

Executive Summary

INTRODUCTION

This report provides an assessment of the development results achieved in the Republic of Yemen through support from the United Nations Development Programme (UNDP), working in partnership with other development actors. The report covers the period from 1997 to 2004 and summarizes the findings, conclusions and recommendations of an independent evaluation team that examined the key aspects of Yemen's development. These include poverty alleviation and human development; governance reforms, especially decentralization; sustainable management of natural resources and disaster management; human rights, rule of law and gender equality; and mine action and HIV/AIDS. Two additional cross-cutting areas are discussed, namely UNDP's approach to capacity-building and resource mobilization. The report draws on available documentation relevant to the study, information gathered from an exploratory mission in the autumn of 2003, a local study on governance issues, and interviews at UNDP Headquarters and in the field in two periods in 2004 and 2005.

NATIONAL CONTEXT

The declaration of a new State, the Republic of Yemen, in May 1990 merged two economically depressed territories with distinct political orientations. Yemen is a least developed country, but is committed to democracy, free press and an open society. Yemen needs aid, but is neglected by development partners. In the 1970s and into the first half of the 1980s, both the Yemen Arab Republic and the People's Democratic Republic of Yemen used to receive fairly high levels of aid. But external assistance has diminished, mainly for political reasons; the fact that Yemen started exporting some oil may also have contributed to this neglect (though hydrocarbon resources proved to be rather limited). Unfortunately, donor presence in Yemen is also limited and proper estimates of external resource flows into the country are not available. Annual aid receipt may now be about \$15 per capita, while the debt burden has been substantially reduced to about \$5 billion.

Political restructuring as well as economic and financial reforms have only been undertaken vigorously in Yemen since the end of the civil war in 1994. After a downward descent in early 1990s, per capita income has grown since 1999. But the employment picture is still bleak. Macroeconomic imbalances that marked the economic reality of the early 1990s have been corrected. Inflation that rose from 45 percent to 71 percent in 1994 has been brought down to about 10.8 percent in 2003. A budget deficit that reached 15 percent of gross domestic product (GDP) in 1994 turned into a surplus by 2000, thanks primarily to oil income.

Democratization is the primary objective of reforms in governance in Yemen and encompasses a wide range of areas. These include empowerment of

the parliament and civil society, free and fair elections, maintenance of political stability, establishment of the rule of law and the upholding of human rights, devolution of power to local government, public administration reforms and the promotion of gender equality. Among the objectives of reforms in human development and economic growth are poverty alleviation through output growth, human resource development, community mobilization and employment creation, discipline in planning and public finance through the adoption of a universal planning framework, budget reforms and better coordination and administration of external resources, sustainable development of natural resources and disaster management. Substantial demining operations are also required, as are effective measures for controlling the incidence of HIV/AIDS.

The problems facing the country are daunting. The population growth rate in Yemen, currently 3.5 percent, is very high. Consequently, even an output growth rate of 5.5 percent over a decade did not substantially improve living conditions. The adult literacy rate is around 49 percent and the primary enrolment ratio is 67 percent. But female literacy is only 28 percent and the primary enrolment ratio for girls is only 37 percent. Gender inequality is pronounced in all sectors. Water supply is under severe constraint and sanitation covers only 38 percent of the population. HIV/AIDS and female genital mutilation/cutting are recognized as problems, and reproductive health care, though currently receiving some attention, is at unacceptable levels. Of the more than 8 million people in the labour force, only a quarter are female and about 37 percent are unemployed or underemployed. About half the population is poor: roughly 16 percent earn purchasing power parity (PPP) of less than \$1 a day, and 45 percent earn PPP of less than \$2 a day.

There is a general consensus on the development challenges that the country faces. Officially, poverty alleviation gets the highest priority, but action programmes on human development and income growth are weak. The imbalance in the ratio of population to resources is very serious, and population growth is the most urgent problem facing the country today. Political stability is very high on the national domestic agenda, and it requires action in the areas of democratization, rule of law, conflict resolution and power sharing with local councils. Diversification of the economy also demands urgent attention, and towards this end, education and investment must be promoted vigorously and manufacturing and trade expanded. Ecological management, including disaster management, is also high on the

order of priorities in a land where natural resources have been overutilized. Proper management of water resources and protection of biodiversity, especially in coastal areas, are critical.

