sequencing that places sustained peace as a pre-condition for further support and risks focussing on “quick wins” over longer-term sustainable change. It is clear that while sustained peace can

and will reduce humanitarian needs and significantly ease access constraints, it is also clear that it should be seen as an opportunity to shift the nature of financing rather a savings opportunity.

The importance of conflict-sensitive support for macro-economic stability

The conflict in Yemen has, from the very beginning, been complex and closely intertwined with questions of control over key facets of the economy and issues of macro-economic stability (Robinson, 2021^[27]; Wennmann and Davies, 2020^[28]; Wennmann and Davies, 2022^[29]) (ICG, 2022^[30]) The centrality of the conflict's economic dimension, both at the community and livelihoods level and in terms of macro-economic stability, is widely recognised across the international community – by actors from development, humanitarian, peace, multilateral, DAC members and non-DAC members alike.

In practice, the focus on economic resilience has translated into several strands of actions supported by the international community: a technical and capacity-building agenda with the central economic institutions of the IRG; support to Yemen's basic "economic and financial plumbing"; a focus on food security and livelihoods; and efforts to de-instrumentalise the economy through the peace process.

Nevertheless, the international community needs to carefully consider the overall objective for Yemen's economy. If the intention is to maintain some form of social contract that would be relevant at the national level, the way in which support is delivered could have practical and political implications. For example, support and capacity building to the machinery of government located geographically on one side of a conflict – while sending a clear and legitimate political signal, and in some cases reflecting mandate constraints – could in some circumstances bring unintended consequences such as exacerbating divergence and reinforcing path dependency towards the split in the civil service. These are inherently difficult and delicate questions to be navigated; in Yemen and elsewhere, it is also known that in a governance vacuum, armed groups use the provision of public services (and the collection of quasi-taxes) as a means to entrench their legitimacy and grow their influence with the population (Horton, 2017^[31]).

Further, macro-economic issues linked to currency stability and exchange rates, payments of civil service salaries, oil prices and duties, tax revenues, remittances, food prices, electricity, logistics and transport networks all have a direct impact on the cost, reach and effectiveness of humanitarian and development responses. Sharing of information regarding e.g. forex auctions, staff visits, and technical work by specialist agencies has been seen as invaluable for the donor community at large, though it is not yet clear that all of the needed collaborations and relationships are fully in place. The humanitarian and development responses could benefit from increased predictability and transparency over major macro-fiscal events such as major foreign exchange deposits and conversions, given their impact on planning and targeted of humanitarian and development responses. Likewise, Yemen's high dependency on remittances (see above) means that variations in their flows directly affect needs and, in turn, issues at the centre of international support like food security, purchasing power, macro-economic stability, etc. Thinking through the impact of international action on the cost and feasibility of remittances, and improving our understanding of remittance flows where possible, can help the effectiveness of the international response (ACAPS, 2021^[19])

Prepare now for peace, the long-term shared objective

Flesh out scenarios A, B and C: This can be done collectively and individually within institutions. A collective discussion can help kick-start the process and feed into more detailed individual planning. Scenarios can help identify inflection points (positive and negative), intermediate milestones, possible responses and actions.

Consider now the instruments and approaches for peace, and their links to the peace process. This could include political discussions on inflection points as well as research and analysis on transition models, mutual accountability frameworks, and other such instruments, taking into account past experiences in Yemen.

Work through the incentives and signals that donor choices can create. Political will and the strength of the social contract will be central to building and sustaining positive peace. External actors can contribute to help rebuild a social contract. Donors should think through ways to better align incentives for peace and articulate the links between the peace process and their development support.

Recognise the importance of conflict-sensitive support for macro-economic stability. The centrality of the conflict's economic dimension is widely recognised. The international community needs to carefully consider the overall objective of its development support for Yemen's economy. Donors and partners should reflect collectively and individually on the intended and unintended consequences of their support. This includes exploring how major deposits, capacity building and institution-building impact needs, remittances, the long-term social contract and peace preparedness.

In the medium term, staying engaged and consolidating development gains is progress

In interviews, donors shared qualitative expressions of their forward-looking intentions, to the extent possible. Overall, the majority of donors look to be maintaining levels of financing to Yemen, and where possible, increasing the development and peace share. All donors support the peace process, including for some through funding to the OSESGY and through political and diplomatic participation. It is unclear whether this modestly positive picture will, in total volume terms, be sufficient to compensate for funding allocations that may not be maintained. Most recently, at the High-Level Pledging Event on the Humanitarian Crisis in Yemen, 32 announcements of funding totaled USD 1,16 billion relative to USD 4.3 billion sought for the humanitarian response (OCHA, 2023^[32]).

