



# 2006 Survey on Monitoring The Paris Declaration

## Country Chapters

### YEMEN

**T**he 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

[www.oecd.org/dac/effectiveness/monitoring](http://www.oecd.org/dac/effectiveness/monitoring)

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

YEMEN IS A LEAST DEVELOPED COUNTRY with a population of 20 million, where the average annual income is USD 570 (gross national income per capita, 2004). Poverty rates stood at around 36% of the total population in 2005, down from 39% in 2000. Over the period 1990-2004, official development assistance (ODA) averaged around USD 260 million a year. Modest levels of budget support (about USD 12 million in total) were intermittently provided by one donor over 1996-2001, but this was discontinued. ODA support has been on the rise in recent years. Fourteen donors responded to the 2006 survey; together they account for around 98% of ODA. The results of the baseline survey, and progress in the following years, should shed some light on how donors and government react in a situation where aid flows are unpredictable and flexibly channelled.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Medium-term plans insufficiently integrated with long-term vision.	Adopt a Medium-Term Expenditure Framework to better link plans to budgets.
Alignment	Low	Donors make limited use of unreliable country systems, and aid is not recorded in accounting and budget systems.	Government should establish an integrated financial management system, and implement the Public Financial Management Action Plan.
Harmonisation	Moderate	Room for progress on use of programme-based approaches.	Extend use of programme-based approaches, building on progress in education, water and environment sectors.
Managing for results	Low	Stakeholder access to development information is poor.	Integrate existing monitoring and evaluation systems.
Mutual accountability	Moderate	No mutual assessments have taken place.	Aid Harmonization and Alignment Unit should establish mechanisms for country-level joint monitoring of Paris Declaration commitments.

OVERVIEW  
Box 33.1  
Challenges  
and priority  
actions

## OWNERSHIP

Ownership is crucial to aid effectiveness and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

Yemen receives a C rating for its development strategies in the World Bank's 2005 Comprehensive Development Framework assessment, along with 58% of the countries sampled. This assessment is made on the basis of a range of criteria: whether the

INDICATOR 1

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country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

The country's long-term vision is set out in the Strategic Vision 2025, which aims to elevate Yemen's international ranking to that of a "medium human development" country by 2025. The Strategic Vision is widely recognised as the reference point for policy makers; it guided both the Second National Development Plan: 2001-05 and the new Five-Year Socio-Economic Development Plan for Poverty Reduction (DPPR), 2006-10. The DPPR describes economic growth and poverty reduction as its main goals. Medium-term plans are increasingly in line with the long-term vision. Sectoral and cross-sectoral strategies have been prepared for higher education, basic education, water and sanitation, women's development, governance reforms and economic reforms. Others, for decentralisation and secondary education, are being drawn up.

The country's goals, as set out in the Vision and the DPPR, are consistent with the Millennium Development Goals (MDGs), but most of the MDG targets – including on poverty reduction –

are proving overambitious. Yemen is currently on target with only two of its MDGs, and a recent MDG Needs Assessment Report concluded that Yemen is in need of USD 5 billion a year in investments over 2005-15 in order to achieve its MDGs.

The DPPR is supplemented by a comprehensive Public Investment Programme that includes detailed projects covering priority sectors included in the new Plan. This Programme (2007-10) is the first of its kind in Yemen

#### OTHER ASPECTS OF OWNERSHIP

The government is making efforts to take charge of the co-ordination of external assistance, and in 2005 – with the support of UNDP and DFID – established an Aid Harmonization and Alignment Unit to strengthen co-ordination. The Unit was instrumental in the development of a National Aid Policy Paper during 2006, the first draft of which is already complete.

Civil society has participated in the revision and implementation of the DPPR, and efforts have been made to increase private-sector participation. Parliament was significantly involved in the formulation of the Vision, and fully engaged in the review and approval process for the DPPR by September 2006.

#### ALIGNMENT

For aid to be effective, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. In Yemen, there is little alignment. As country systems are relatively weak, donors make little use of them. In addition, aid is not reported in the budget or recorded in national accounting systems. Substantial input is needed in building reliable country systems, and in improving the systems for managing financial information.

#### BUILDING RELIABLE COUNTRY SYSTEMS

##### INDICATOR 2a

Yemen's public financial management (PFM) systems receive a rating of 3.0 under the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005. This is marginally below the average of 3.2 for all International Development Association (IDA) borrowers.