DEVELOPMENT RESULTS AND UNDP'S CONTRIBUTION

UNDP has been active in Yemen since the 1960s. In the 1970s and 1980s, it was important in terms of the volume of resources it brought into the country. In the 1990s, when resources were scarcer, UNDP switched its emphasis to 'upstream' activities, focusing on a limited number of themes. For the period under consideration in this report (1997-2004), the UNDP programme was guided by two Country Cooperation Frameworks (from 1997-2001 and 2002-2006), the 2001 UN Development Assistance Framework, the Millennium Development Goals (MDGs) (2000-2015), and the 2002 Strategic Results Framework. The programme focused on (i) governance issues such as decentralization, human rights, the justice system, elections and mine clearance; (ii) poverty issues such as preparation of the Poverty Reduction Strategy Paper (PRSP), monitoring and evaluation of the PRSP, acceleration in social investment, microfinance, community development and HIV/AIDS; (iii) sustainable natural resource development, including management of water resources, protection of biodiversity in the Socotra archipelago, and control of Red Sea pollution and natural disaster management. UNDP's core resources have declined over the years, local-cost financing by the Government has remained stagnant, and only mobilization of third-party funds maintained a flow of \$51 million during the first Country Cooperation Framework. It is hoped that the second Country Cooperation Framework will deliver a programme worth \$61 million.

UNDP has assisted the country in its efforts to uphold **human rights**, reform the **justice system** and improve the **electoral system**. Since May 2003, there has been a Minister for Human Rights in Yemen. The ministry is producing an annual report on the human rights situation in the country and has also been able to take action on some human rights violations. Electoral assistance in 2003 proved successful in increasing voter registration, getting women out to vote and preventing incidents of voter-related violence. The Supreme Commission for Elections and Referenda has become a stronger, more professional organization, and it has set up offices in the governorates. As regards the justice system, various legal codes have been assembled and advocacy in respect to available rights and

remedies is being pursued. Judges and lawyers are being trained and made aware of the services they can render. In **mine action**, UNDP's involvement has resulted in a national programme that has achieved reasonable success in awareness creation; about 20 percent of critically mined areas have also been cleared so far.

It is the country's **decentralization programme** that currently receives the strongest support from UNDP. UNDP, along with the UN Capital Development Fund (UNCDF), have helped the Government develop an overall strategy for decentralization and build the necessary capacity to implement the programme. Local leaders as well as government officials are being trained for the tasks they will perform, phased planning is under way for strengthening physical infrastructure at local levels, and pilot projects in selected districts in a few governorates are being launched. Simultaneously, work is ongoing in the area of fiscal decentralization. UNDP's involvement has helped spawn partnerships among various government agencies, including the Ministry of Local Administration and the Social Fund for Development, and the ministries of health, education and finance. UNDP has also mobilized support from other donors such as Denmark, Italy, the Netherlands and the US Agency for International Development. The decentralization programme is a very promising initiative for both empowering people at the grass roots and attacking the vicious cycle of poverty. However, many challenges lie ahead. For example, what is the best way to ensure that the programme is internalized and its execution taken over by the Government? How far should devolution go? How should a supporting infrastructure, including a decentralized bureaucracy, be built up? How much and in what manner should budget allocations be made to local councils? How should smaller districts be organized to be effective, decentralized units of Government? How should women be incorporated into the programme and how can they become empowered?

UNDP's long involvement in **poverty alleviation** in Yemen led to its assumption of a vital role in the preparation of the Poverty Reduction Strategy Paper, in addition to activities relating to poverty policies, monitoring and evaluation. Under the guidance of the Bretton Woods institutions, the Government of Yemen has consolidated its strategy and activities aimed at poverty reduction. The creation of databases and information systems developed under an earlier UNDP-supported programme has enabled the Ministry of Planning and International Cooperation to set up a special unit to monitor poverty. The ministry issued the first report on Yemen's progress towards the MDGs,

which won cabinet endorsement in March 2004, and produced a progress report on the PRSP for 2004. Another achievement is that, together with the Central Statistical Organization and with support from UNDP, the World Bank and Oxfam, the ministry has established a common database of socio-economic indicators that are vital to the preparation and monitoring of the PRSP. There are five thematic groups under the PRSP, some headed by officials of the Government and others by representatives of various donors. On the whole, the thematic groups have worked well and have been able to provide proper feedback in addressing poverty issues. Three difficulties that the PRSP process face are: (i) the level of ownership that the civil society currently has in the process and the limited content of the PRSP, (ii) the lack of adequate funding for investment in job creation and other public programmes, and (iii) the perception (of one stakeholder interviewed) that the PRSP is "not alive in line ministries and, in some cases, some UN agencies." However, a new PRSP for the period 2006-2010, involving all stakeholders and UN agencies, is under preparation, and UNDP and other development partners are fully involved in the preparatory process. The document, called the MDG-based Third National Development Plan for Poverty Reduction 2006-2010, will incorporate an action programme for realizing the MDG targets and will be merged with the Third Five-Year Development Plan.