Three groupings of donors emerged from the discussions, from least to most commonly encountered:

- Some donors have been supporting exclusively humanitarian action in Yemen and will continue to do so for the foreseeable future, mainly because they argue that the conditions are not yet in place for development work.
- Others, who have also been consistent in backing the humanitarian response, have been seeking to sustain or increase a secondary focus and financing on longer-term development approaches to complement their humanitarian portfolios.
- A significant number of donors have expressed an interest in increasing their development support, but face difficulties in doing so for a variety of reasons ranging from a lack of adequate information, risk averse administrations, lack of available resources, a loss of visibility to other

conflicts, especially Ukraine. Some of these donors are engaging in small “pathfinder” operations in the hopes of increasing investments in future.

Build consensus around a shared framework with strategic priorities

There is a recognised need for a clearer collective framework linking financing and programming with development and peace goals medium-term that can provide a basis for a more strategic approach to peace preparedness over the longer term. As is often the case, coordination and strategic direction can be most effective when linked to discussions around financing. This would also help strengthen the case for additional development investments in donor capitals and multilateral headquarters, where perceptions of what is possible appear to be limited by the absence of a collective vision. Coalescing around one or more of these frameworks will take time and will need to be backed by conflict-sensitive political economy analysis. International partners may not want to destabilise the ambiguous environment if this is what allows the PLC and IRG to function. In the meantime, a focus on reinstating a positive governance environment, whilst supporting efforts to streamline and align these plans, could lead to interim guidance to steer donor interventions.

Such a framework could evolve from a range of pre-existing initiatives or could result from a strategic prioritisation exercise led by the YPG to identify collective outcomes. Whatever the basis for the framework, it could address some of the key areas that will help prepare for and incentivise peace, support a transition from mainly humanitarian to longer-term development aid where appropriate, offer realistic responses to Yemeni needs in line with capacity, and provide a platform to seek to expand the development donor base.

The IRG lacks a single national development plan, though work appears to be underway. The IRG initiatives include an ongoing two-year process to build a Yemen Vision for Recovery and Development driven by MOPIIC and supported by ESCWA and GCC members, as well as a proposed recovery and reconstruction framework envisaged by the Economic Team under the PLC. A 2019 recovery framework set out the IRG priorities for reconstruction and economic recovery but is not widely known. In the north the de-facto authorities issued their own 2019 National Vision. However, the links between these different documents are unclear and to date they have not yet evolved into a national development plan that could guide alignment. Going forward, it will be important that donors support the process of coalescing around a shared framework, at least within the IRG, that includes some actionable prioritisation.

In the meantime, a number of different frameworks exist that could provide a basis for a more concerted approach that donors, partners and the IRG can use to bridge the current patchwork of initiatives:

At the level of the humanitarian and development responses, the UN Economic Framework (UNEF) takes a food security lens for incremental and concurrent actions that will increase Yemen’s economic resilience over time across four main pillars of intervention, ranging from the household level to macro-economic stabilisation. The first pillar provides a direct link to the Humanitarian Response Plan itself which, in 2022 and 2023, explicitly links to areas of interplay across the Humanitarian-Development-Peace Nexus. However the status of the UNEF remains unclear and donors were not yet unanimous in their support for it as an overarching framework, with some expressing the need to revisit and consult further on the framework and its implementation plan. The 2019 Nexus Strategy provided a comprehensive basis for a more joined up approach, led by UNDP, but suffered from a combination of limited consultation, the Covid shock, and high staff turnover so eventually dropped off the radar.

The Arab Monetary Fund’s recently announced programme could provide further opportunities for alignment, for instance through technical assistance support, but information remains scarce as to the details of the reform programme limiting the ability of crucial partners to ensure a coherent approach. More transparency on the objectives, conditions, timeline and framework of the reform programme could help other partners such as the World Bank, IMF US, UK, EU and SDRPY working with central economic institutions lend their support to shared objectives and leveraging of resources.