The World Bank's Aid Effectiveness Review for 2006 reports that some steps are being taken to strengthen the country's fiduciary systems, with the government having approved, in 2005, a Public Financial Management Reform Strategy. However, implementation of the strategy has been delayed,

in part because of lack of consensus about the independence of the Central Organization for Control and Audit, the country's supreme audit institution. There are also concerns about the poor quality of audits, due to capacity constraints. The government is establishing an Accounting and Financial Management Information System, but has yet to set up an integrated financial management system.

On procurement, a programme of reform has been launched, and a new procurement law was expected to be finalised in 2006. Corruption is seen to be a major challenge, and the Aid Effectiveness Review reports that only "limited action" has been taken to address it.

If the country's PFM systems are to attain a rating of 3.5 by 2010 – the Paris Declaration target for Yemen – substantial effort will be needed, particularly in the areas of audit systems and an integrated financial management system.

INDICATOR 2b

### ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy. For Yemen, while the World Bank's Aid Effectiveness Review for 2006 reports that "external partners are coalescing around country objectives", according to the baseline survey, no aid is recorded in the budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

### Are government budget estimates comprehensive and realistic?

INDICATOR 3  
Table 33.1

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* c=a/b (%) c=b/a
Arab Fund	0	13	0%
European Commission	0	29	0%
France	0	1	0%
GAVI Alliance	0	5	0%
Germany	0	37	0%
Global Fund	0	5	0%
IFAD	0	5	0%
Italy	0	2	0%
Japan	0	7	0%
Netherlands	0	19	0%
United Kingdom	0	12	0%
United Nations	0	40	0%
United States	0	35	0%
World Bank	0	130	0%
<b>Total</b>	<b>0</b>	<b>341</b>	<b>0%</b>

\* Baseline ratio is  $c = a / b$  except where government's budget estimates are greater than disbursements ( $c = b / a$ ).

This state of play is explained by the fact that there is no mechanism for the systematic inclusion of donor funds in the annual budget. Aid has been partially reported under national expenditure reports, but not in annual budgets. If a new automated financial accounting system is quickly put in place, and a donor database established, then substantial progress towards the 2010 target of 85% should be possible. The fact that the new national development plan – which will also be the Poverty Reduction Strategy – includes a clearer funding requirement from donors should also help. However, any delays in implementation will undermine the likelihood of reaching the target.

INDICATOR 4  
Table 33.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	0	15	0%
France	0	3	9%
GAVI Alliance	0	0	--
Germany	1	15	9%
Global Fund	0	0	--
IFAD	0	0	--
Italy	1	1	87%
Japan	0	3	0%
Netherlands	0	2	0%
United Kingdom	1	1	99%
United Nations	14	62	23%
United States	2	24	10%
World Bank	3	15	18%
<b>Total</b>	<b>23</b>	<b>140</b>	<b>16%</b>

## CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing technical assistance in a manner that is co-ordinated with country programmes and priorities for capacity building. The baseline survey for Yemen shows that only 16% of technical assistance was provided in this manner.

There are some positive signs in sectors including education, and water and sanitation. And the fact that the new national development plan includes a capacity-building strategy is encouraging. However, reaching the 2010 target of 50% will be a stretch.

## USING COUNTRY SYSTEMS

Under the Paris Declaration, donors are committed to making increased use of country systems where those systems are of sufficient quality to merit their use. In Yemen, where PFM systems receive a rating of only 3.0, donors make limited use of country systems. The baseline survey shows that only 10% of aid for the government sector makes use of all three PFM system components at the same time, with the average use – across the three components – amounting to 10%.

As the country received a low rating for the quality of its PFM systems, no target for use of PFM systems is set for 2010. Nevertheless, to enhance aid effectiveness, progress will be necessary. As the country's systems are strengthened through the implementation of the government's Public Financial Management Action Plan, donors will need to make greater use of country systems. Also on the donor side, progress on untying aid would allow for greater use of country systems.

On procurement, the situation is slightly better, with 13% of aid making use of national systems.