To help promote **microfinance**, UNDP supported the MicroStart programme in Yemen in 2000. In the first phase that ended in 2003, the programme focused on women borrowers and gained experience with some institutions dealing with microcredit. In the second phase, the goal is to convert these institutions into microfinance companies. In 1998, UNDP also supported a **community-based regional development** initiative that successfully organized community development organizations and developed community-based financial services. The Social Fund for Development, set up in 1997, is now taking over responsibility for these programmes. The Fund is involved in developing social and economic infrastructure in communities; building the capacity of community development organizations, NGOs, consultants, contractors and government agencies; and promoting microenterprises and financial services.

Another contribution of UNDP is the **acceleration of social investment**. Investment in basic education is increasing steadily and coverage of primary education for school-aged children is growing. Life expectancy has gone up somewhat, and infant mortality is being reduced. UNDP has performed and is performing a strong advocacy role through the global platform created by the publication of

annual *Human Development Reports* since 1990, buttressed later by preparation of two *National Human Development Reports* in Yemen, with a third one under preparation.

Early on, UNDP responded to **environmental challenges** in Yemen, and its efforts in the 1990s have increased national awareness of environmental issues. A National Water Resources Authority was created with UNDP support in 1995/1996 and, in May 2003, a Ministry of Water and Environment was set up. A National Environment Action Plan was finalized in 2002, also with UNDP support, and a Water Strategy and Investment Plan was approved in December 2004. Funds from the Global Environment Facility (GEF) were allocated for the protection of the marine ecosystem of the Red Sea in the early 1990s. The project was initiated in 1995/1996 and continued until 1999. Results were limited, mainly because the project failed to focus on the loss of marine biodiversity. Another GEF-funded project involved the local development of the Socotra archipelago. There, creation of income-earning opportunities is under consideration, tied in with ecologically sound land-use planning and watershed management and with a view towards the preservation of biodiversity.

Yemen is threatened by a variety of natural disasters, including earthquakes, floods, droughts and desertification. UNDP is currently involved in developing **disaster management** plans. The most recent example of successful UNDP advocacy in this area is demonstrated by the fact that the Canadian NEXEN Oil Company, working in the southeastern Hadramawt Governorate, has committed funds to support a local water resource management and community water supply and sanitation programme. The project was piloted under the Global Compact Initiative of the United Nations.

UNDP'S STRATEGIC POSITIONING

UNDP had a high profile in both Yemens before their unification. It therefore started from a position of advantage, even though it faced a resource squeeze in the 1990s, and moved to upstream activities in selected thematic areas. Nevertheless, the priority concerns of the Government coincided with areas of UNDP support. The trust, respect and neutrality commanded by UNDP and the access it enjoys among government officials as well as civil society groups enables it to take on an advocacy role, on the one hand, and to pioneer new initiatives, on the other. UNDP has piloted a number of projects that require a combination of advocacy and capacity-building, such as community-based development projects, decentralization and microfinance programmes. In the decentralization programme, UNDP is acting as a bridge-builder between central and

local authorities, and between local authorities and the local population. It has successfully drawn more development partners into the programme and secured increased financial allocations for local government from the Ministry of Finance.

On the whole, UNDP has been very responsive to national priorities. For example, it has been engaged in water resource management for more than a decade, and may now be in a position to pass that work on to the Government or other development partners. The major strength of UNDP in Yemen has been demonstrated in its ability to: (i) build institutions and capacity, (ii) guide policy and serve as an advocate, and (iii) pilot and replicate projects. There is still potential to exploit the knowledge resources at UNDP's disposal and fresh attention should be directed there.

UNDP has also been successful in forging strategic partnerships that have been of great benefit to Yemen. These partnerships have been effective in strengthening the Government's leadership role in the PRSP process, through capacity-building as well as through coordination and advocacy efforts. UNDP has also encouraged and facilitated a number of South-South technical cooperation activities that have benefited Yemen and other countries in the region. Most notable are those exchanges between Yemeni microfinance institutions and one in Jordan. The human rights conference in January 2004 is another example of South-South cooperation in which international organizations and the European Union acted as intermediaries.

Besides technical cooperation, Yemen needs a substantial injection of capital investment. But that has not been forthcoming from either donors or foreign direct investment. UNDP in the past has been a substantial mobilizer of resources for virtually all sectors in both Yemens. Although few development partners have a presence or programme in Yemen, UNDP is still viewed as a significant player in supporting the Government in aid mobilization and aid coordination.

The UNDP Country Office in Yemen has a congenial in-house environment. Some of the chief technical advisers are also members of this in-house programme group. Because of retirements, UNDP personnel re-profiling and unification of two UNDP Country Offices, institutional memory is somewhat vague. A critical mass of expertise in specialized areas is also lacking, not only in the Country Office but also in the country as a whole. As a result, greater reliance must be placed on support available from UNDP Headquarters and Regional Centres.