Whatever the framework, the newly established YPG and YPTT can provide both the platform and the strategic guidance to take forward the collective effort needed. It can provide the space to map what donors and international partners are doing against the agreed framework and how it relates to the peace process, and serve as an entry point for engagement with the IRG.

Make use of the new co-ordination architecture to strengthen the building blocks of future development investments

Prioritisation of actions in a context where everything is a priority is very difficult, and there is no easy way around this. One approach is to focus over the medium term on development investments that help to “keep the lights on” and preserve the institutional capacity and social contract space for progress towards peace. In Yemen there is a recognition that in such a fragile setting, the list of basic services the government is struggling to deliver is broader and more fundamental than when a crisis situation affects a more stable context. This means that macro-economic and social functions, fiscal and monetary stability, expanding food production, affordability and access, are fundamental, as is the development role in the provision of basic services like health, education and social protection.

The international community’s focus on economic resilience acknowledges this reality, through the Humanitarian Response Plan, the UN Economic Framework, and the range of technical assistance and capacity building activities for central economic institutions provided by partners such as the World Bank, IMF, US, UK, EU, OECD and KSA. There is an argument for donors and multilateral partners to expand their understanding of basic services where development finance can play an important role, to include economic resilience and macro-critical services that can be significant sources of macro-economic, human and conflict risk. Acknowledging that this is far from an exhaustive list, these could include for example:

- Support to what could be described as ‘economic and financial plumbing’, as illustrated by efforts to enable foreign exchange auctions and swaps, some of which may be lead by Treasuries rather than development agencies.
- Support to critical infrastructure such as the electricity sector that underpins nearly all other actions across the country and requires careful consideration of the socio-political implications of any potential reform agenda linked to tariff and pricing structures.
- Food affordability and access, through support to imports but also domestic production (agriculture, fisheries, water sector) are also central to this expanded concept of basic services and directly relevant to the effectiveness of the humanitarian and development responses.
- Examine the development role to come in human capital-building and preserving interventions such as health, education, and responses to forced displacement. These can be high-cost sectors where development investments over time can be critical for supporting the social contract.

At present, beyond the peace process itself, there appears limited coordination around peacebuilding activities supported by development actors, and limited coordination between peacebuilding activities and the peace process, for instance around mediation, local entry-points to de-escalation, community-based approaches to social cohesion and support to civil society. As donors prepare for peace, they are also starting to think ahead to the medium- and longer-term needs related to governance and the rule of law, security, DDR, that could be supported through stabilization, political or peace instruments.

Programming to date remains relatively focused on localized and community-based approaches whilst broader governance discussions, linked to political developments, are taking place in the context of the peace process. A working group on peace and governance is taking shape under the YPTT umbrella and there is interest in working groups on human rights and on peacebuilding. These would provide a useful forum to bring together the different activities and will need to consider how to strengthen their links to the peace process.

Lay the groundwork for support to integrity

Some of the most pressing concerns for both the IRG and the international community relate to transparency, fraud and corruption. Yet there appears to be limited discussion regarding how to move forward, even slowly, on integrity concerns, supreme audit functions etc. This is striking given the importance of rebuilding an enabling environment for financial re-engagement over time to strengthen economic resilience, both from donors and from the private sector, even while it is clear that IRG expectations for expanded direct financing are unlikely in the near future. Whilst anti-corruption efforts receive some support under sectoral programmes such as PRAGMA or the EU-OECD project, in particular for the Central Bank of Yemen (Aden), a broader reflection on anti-corruption and integrity efforts could be a helpful step forward to help bridge the gap towards the longer-term goals of the IRG.

In parallel, there is scope to explore a more structured approach to a mutual accountability framework where the government and development partners can agree to be responsible for the commitments they voluntarily make to each other (OECD, UNDP, 2019^[33]). Yemen's continued willingness to remain engaged in the Global Partnership for Effective Development Co-operation (GPEDC) agenda and its monitoring exercise despite the pressures it faces presents an opportunity for pro-active engagement to build trust and develop a shared agenda. Of particular relevance in a fragile situation like Yemen, any discussion on accountability should focus on aggregate impact, including harms avoided and ways to ensure accountability to recipient populations, rather than only transactional fiduciary controls. The earlier focus on aid absorption, which drove the establishment of an *Executive Bureau for the acceleration of aid absorption* before the conflict, could perhaps be reviewed to include broader issues of impact, capacity, coherence and policy. In a similar vein, global level processes such as the International Network on Conflict and Fragility (INCAF), GPEDC and the International Dialogue on Peacebuilding and Statebuilding (IDPS)¹² offer useful avenues to develop country-level dialogues to support a more structured approach whilst also raising awareness of how donors think about their aid to Yemen, especially at capitals level (see above).

