

Evaluation of DFID's Country Programmes: Yemen 2004-2009

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- **Portfolio should be higher risk accompanied by more robust mitigation strategies.** We agree. Our new programming will take this recommendation into account.
- **Weak capacity of multilateral implementation partners.** A priority for us to tackle - important given the small pool of multilaterals in Yemen. We have embarked on a wider process of securing improvements in multilateral performance using HQ and country-level levers. This is already paying dividends.
- **Programmes overly ambitious and complex** An important point for future programme design. Many of the programmes under review were started when Yemen was in a different place and our office in Sana'a was newly opened. In future we should be more realistic and recognise risks – particularly those relating to weak capacity of partners and political commitment. We will need to balance this with the need to take a higher risk approach to the programme. The new logframe format should help think this through more clearly. A wider comparison with design of programmes in similar environments to Yemen would be useful to help our thinking in this area.

Staffing

- **Ambitious scale and scope of the programme has been at odds with DFID staff resources.** The reviewers noted that programme efficiency was impaired by having too few staff engaging regularly with partners in-country and that working through multilaterals is not necessarily a lighter management option. Given the constraints in DFID's admin budget, and in deploying staff to fragile states, we need to look at how we use

our existing resources more effectively and review how we prioritise work. DFID staffing levels in fragile states is a corporate decision for DFID and is balanced with wider needs. Comparisons of DFID staffing levels in other fragile states would be useful and could be valuable for longer term strategic workforce planning in DFID given WP4 commitments.

- **Deploying all Programme Managers and key advisers to Yemen.** We agree that it is important to have sufficient staff representation on the ground to ensure consistency and continuity, as well as strong technical knowledge inputs. We have now moved our economist post to Sana'a, which will strengthen our economic analysis and influencing work. Having more staff in Yemen is a corporate issue for DFID given overall budget constraints, staffing ceilings and the risks associated with deploying staff to fragile states.
- **More conflict adviser time and links to CPP needed.** Since the review a full time HMG CPP funded conflict adviser post, based in Sana'a, has been advertised. This will bring more technical support to the embassy and will oversee links between CPP and DFID programming.
- 4. To deliver the HMG strategy in Yemen and to help reverse declining trends, the CPE will be a useful reminder of the need to prioritise effectively as DFID cannot do everything, resource our ambition adequately and to be realistic in what we can achieve, whilst taking appropriate levels of risk and ensuring we continue to develop our knowledge base of Yemen. We will continue to share our experience more broadly within DFID as we deliver the policy agenda set out in WP4.



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Introduction

S1 This report is an evaluation of DFID's programme in Yemen from 2004 to March 2009.

S2 Yemen is the only low-income country in the Middle East and is significantly off-track in reaching all but one of the Millennium Development Goals (MDGs) (HIV/AIDS). More than a third of the population lives in poverty and the population growth rate is one of the highest in the world. Unemployment stands at 35%. Food security is deteriorating and Yemen has one of the lowest water per capita availability rates in the world.

S3 There is huge export dependency on oil, yet production has passed its peak and output is declining. The patronage system as a means of governing is pervasive, and Public Financial Management (PFM) is weak with reporting and monitoring of expenditure and results having been poor. Resurgent separatist and terrorist networks in the northern province of Sa'dah, threaten government stability with implications for security throughout the Arabian Peninsula, the Gulf of Aden and the Horn of Africa.

DFID in Yemen

S4 DFID established a country presence in Yemen in late 2004, and has increased its allocations tenfold during the review period. DFID's decision to scale up engagement in Yemen was prompted by high poverty levels and low levels of aid per capita. The scale-up was accompanied by a Development Partnership Arrangement (DPA) signed in August 2007.