## How much aid for the government sectors uses country systems?

INDICATOR 5  
Table 33.3

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg(b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
Arab Fund	13	0	0	0	0%	0	0%
European Commission	29	5	0	0	5%	5	16%
France	1	1	1	0	67%	1	100%
GAVI Alliance	5	0	0	5	33%	0	0%
Germany	37	0	0	0	0%	18	49%
Global Fund	5	0	0	0	0%	0	0%
IFAD	5	0	0	5	33%	3	59%
Italy	2	3	2	2	100%	2	70%
Japan	7	1	1	1	15%	1	15%
Netherlands	19	6	15	15	63%	16	83%
United Kingdom	12	0	0	0	0%	0	0%
United Nations	40	20	6	7	28%	0	0%
United States	35	0	0	0	0%	0	0%
World Bank	130	0	0	0	0%	0	0%
<b>Total</b>	<b>341</b>	<b>35</b>	<b>26</b>	<b>35</b>	<b>10%</b>	<b>46</b>	<b>13%</b>

## AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The baseline survey for Yemen reports that there are 29 parallel PIUs in place. The survey results pointed to some disagreement on definition, and recommended an independent third-party assessment.

Providing more detail, the World Bank's Aid Effectiveness Review for 2006 reports that the implementation of externally financed projects tends to be carried out by PIUs, which are not yet integrated into country structures. Some efforts are now being made to locate PIUs within ministries and government systems. To meet the 2010 target, the number of parallel PIUs in Yemen will have to be reduced to no more than 10.

## How many PIUs are parallel to country structures?

INDICATOR 6  
Table 33.4

	Parallel PIUs (units)
Arab Fund	--
European Commission	8
France	0
GAVI Alliance	0
Germany	1
Global Fund	0
IFAD	4
Italy	3
Japan	0
Netherlands	1
United Kingdom	1
United Nations	11
United States	0
World Bank	0
<b>Total</b>	<b>29</b>

INDICATOR 7  
Table 33.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Arab Fund	--	64	13	
European Commission	0	29	29	0%
France	0	1	1	0%
GAVI Alliance	0	11	5	0%
Germany	0	29	37	0%
Global Fund	0	6	5	0%
IFAD	0	9	5	0%
Italy	0	2	2	0%
Japan	0	7	7	0%
Netherlands	0	27	19	0%
United Kingdom	0	11	12	0%
United Nations	0	55	40	0%
United States	0	11	35	0%
World Bank	0	178	130	0%
<b>Total</b>	<b>0</b>	<b>441</b>	<b>341</b>	<b>0%</b>

\* Baseline ratio is  $c = a / b$  except where disbursements recorded by government are greater than aid scheduled for disbursement ( $c = b / a$ ).

#### PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) that are recorded by government in the national accounting system as having been disbursed. Discrepancies can be present due to a variety of reasons. For example, for the United Kingdom, it is likely that the large discrepancy is due to DFID's policy of delegated co-operation. This has resulted in a very low figure for disbursements compared to the actual level of aid that was disbursed by DFID, including through other agencies such as the UN and the Netherlands.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Yemen, donors scheduled USD 441 million for disbursement in 2005 and

actually disbursed – according to their own records – slightly less than expected (USD 341 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Yemen, government systems do not record disbursements made by donors.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In Yemen, this combined predictability gap amounts to USD 441 million (100% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Against this background, the government of Yemen expects to soon establish improved financial management information systems.

#### UNTYING AID

According to OECD data covering 67% of 2004 commitments, 91% of aid to Yemen is untied. This indicates that donors are close to meeting their Paris Declaration commitments to untying aid.

INDICATOR 8

## HARMONISATION

ON HARMONISATION, the situation in Yemen is cause for optimism. This is particularly visible in the areas of co-ordination of donor missions and country analysis. Further progress is needed, and seems probable, in the use of programme-based approaches.

#### USING COMMON ARRANGEMENTS

The baseline survey data show that 50% of aid to Yemen was delivered through programme-based approaches (PBAs). With no aid provided as direct budget support, all PBA aid was made up of sector support, and was provided by the World Bank.

There are reports of achievement on this indicator, particularly in sectors such as education, and water and environment, and through multi-donor social safety net programmes. The country expects to reach the target of 66% by 2010.