Think strategically about aid delivery modalities

In fragile settings complex political and conflict dynamics affect the range of modalities available to deliver aid (Cliffe et al., 2023^[7]). Aside from limited direct government-to-government support provided by KSA and UAE over the past few years, most donors channel their support through the UN, donor country-based NGOs, international NGOs, with smaller amounts of funding going directly to Yemeni implementing partners like the Social Fund for Development (SFD), the Public Works Project (PWP) or the Small and Micro-Enterprise Promotion Service (SMEPS) and NGOs. Finding the right mix of modalities and ensuring they are complementary requires close dialogue and engagement around shared objectives with financing partners.

Pooled funding mechanisms are widely used in constrained settings but ensuring their success is not always straightforward. In interviews donors had mixed reactions to the potential for such mechanisms in Yemen. On the one hand, they are seen as a platform for coordinated dialogue with national authorities and, for 'smaller' donors, a vehicle to usefully contribute to shared objectives while minimising risk for individual contributors. On the other hand, some donors are reluctant to contribute due to misalignment of objectives, difficulties in terms of earmarking, tracking of contributions and visibility. This points to the need to anchor discussions on pooled mechanisms, including existing ones such as the Peace Support Facility and World Bank's new Yemen MDTF, firmly in the context of broader donor co-ordination mechanisms and strategic goals to ensure sufficient uptake and alignment.

The blurred boundaries between humanitarian and development needs also prompted some key informants to reflect on the value of more tailored crisis response funds that can help bridge humanitarian and development approaches with more flexibility and risk orientation that most development donors

currently demonstrate. This echoes some of the emerging findings from the DAC's work on development co-operation in extremely fragile contexts (see [Box 1.1](#), above).

Explore new partnerships for delivery

Yemen is a relatively unusual context in the degree to which it is reliant on external grant financing. With the exception of remittances, which constitute a lifeline for many households, non-ODA financing is extremely limited. Nevertheless, steps are underway to develop near-term and longer-term tax revenue capacities – work which should continue as a means to sustain government functioning as well as the social contract over time.

Private philanthropy and funding from foundations is exceptionally low in Yemen, averaging just USD 1.8 million a year over the last 5 years and dipping down to under USD 700 000 in 2021 (see above). Exploring what lies behind this low level of engagement, options for outreach to foundations and closer co-ordination and information exchange on Islamic finance with members of the Arab Co-ordination Group could help raise Yemen's profile and break down some of the barriers to private giving.

In terms of investment, a surprising number of donors expressed an interest in pursuing investments by their Development Finance Institutions (DFI), with some indicating specific companies they knew had an active interest in returning to or beginning an investment relationship in Yemen when the time is right. At least three donors reported investments, albeit modest, that were actively under consideration at the time of interview. As an example, the International Finance Corporation (IFC) and the Dutch Entrepreneurial Development Bank (FMO) have invested into Hayel Saeed Anam Group (HSA Group), a family-owned conglomerate established in Yemen in 1938, that today includes factories and distribution hubs across both the DFA and IRG-controlled areas. HSA purchases imported wheat, flour, dairy products and sugar, then processes it in local plants and distributing it, along with its partners. The original transaction in 2021 was designed as an emergency financing mechanism to ensure HSA could secure inventory for import, and involved IFC and FMO, with a 50% first loss guarantee provided by the IDA Private Sector Window. A further transaction is underway in 2023 to include a further DFI.

In the medium term, staying engaged and consolidating development gains is progress

Build consensus around a shared framework with strategic priorities. Seek to coalesce around a collective framework that links financing and programming with development and peace goals (medium-term) and provides the basis for a more strategic approach to peace preparedness (longer term). Such a framework could evolve from a range of pre-existing initiatives on the Yemeni and international sides, or could result from a strategic prioritisation exercise led by the YPG. The YPG can help map support against the agreed framework, how it relates to the peace process, and serve as an entry point for engagement with the IRG. Explore the merits of a structured approach to a mutual accountability framework.