S5 DFID does not provide budget support to the Government of Yemen (GoY), it provides support through programme-based approaches on Maternal Neonatal Health (MNH), Secondary Education (SEDGAP), Basic Education (BEDP) and the Social Fund for Development (SFD), the latter taking approx 60% of total DFID spend. An important counterpart arrangement was support to the Aid Harmonisation and Alignment (AHA) Unit in the Ministry of Planning and International Cooperation (MOPI). DFID also supports a justice and policing programme, humanitarian assistance a number of technical assistance projects and co-financed programmes in the private sector and water.

S6 There has never been a formal country engagement plan, but DFID and other departments of the UK government have an HMG Strategy that provides a unified approach to discussions with the GoY.

Relevance

S7 The arguments for DFID scaling up were both convincing and urgent. The DFID-commissioned Drivers of Change (DOC) and Strategic Conflict Assessment studies undertaken in 2005 prompted a shift in focus away from purely MDG issues to a new set of objectives around economic and political stability.

S8 The arguments against general budget support are sound, since minimum requirements in terms of PFM and commitment to poverty reduction have yet to be met. The choice of project versus budget support is, however, not exclusive, and DFID is now exploring options over budget support at sector and/or local levels.

S9 Nevertheless, there have been some issues over the convergence and coherence of programmes as well as their sequencing, in relation to capacity building and the choice and timing of investments.

S10 Additionally, the ambitious scale and scope of the programme has been at odds with DFID staff resources and the security constraints imposed, both in terms of numbers and movement within the country.

S11 Some projects in the current portfolio are designated as high risk but this may be expected in fragile states with potential deteriorating security and government capacity constraints.

Effectiveness and Efficiency

S12 The DFID Yemen portfolio has developed around four central themes: Rule of Law, Economic Management, Social Sector programming, and Aid Effectiveness.

S13 **Rule of Law.** DFID provided strong analytical studies but lacked a clear strategy on how to build donor coherence around conflict prevention. DFID's Integrated Justice Sector Development (IJS) project was overambitious, resulting in a disproportionate amount of time spent on management and process issues.

S14 **Economic Management.** Although support to PFM is very much in line with national development plans, DFID's programme tends to be overly optimistic and complex. The two-person Project Implementation Unit (PIU) was inadequate both in terms of the complexity of the programme and in promoting government ownership. Implemented by UNDP, there were significant problems such as poor technical input and reporting.

S15 DFID's private sector work with the International Finance Corporation on business tax has considerably improved the investment climate in Yemen.

S16 DFID's choice of programmes in the **social sector** was pragmatic in spreading risk between one quasi-governmental programme, SFD, and three projects implemented through line ministries – BEDP, SEDGAP and MNH. Improvements in social exclusion and rural poverty indices have been difficult to measure, with existing data being superficial and contradictory. The impact of the steep rises in food prices in 2008 has yet to be measured.

S17 The multi-sectoral **SFD** is something of a flagship programme for DFID in Yemen. A nationwide programme, its targeting is well developed and effective, laying the foundation for communities to become active partners alongside districts and governorates, and encouraging greater transparency, and equity in access to services. The SFD has helped to nurture a more accountable NGO sector, supporting around 600 organisations. Its governance structure is, however, over-reliant on the influence and support of political appointees, including its Director, the Deputy Prime Minister. This raises concerns over sustainability – particularly in view of the relatively low level of integration between SFD and local government.

S18 Within DFID's **education** portfolio, the targets set by BEDP were over-ambitious and confounded by poor statistical records kept by the MoE, although DFID technical assistance has improved this situation. The World Bank micro-management of the project has, however, impaired good working relations with the MoE.

S19 It is too early for outcomes of SEDGAP to be assessed; the evaluation notes the complementarity in design between this and the BEDP, and the efforts DFID have made towards developing sector-wide approaches (SWAp) with GoY.

S20 In **health**, DFID supports the MNHP, jointly implemented by United Nations Children's Programme (UNICEF)/United Nations Population Fund (UNFPA). The objectives for the GoY's health sector are still very general and not yet prioritised or linked to the budget.

S21 DFID accounts for approximately 12.5% of the cash value of World Food Programme's emergency programme in Sa'dah. With food insecurity increasing, WFP have expressed worry that the GoY's Social Welfare Fund safety net is woefully inadequate.