The Strategic Results Framework of 2002 set out ten outcomes, almost all of which are yet to be fully achieved.

Working towards these achievements will illuminate the future direction of UNDP in Yemen. While a few programmes supported by UNDP have done relatively well, follow-up action is still needed; in some others, improvements can be made and new opportunities can be exploited.

LESSONS LEARNED

Good relations with the Government and other development partners are key to UNDP's influence in Yemen, a consideration that should guide the operations and style of the Country Office.

A second lesson is that the success of a programme depends largely on exploiting the opportunity to combine upstream and downstream activities.

UNDP should be conscious of the need for a long-term commitment to objectives. However, it should also be flexible enough to respond to emerging issues as they arise. At the same time, UNDP must keep a clear and limited focus due to its current resource limitations. In this regard it should be recognized that a nominal financial contribution or a simple advocacy appeal may be all that is required of UNDP to advance a cause or programme.

UNDP's strength has traditionally been in building capacity and piloting innovative measures. Piloting, to be successful, must be carefully planned. Aspects to consider include: (i) replication criteria and methodologies, (ii) a monitoring and evaluation system to acquire evaluative evidence from which lessons can be drawn, and (iii) a clear exit strategy, so that the process is 'owned' by national institutions early on and becomes sustainable. UNDP's advocacy role is crucial in a number of areas of political and economic significance, such as the acceleration of social investment and the promotion of gender equality and human rights.

RECOMMENDATIONS FOR THE FUTURE

UNDP should continue to focus on the overarching issue in Yemen's development, namely poverty alleviation. Key points for future emphasis include (i) deepening and expanding the consultative and participatory process in the preparation of PRSP 2006-2010; (ii) ensuring that microfinance operations are sustainable, reach the rural poor, and provide models for well-functioning microfinance institutions; and (iii) accelerating social investment.

In governance, UNDP's influence could be more far-reaching, not so much through programme funding but by bringing in other actors, such as the UN Department for Political Affairs (DPA) and its Electoral Assistance Division, the UN High Commissioner for Human Rights (UNHCHR) and other development partners. Three areas

of focus can be readily identified: (i) The second phase of the decentralization programme, which should enjoy high priority both on political and economic grounds. (ii) UNDP's involvement in special initiatives on human rights, reforms in the justice system, election reforms and mine action, which should be continued, with the objective of developing national capacity and ultimately the withdrawal of UNDP interventions. Exploitation of knowledge resources and exchange of experience should be given high priority in these areas. (iii) The further consolidation of central national authority, which could be achieved by combining advocacy, international attention and conflict resolution mechanisms and cultivating interest on the part of DPA and UNHCHR.

A new programme on gender should be initiated, incorporating advocacy, partnership development and affirmative action as well as corrective measures for gender equality.

In the area of the environment, UNDP's contribution need not necessarily involve financial resources or technical expertise as such. Rather, its most important role may be flagging the importance of the environment for the country as whole. Areas of focus should include resource mobilization, capacity development, partnership-building and programme coordination and monitoring.

External resource accounting and coordination should be given added emphasis. This is a traditional area of aid coordination that needs to be re-engineered. Aid accounting should be comprehensive, financial transactions should be transparent, budget allocations should reflect planning priorities, and technical and capital assistance should be matched.

THE UNDP COUNTRY OFFICE AND RESIDENT COORDINATOR

The excellent relations with Government, significant development results in Yemen, and a continuous need for UNDP's services and support only put greater pressure on the existing capacity of the UNDP Country Office in Yemen. Because a critical mass of expertise in specialized areas is lacking, the office must rely more heavily on the resources of UNDP Headquarters and Regional Centres and use knowledge resources more effectively.

The backdrop of political, economic and ecological fragility in Yemen and the limited interest of development partners provide an opportunity as well as a challenge to the leadership role of the UN Resident Coordinator. The UN umbrella and authority can be aptly harnessed to support democratic developments and conflict management in Yemen and can assist in securing political stability. Yemen's

need for donor support in the economic area can be argued much more strongly by the UN Country Team than by UNDP alone. In fostering critical expertise needed by the country in many specialized areas, the UN umbrella can be more effective than individual efforts by development partners.

While the UN system in Yemen collaborates well in general, there is significant untapped potential for substantive collaboration. Areas that could benefit from such collaboration, and yield synergies, are: political stability and conflict resolution, the acceleration of democratization and the rule of law, the fight against corruption, encouraging donors to increase economic assistance to Yemen, joint programming around local development and local governance initiatives, supporting integrated development planning and advocacy around key development issues, human rights and gender equality.