Make use of the new coordination architecture to strengthen the building blocks of future development investments. Focus on preserving institutional capacity and basic services, with a broader definition that includes support for 'economic and financial plumbing', critical infrastructure, food affordability and access, human capital as well as closer co-ordination on peacebuilding activities and links to longer-term objectives on governance, rule of law and security.

Lay the groundwork for support to integrity. Start a broad reflection on anti-corruption and integrity building on the targeted support already provided to help bridge the gap towards longer-term goals. .

Think strategically about aid delivery modalities, and how donors can prepare for future shifts in the operating context. Explore the range of delivery modalities already in place in the Yemen contexts. Anchor any discussions on pooled funding mechanisms into existing co-ordination mechanisms and strategic goals to ensure alignment. Consider the value of a tailored crisis response or transition mechanism that provides flexibility and risk-orientation to bridge the humanitarian-development-peace divide

Explore new partnerships for delivery. In conflict settings this can be about enhancing effectiveness of delivery and achieving objectives, rather than necessarily large volumes. Continue current work on near and longer-term tax revenue capacities. Explore what is behind the exceptionally low level of private philanthropy and funding from foundations in Yemen, options for outreach to foundations, closer co-ordination and information exchange with the Arab Co-ordination Group members on Islamic finance. Raise awareness and share information on DFI activities in Yemen, and explore what more could be done to facilitate their engagement as appropriate.

Short term: What immediate steps could help us be more effective?

Identify the key areas where collective results are realistic, to build momentum

The Germany-UNDP led Nexus group made significant headway throughout 2021 and 2022 to foster greater information exchange and look for synergies in programming, in particular in relation to the water sector and around area-based approaches. This laid the groundwork for the transition to a more comprehensive approach through the YPTT and its thematic working groups, including one on water that will continue the sectoral work. Further areas of closer collaboration are emerging through the YPTT and YPG structure like education and health, as well as through existing task forces for instance on nutrition in partnership with the Scaling Up Nutrition (SUN) Secretariat, the work on area-based approaches in Ta'iz

linking different donor initiatives and the UNEF, or World Bank work on geo-bundling food security and nutrition interventions. Some of these technical level engagements also provide a bridge between the north and south of the country, for those that have the political mandate to do so. Donors are also exploring how to support technical collaboration to deliver basic services in areas on the frontline that can meet immediate humanitarian needs and allow for north-south engagement.

Food security, and the close link to nutrition, is a clear cross-cutting concern, as illustrated by the volumes of humanitarian and development support. It drives the humanitarian and much of the development financing. The UN's Economic Framework proposes food security as the first of a four-pillar approach to economic resilience and the obvious link between humanitarian and development approaches. Food security cuts across emergency cash programming, social safety nets, livelihoods, agriculture and fisheries, but also education, health and nutrition. Coalescing around a food security as an entry point could yield results across the board, building on the UNEF and the work of the UNDP-FAO-World Bank collaboration. This is also an area where the private sector can play an important role. (IFPRI, 2022^[34]) (HSA Group, 2022^[35]).

Talk to the government about their needs and priorities

Despite the complex and dynamic conflict situation in Yemen, the international community has a partner in the internationally recognised government, which could be more engaged in a policy dialogue on development issues. In extremely complex contexts like Yemen, there is a temptation for donors to manage prioritisation by programming for what they can deliver rather than programming for what is really needed – across both the type of assistance provided and the delivery modalities, especially in the face of high administrative and security costs, restrictions on travel, and constraints on some delivery modalities.

To date the degree of engagement with government has varied, challenged partly by the absence of most development partners from Yemen, though for some donors joint missions have emerged as an efficient and effective mechanism for gaining exposure. The UN and IFIs, along with some donors, have maintained a close and constructive dialogue with parts of the IRG, which continues to face capacity constraints to manage and coordinate its engagement with the broader international community. Donors and international partners are supporting capacity development in specific policy areas, yet there is scope for a stronger coordination function on the IRG side (see above). Donors could consider exploring how a conflict-sensitive investment in this function, on the basis of careful political economy analysis, could bolster their own coordination efforts. MOPIC provides an obvious anchor, alongside the support currently provided to the Executive Bureau. To date, the focus on economic resilience has translated into different strands of action supported by the international community, as described above, yet these efforts have not necessarily addressed the challenges of extreme fragmentation at the political and technical level in Yemen, including within the IRG. Clarifying what approaches to dialogue with government currently exist, to what extent collective engagement could benefit both sides, and what a template for engagement with Yemeni counterparts could look like will help build a clearer picture of the options for strengthening the dialogue. This could build on the information sharing and joint operating procedures work already undertaken by the humanitarian community.