S22 DFID staffing levels in Yemen require a thorough review, and an assessment of the in-country staff implications of the fourfold increase in funding over three years. Programme efficiency has been impaired by having too few staff engaging regularly with partners in country.

S23 There have been some problems with a split office between London and Sana'a. While some programmes are almost entirely managed and advised upon by London staff, the Sana'a office has to take on some representation functions, thus increasing their workload while not always being either sufficiently empowered or informed of programme progress.

Impact and Sustainability

S24 The **PFM** project has seen some improvements in linking national policies with the national budget for the fiscal year 2008. All budget information is now publicly available on the Ministry of Finance (MoF)

website and there have been improvements in internal controls, accounting and reporting.

S25 Oxfam's PRSP Monitoring programme, supported by DFID's **PRSP Support Fund**, was successful in building effective partnerships in 10 districts between civil society and public actors at national, governorate and district levels. It has also helped to provide a gender perspective to the PRSP by engaging the Women's National Committee.

S26 The **IJSD** project saw close working relations established with the Ministry of Interior, though not with the Ministry of Justice. DFID helped establish a justice and policing sector coordination group with GoY and other donors in an effective information sharing forum.

S27 The overall **basic education** enrolment rate has not significantly risen against benchmarks set in the DPA, though in terms of absolute numbers, an additional 298,233 children were enrolled from 2006 to 2007. MoE statistics report that 24% more males than females enrolled in 2006/07, down from 28% in 2005/06.

S28 **SFD targets** in basic education were exceeded in the first two years. Other SFD achievements include 56 new feeder roads in rural areas with social indicators suggesting that some 760,000 people now pay at least 20% less for basic commodities as a result of opening new markets. Some 6,000 elected councillors country-wide and 1,000 district officials have been trained in their roles and responsibilities.

S29 The SFD has education and health components that run parallel to the MoE and MoH provisions, even if the 'fit' with government policy is optimal. Its 'islands of excellence' are partly ensured by higher salary scales than GoY ministries, thus raising issues of sustainability and the appropriateness of supporting parallel structures.

Aid Effectiveness

S30 DFID has been very much a leader on aid effectiveness in Yemen. Its **Good International Engagement Initiative** (GIEI) was an outcome of the agreement by GoY that Yemen would be one of the nine pilot countries under the OECD DAC international initiative to implement the Principles for Good International Engagement in Fragile States.

S31 Notable achievements have included the increased capacity in MOPIIC and line ministries for monitoring aid flows, and improvements in donor coordination through the Partnership Group for Aid Effectiveness. However, the GIEI project, AHA, has been used for a range of issues beyond its original mandate, including leading on the National Aid Policy (NAP) and the new Food Price Crisis Task Force.

S32 All donors including DFID have supported numerous **PIUs**. There are differing views over the extent to which they undermine long-term capacity building of the state by emphasising the use of parallel planning, implementation and budgeting procedures. The evaluation notes a lack of political economy analysis around these issues at the programme design stage.

S33 DFID Yemen and the regional office have developed a useful dialogue with member states of the **Gulf Cooperation Council** (GCC) over the importance of Yemen's development to the Gulf. Although very much 'work in progress', the UK has been a leading advocate of these issues since the high profile 2006 London Conference.

Recommendations

Recommendations for DFID Globally

S34 A '**pre-crisis**' country like Yemen does not easily fit within DFID's existing fragile states concept; new DFID Yemen country planning, plus the revised HMG strategy for Yemen, should be guided by broader lessons on how to deal with a state that has a relatively strong stable government, some appetite for reform, but deep socio-economic and security concerns.

S35 Global partnership agreements (for example, with UN agencies) should include clearly **defined 'grievance' procedures** in the event of complaints emanating from country offices.