#### How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Arab Fund	0	--	0	13	0%
European Commission	0	0	0	31	0%
France	0	0	0	4	0%
GAVI Alliance	0	0	0	5	8%
Germany	0	4	4	37	10%
Global Fund	0	5	5	5	100%
IFAD	0	5	5	5	100%
Italy	0	1	1	3	28%
Japan	0	0	0	9	0%
Netherlands	0	6	6	19	29%
United Kingdom	--	--	--	--	--
United Nations	0	10	10	63	16%
United States	0	1	1	35	1%
World Bank	0	130	130	130	100%
<b>Total</b>	<b>11</b>	<b>172</b>	<b>184</b>	<b>370</b>	<b>50%</b>

INDICATOR 9  
Table 33.6



INDICATOR 10a  
Table 33.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	5	37	14%
France	0	20	0%
GAVI Alliance	0	0	--
Germany	4	27	15%
Global Fund	2	2	100%
IFAD	0	2	0%
Italy	0	6	0%
Japan	0	7	0%
Netherlands	0	1	0%
United Kingdom	22	43	51%
United Nations	148	225	66%
United States	0	8	0%
World Bank	3	80	4%
<b>Total (discounted*)</b>	<b>120</b>	<b>458</b>	<b>26%</b>

\* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS  
AND SHARING ANALYSIS

The baseline survey reports that donors conducted a total of 458 missions to Yemen, with 26% of these being co-ordinated. As there are relatively few donors, and good donor-donor co-ordination, chances of stepping up this percentage are strong.

The data for indicator 10b show that fully 55% of country analysis was co-ordinated, coming close to the 2010 target of 66%. Good examples of co-ordinated or joint analysis can be found in the health and financial accountability sectors.

INDICATOR 10b  
Table 33.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	1	1	100%
France	0	0	--
GAVI Alliance	0	0	--
Germany	7	18	39%
Global Fund	0	0	--
IFAD	0	0	--
Italy	0	2	0%
Japan	0	0	--
Netherlands	0	0	--
United Kingdom	5	6	83%
United Nations	87	94	93%
United States	3	13	23%
World Bank	4	11	36%
<b>Total (discounted*)</b>	<b>80</b>	<b>145</b>	<b>55%</b>

\* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

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## MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Yemen, along with 54% of countries included in the World Bank's 2005 assessment of the Comprehensive Development Framework, received a rating of D. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 echoes its 2005 ratings. The quality of development information is improving. The government has, for instance, prepared a

Statistical Master Plan, but this as yet is not fully financed. Stakeholder access to development information is described by the World Bank as being "an open challenge". Information is posted on the Internet but, with limited public access to the Internet in Yemen, this is not a good way of making information available. Neither, with high levels of illiteracy, is producing printed information. The government retains control of the broadcast media, a situation that has not facilitated stakeholder access to development-related information. Finally, the establishment of an integrated country-level monitoring and evaluation system is reported by the World Bank to be "at an early stage". Encouragingly though, some efforts are being made to integrate existing monitoring and evaluation systems, and to ensure that monitoring and evaluation is a central part of the country's new Development Plan.

If Yemen is to receive a rating of B for "managing for results" by 2010, considerable progress will be needed, particularly in stakeholder access to development information and country-level monitoring and evaluation.

INDICATOR 11

## MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The indicator examines whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself, and specifically, whether such an assessment has taken place.

No such mechanism is in place in Yemen, and no mutual assessment of progress against aid effectiveness commitments has been carried out. However, the country's new Development Plan will have a monitoring and evaluation framework that will provide the basis for reviewing performance. To meet the 2010 target, such reviews must be mutual, with donors assessing government performance and vice versa. The newly established Aid Harmonization and Alignment Unit will need to press on with its efforts to establish mechanisms to jointly monitor Paris Declaration commitments at the country level.

INDICATOR 12

## BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Yemen. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Yemen under the aegis of the National Co-ordinator (Nabil Shaiban).

Table 33.9  
Baselines  
and targets

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	C	B or A
2a Quality of PFM systems	3.0	3.5
2b Quality procurement systems	Not available	Not applicable
3 Aid reported on budget	0%	85%
4 Co-ordinated capacity development	16%	50%
5a Use of country PFM systems (aid flows)	10%	No target
5b Use of country procurement systems (aid flows)	13%	Not applicable
6 Parallel PIUs	29	10
7 In-year predictability	0%	50%
8 Untied aid	91%	More than 91%
9 Use of programme-based approaches	50%	66%
10a Co-ordinated missions	26%	40%
10b Co-ordinated country analytical work	55%	66%
11 Sound performance assessment framework	D	B or A
12 Reviews of mutual accountability	No	Yes

## ACRONYMS

CPIA	Country Policy and Institutional Assessment
DPPR	Development Plan for Poverty Reduction
IDA	International Development Association
MDG	Millennium Development Goal
ODA	official development assistance
PBA	programme-based approach
PFM	public financial management
PIU	project implementation unit