Rigorous sequencing including of capacity building

At the macro-economic level, donors are working with the IRG towards greater alignment between their interventions in support of central economic institutions through the CDG/TA working group, beginning with much-needed consultations on sequencing and prioritization. Prioritising and sequencing when everything is a priority means making difficult choices, anchored in a policy dialogue with the IRG, about what can realistically be achieved given the ODA/support available, the needs, and the (human and technical) absorption capacity of the Yemeni system in the short and medium term.

In some cases, donors may need to be clearer with the IRG on the limits of their support, for instance related to procurement, government-to-government co-operation and direct financing, and look for opportunities to discuss complementarities with other donors. There are opportunities to look for closer synergies between the ‘software’ capacity building and ‘hardware’ infrastructure approaches - a process that has started in the context of the Capacity Development/Technical Assistance working group on economic matters and could be extended to other sectors such as health and education.

In some instances, donors may need to consider how to tailor their delivery modalities in a way that maximises longer-term impact, for instance by balancing the need for capacity building through intensive one-off workshops abroad with the absorption capacity of a limited pool of experts who also need to spend time in-country applying their skills. Delivering technical assistance in situ can help reach a greater range of stakeholders and better adapt the offer to local needs and conditions (see above). Likewise, whilst international standards and processes are important, delivering highly complex systems (for IT, accounting, etc) may risk diverting resources from effective implementation where simpler systems may be better suited.

Invest in information and data

One of the major gaps in the Yemen context is the lack of data, and a lack of access to what limited data is available. While by no means limited to economic data, one of the impacts seen in highly fragile countries for example is a near-total cut off of reliable data about the fiscal and economic position of the country. Over time this erodes information on the country’s economic and macro position; can exacerbate loss of control over fiscal positions and recourse to central bank financing; reduces visibility over the drivers of humanitarian and development needs; and can make it harder for technical agencies to re-engage in future.

The UN country team, led by the Resident Coordinator, has established a technical partnership on data under the YPTT to encourage a more concerted approach across the UN system with the aim of streamlining and rationalizing the project approach that has prevailed to date for investments in data. There is an opportunity for this to be aligned with the existing and planned support to data in the economic sector, including with the Central Statistics Office.

Donor-supported analytical resources such as ACAPS, Sana’a Centre reporting and others provide a valuable shared basis for contextual understanding to inform international support to Yemen across humanitarian, development and peace activities. In addition, there are ongoing efforts – for example the Yemen Information Board, or the Yemen Institutional Building and Capacity Development Platform – to better consolidate and share information on donor programming. The more donors consolidate around a single mechanism for capturing and sharing aid data, the more valuable such a mechanism will be, perhaps with a view to transitioning this to a MOPIC/IRG-led mechanism, and even aid management system, over time.

Invest in the YPG as a strategic decision-making body

The YPG, YPTT and working groups provide a platform for closer coordination of international support to Yemen, in line with the peace objectives pursued under the aegis of the UN. At the same time, the structure offers a useful entry point for a more coordinated and concerted dialogue with the IRG that could help overcome some of the difficulties resulting from geographical distance, fragmentation, and limited capacities, as well as bringing together bilateral donors and multilateral partners including UN Agencies as implementing partners. It will be important to ensure that those who have more limited human resources, and those with a lower risk appetite, can access easily digestible information and connect when necessary, for example to help build confidence regarding re-engaging in development activities in future. This is all the more relevant as interviews have shown that communication and information gaps translate into

coordination silos and a higher risk aversion overall (see above). It will also be important to ensure that the RCO, acting as Secretariat to the YPG, has the resources to continue this function over the long-term, building on the support provided to date by one donor.