S36 Avoid using DFID-specific '**shadow**' risk analysis for projects undertaken by partners in which risks are already identified. If there are institutional risks associated with the capacity of the partner, these should be made explicit in the project document with appropriate mitigation strategies included.

Recommendations for DFID Yemen

S37 DFID should, as soon as possible, **deploy all Programme Managers to Sana'a**, along with at least the Education, Governance and Economics advisers.

S38 DFID should continue to **explore options for sector and/or local budget support**. The education sector in particular might benefit from budget support at this juncture while providing a useful entry point for DFID.

S39 When considering scaling up financially, this should be matched by **improved quality of analysis on the political economy** and strategic advantage that DFID offers in Yemen.

Management Response

1. DFID Yemen welcomes this evaluation. Undertaken at a vital point in DFID's engagement on Yemen, we appreciate the pace at which the review was conducted. This enabled us to feed vital evidence into our thinking on Yemen through a refreshed HMG Yemen Strategy and new DFID approach. The review also comes at a difficult time for Yemen: deteriorating governance and rising conflict. The situation presents challenges and risks to our future programming. Consideration of the recommendations in the report and the additional analysis and argument will enable us to better address these challenges and make our programme more robust.

2. We are pleased that the reviewers note that despite not having a formal country strategy, prioritisation and direction of travel for our programme in Yemen matched Yemen's needs. The CPE highlights the importance of our application of the 'fragile states' lens to country analysis, which, with DFID's approach to statebuilding/peacebuilding, is today still the basis for our thinking. The CPE also highlights DFID's leadership role in donor co-ordination, citing DFID Yemen as an "initiator and key player". We hope this will continue to be the case.

3. This response focuses on where we have already used analysis, lessons and recommendations in our strategic planning and staffing, in developing a joint HMG Strategy and setting out DFID's approach to working within this. It also addresses key issues we hope will guide programming in the future.

Strategic planning

- **Pre-Crisis Countries do not easily fit within DFID's existing fragile states concept.** The challenge is how DFID and HMG address fragility in a state where rapid decline could lead to conflict and/or a humanitarian emergency - we are beginning to get closer to this scenario in Yemen. We have structured our draft DFID approach paper around a 'nuanced' DFID peacebuilding/statebuilding framework, with a focus on immediate priorities: securing political will whilst delivering survival and expected state functions (jobs, key services, security and justice) in the short-term.
- **Sector and Budget support.** We will continue to use a diverse range of aid instruments to deliver our Yemen programme and will update our fiduciary risk assessment to inform any movement towards sector and budget support. The deteriorating situation, high levels of corruption and increased military activity mean that we are unlikely to go further than our current 'programmatic' approaches in the short term.
- **Political economy analysis.** The report highlights DFID's role in leading on the 'bigger' questions and on strategic issues amongst bilateral and multilateral partners. Strategic political economy analysis has been a major part of our work, with a wide range of analysis commissioned (Country Governance Assessment, Fiduciary Risk Assessment, Conflict Audit, Growth Paper, Drivers of Change and Drivers of Radicalisation studies, Carnegie policy research papers). We benefit from FCO's political analysis through our close relationships both at post and in London and intend jointly to commission further work from policy think tanks to ensure our evidence base remains robust. The reviewers note that we need to improve our analysis during programme design on the use of aid instruments and capacity of implementing partners – particularly multilaterals, which we will do.
- **Strategic importance of growth relative to statebuilding/governance.** This will form an increasingly important component of our approach in Yemen. The recent arrival of our new Sana'a-based economic adviser will significantly improve our growth analysis and engagement in policy dialogue. We are pleased that the evaluation singles out our private sector work with IFC in "considerably improving the investment climate in Yemen".
- **DFID should look at how it might better support food security and safety nets.** Safety nets and cash transfer schemes are at the centre of our new programming for the next two years.

Portfolio performance.

- **Convergence, complementarity and sequencing of programmes.** In the short term, paying more attention to the broader links between our programmes will maximise our overall impact. It will also be important for planning if and when we can move to longer-term more traditional programming.