Strategically, the YPG can be used as the decision-making body that can help organise, prioritise and sequence the response in support of peace objectives. It can also be a platform to engage political and actors and diplomats, at the strategic level, to build understanding and awareness across the communities and help shift the narrative on Yemen. A question remains as to whether there should be a higher instance, equivalent or linked to the Humanitarian Senior Officials' Meeting (European Union, 2022^[36]), that could bring together development and peace more systematically and establish useful feedback loops between the communities. The YPG can also be used to help leverage the comparative advantages of different international actors involved in supporting Yemen, including in terms of geographic and political reach—it is clear that not all alignment will be achieved through e.g. joint projects. At the same time, the YPTT and TWG technical levels are critical to operationalize this strategic coordination. A mapping of current financing channels, mechanisms and modalities could be a useful first step.

To help prepare for the medium and long-term, the YPG could consider opening a conversation about the inflection points and triggers that can realistically help increase development investments across priority areas. In interviews, donors talked about the conditions needed to unlock more development support but were unable to define those conditions beyond 'a peace agreement'. This exchange could also provide a useful starting point for a conversation around risk appetite and help align approaches on shared challenges and responses to those challenges, for example on the issue of access restrictions linked to *mahram* and discussions around de-instrumentalising the economy in the informal group of economists.

Short term: What immediate steps could help us be more effective?

Identify the key areas where collective results are realistic, to build momentum. YPTT and TWGs are developing joint approaches to e.g. water, food security and nutrition, etc. Flesh out the meaning of and build support for area-based approaches. Explore complementarity of geographic and sectoral mandates. Explore food security as an entry point for collective engagement.

Talk to the government about their needs and priorities. Consider a conflict-sensitive investment in a stronger coordination function on the IRG side. Clarify what approaches to dialogue with government currently exist and what a template for engagement with Yemeni counterparts could look like, building on the information sharing and joint operating procedures already developed by the humanitarian community.

Rigorous sequencing including of capacity building. Prioritising and sequencing when everything is a priority means making difficult choices. CDG/TA is working with IRG on sequencing, prioritization and alignment between interventions in support of central economic institutions, other sectors could follow suit. Clarify the limits of available support. Look for opportunities to discuss complementarities with other donors, and to align ‘software’ capacity building and ‘hardware’ infrastructure approaches. Consider tailoring delivery modalities to the needs and realities of the context.

Invest in information and data. Align Data and Information Group (DIG) work with existing and planned support to data in the economic sector (e.g. CSO), maintain and strengthen support for analytical resources. Consolidate around a single mechanism for aid data with a view to transitioning to a government-led mechanism or aid management system over time.

Invest in the YPG as a strategic decision-making body. Consider the role and resources of YPG and YPTT to: enable dialogue with IRG; ensure information sharing with all donors and partners; help organise, prioritise and sequence the response in support of peace objectives; establish feedback loops between the political and aid sides; initiate a collective reflection on inflection points (see long-term), risk appetite, and approaches to shared challenges, building on reflections regarding *mahram*.

Annex A. Organisations and entities consulted during the research process

DAC members

1. Canada
2. European Union
3. France
4. Germany
5. Japan
6. Korea
7. Netherlands
8. Norway
9. Sweden
10. Switzerland
11. United Kingdom
12. United States

Non-DAC development providers

13. Kingdom of Saudi Arabia
14. United Arab Emirates

Multilateral and international organisations

15. International Monetary Fund
16. IMF Middle East Regional Technical Assistance Center (METAC)
17. World Bank
18. UN Resident Coordinator's Office
19. UN OCHA
20. UN OSESGY
21. UNDP
22. UN ESCWA

Internationally Recognised Government

23. Central Bank of Yemen
24. Executive Bureau for the Acceleration of Aid Absorption and Support for Policy Reforms
25. Ministry of Planning and International Co-operation

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Notes

¹ Alongside OECD DAC members, the following organisations adhere to the DAC Nexus Recommendation: IOM, UNDP, UNFPA, UN-Habitat, UNHCR, UNICEF and WFP. In addition, the Global Fund, the UN and World Vision International have expressed their support for the Recommendation. OCHA, DCO and PBSO are observers.

² Funds that are provided by a bilateral and passed through a multilateral mechanism are counted as bilateral ODA.

³ There are multiple reporting practices for administrative costs within the OECD Creditor Reporting System (CRS), and these reporting directives are currently being reviewed.

⁴ The next GPEDC monitoring round is scheduled to begin in 2023. It is as yet unclear whether Yemen will be one of the participating countries, see <https://effectivecooperation.org/GlobalEDCDashboard>.

⁵ The JTT has considered three outputs and this work will inform further discussions at INCAF and the DAC throughout 2023:

1. Commissioned by the Netherlands, a synthesis of three systematic reviews of aid to Afghanistan, South Sudan and Mali presents the overarching findings from 315 evaluations across the three contexts. *Impact of Aid in Highly Fragile States* (IOB 2022, <https://english.iob-evaluatie.nl/publications/sub-studies/2022/11/10/synthesis-of-systematic-reviews-in-afghanistan-mali-and-south-sudan>) finds that although somewhat effective in a few sectors, aid does not make extremely fragile contexts more stable, more capable or better governed, and that neither money nor a fine-tuning of aid modalities would fix the problem. The study suggests that providers should take a more realistic and modest approach and allocate aid to sectors where there is a reasonable probability of success, which in turn will require more systematic research into the relationship between aid effectiveness and degrees of fragility.
2. Commissioned by Sweden, a paper on *Aid strategies in 'politically estranged' settings* by NYU Center for International Co-operation and Chatham House (2023, <https://doi.org/10.55317/9781784135485>) looks into strategies for aid delivery in fragile and conflict-affected states where relations between major donors and national authorities are estranged. Drawing on quantitative analysis, interviews and country examples, the report considers how donors and multilaterals can design and deliver forms of development assistance to meet urgent needs, prevent further social and economic disruption and increase resilience without legitimising unlawful regimes or fuelling further conflict, human rights abuses or large-scale corruption.
3. In partnership with SAMA Consulting and the Afghan Evaluation Society, the *Afghanistan Evaluation & Learning Study* (forthcoming) takes Afghanistan as a point of departure to explore the linkages between evaluations, learning, and action, and the levers and barriers to these when development co-operation and humanitarian assistance operate in fragile contexts. The study draws on a survey and key informant interviews with experience in Afghanistan and other crisis contexts. It provides recommendations for evaluation managers, evaluators, and programme staff to improve learning and accountability. The findings were presented and discussed in February 2023 before the finalisation of the report.

⁶ This analysis uses the methodology outlined in the *States of Fragility 2022* (OECD, 2022_[1]): Humanitarian ODA uses purpose codes 72010 72040 72050 73010 74020; Peace ODA uses purpose codes: 15110 15111 15112 15113 15130 15150 15152 15153 15160 15170 15180 15190 15210 15220 15230 15240

15250 15261. Development ODA comprises all other purpose codes. See <https://doi.org/10.1787/c7fedf5e-en>

⁷ These data are based on donor reporting of their country-allocated funding to Yemen. In some cases, there may be additional funds managed by headquarters, on a thematic or regional basis that are not included in the above calculations.

⁸ This is classified as development, as it is non-emergency in-kind food aid.

⁹ This included fuel storage infrastructure and fuel shipments.

¹⁰ The DAC gender equality policy marker is a qualitative statistical tool to record development activities that target gender equality as a policy objective, either primary or secondary, used by DAC members as part of the annual reporting of their development activities to the DAC. The data based on the marker provides a measure of the development finance that DAC members and other actors allocate in support of gender equality.

¹¹ See for instance ZYCK, STEVEN A. *Mediating Transition in Yemen: Achievements and Lessons*. International Peace Institute, 2014. JSTOR, <http://www.jstor.org/stable/resrep09577>; UNDP Transitional Programme for Stabilization and Development <https://www.undp.org/sites/g/files/zskgke326/files/migration/ye/TPSD-2012-2014-Full-Yemen-.pdf>; USAID Yemen <https://www.usaid.gov/stabilization-and-transitions/closed-programs/yemen>; The UN-World Bank Partnership in Yemen: Lessons Learned from the Deployment of a UN-World Bank Adviser in the Office of the Special Envoy of the Secretary-General (DPPA, 2018, https://dppa.un.org/sites/default/files/evaluationsummary_26july2019_final.pdf); Institute for State Effectiveness (2008) Discussion Paper on Recent Experiences in Linking Diplomatic Peacemaking with Development Efforts, <https://effectivestates.org/wp-content/uploads/2019/04/Recent-Experiences-in-Linking-Diplomatic-Peacemaking-with-Development-Efforts.pdf>.

¹² See “4th Monitoring Round of the Global Partnership for Effective Development Co-operation” <https://effectivecooperation.org/4thMonitoringRound> and “International Dialogue on Peacebuilding and Statebuilding”, <https://www.pbsbdialogue.org/en/>.