



RETHINKING
YEMEN'S ECONOMY

*Beyond the Business as Usual
Approach:*

AN INSTITUTIONAL FRAMEWORK FOR POST-CONFLICT RECONSTRUCTION IN YEMEN



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ACRONYMS

ACA	Afghanistan Coordination Authority
ARF	Abyan Reconstruction Fund (Yemen)
AQAP	Al-Qaeda in the Arabian Peninsula
CDR	Council for Development and Reconstruction (Lebanon)
CFD	Central Fund for the Displaced (Lebanon)
EOR	Executive Office for Reconstruction
GDP	Gross Domestic Product
HMRF	Hadhramout and al-Mahra Reconstruction Fund (Yemen)
HDI	Human Development Index
IMF	International Monetary Fund
INGO	International Non-Governmental Organization
IRFFI	International Reconstruction Fund Facility for Iraq
ISAF	International Security Assistance Force
PWP	Public Work Project
SFD	Social Fund for Development
SRC	Supreme Council for Reconstruction
SWF	Social Welfare Fund
UN	United Nations
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY

The ongoing conflict in Yemen has imposed grievous costs on Yemenis, damaging lives, property and infrastructure and collapsing the country's already fragile economy. And yet the conflict will eventually subside. Although some reconstruction projects have begun, they have generally been undertaken haphazardly and not as part of a comprehensive and structured plan. Post-conflict reconstruction following the war must address the basic needs and rights of the Yemeni population and put the country on the path toward sustainable peace and development.

This report examines the literature regarding post-conflict reconstruction and draws lessons from the reconstruction experiences of Afghanistan, Iraq, and Lebanon, in addition to multiple past post-crisis reconstruction efforts in Yemen itself. Past Yemeni efforts in the wake of disasters and conflicts have been ad hoc and reactive. The Yemeni government has demonstrated a limited capacity for aid absorption and weak capacity for project implementation. Donors have contributed to these poor results, to a certain extent, by circumventing the state and disbursing aid directly, thereby ensuring that the state do not develop the inherent authority to manage long-term reconstruction. Furthermore, actual donor disbursements often fail to keep pace with initial donor aid commitments.

Drawing on lessons from past reconstruction efforts, this report proposes a new institutional structure for a proactive, permanent future reconstruction authority in Yemen. Because the war has both damaged the central government's capacity to provide services and worsened regional and sectarian fragmentation, it is impractical to rely solely on the central government for post-conflict reconstruction throughout Yemen. Therefore, Yemen should adopt a multi-level mixed institutional approach to reconstruction that closely coordinates with all stakeholders.

Key recommendations

- Yemen should proactively establish a permanent, independent, public reconstruction authority by presidential decree.
- The reconstruction authority should have a clear mandate to coordinate end-to-end post-conflict or post-disaster reconstruction efforts, including strategic planning and policy design; organising funding and fundraising; coordinating with the central and local authorities, international organisations, donors, and local stakeholders; implementation (through a competitive process that allows public sector units and private sector companies to compete in bidding); and conducting ongoing monitoring and evaluation for transparency and accountability.
- The reconstruction authority should have its own protocols for procurement, personnel, and payroll.

- The reconstruction authority must have the capacity to set up local reconstruction offices immediately following any disaster or end of conflict.
- These local offices will be fully empowered to manage projects of a certain scope within their areas of remit, including assessment, planning, local funding and fundraising, project implementation, monitoring, reporting, and coordination.
- The reconstruction authority must establish a clear framework for working with all stakeholders, including the coordination of long-term and strategic projects with the government of Yemen.
- The reconstruction authority should establish a pool fund for all donors, whether managed by the reconstruction authority itself or jointly co-managed by the reconstruction authority and an international or regional development bank acting as a trustee.
- The reconstruction authority should establish its own monitoring and evaluation unit in conjunction with pre-existing Yemeni government entities, using its own internal monitoring and evaluation system.
- The reconstruction authority's board of directors should include: representatives from the donor community (both from within the Gulf Cooperation Council and from among international donors), representatives from the cabinet, and representation from the private sector, in addition to the executive director. The board should be chaired by a Deputy Prime Minister to ensure it has the highest level of support.
- The responsibilities of the board should be clearly stated in the decree establishing the bureau. These responsibilities should be limited to strategic-level direction and oversight, ensuring that the executive management of the reconstruction authority has the flexibility required to implement projects effectively.
- The reconstruction authority's board of directors should follow a competitive, merit-based, transparent process for the recruitment of its executive director, the directors of local reconstruction offices, and all staff.
- The reconstruction authority should seek the involvement of Yemeni citizens and professionals across all economic sectors at the central and local levels to facilitate the technical reconstruction work.

INTRODUCTION

The current conflict in Yemen follows decades of political and economic mismanagement and seems far from a peaceful resolution. More than three years of turmoil have imposed grievous costs on Yemenis, damaging lives and collapsing the country's already fragile economy. For example, World Bank estimates from 10 cities in Yemen revealed a quarter of the road network was partially or fully destroyed as of 2016, with power production halved and half of all water, sewage and sanitation infrastructure damaged^[1]. As of the end of 2017, the United Nations (UN) reported that an estimated 8.4 million people are at risk of famine, while more than 1 million cases of cholera have been reported.^[2] Economic activity has been sharply curtailed, with 40 percent of households reporting the loss of their primary income source.^[3]

While there are no signs of the conflict ending soon, it is nevertheless urgent to begin laying the groundwork for a better framework for reconstruction in the eventual aftermath of fighting. Experience has shown that it is never too early to begin planning for reconstruction.^[4]

Following previous periods of armed conflict in Yemen, a pattern emerged of initial donor enthusiasm for post-conflict reconstruction initiatives followed by waning interest. The result was limited funding and little material change. Thus, this paper intends to inform local, regional, and international stakeholders concerned with establishing an institutional framework for post-war reconstruction in Yemen to avoid previous failures.

The first half of this report reviews select literature regarding post-conflict reconstruction. It highlights three case studies of reconstruction efforts in post-conflict countries with characteristics comparable to those of Yemen: Afghanistan, Iraq, and Lebanon. It then analyzes Yemen's previous experiences in reconstruction following natural disasters and conflicts in the past several decades.

With the lessons learned from these experiences, the second half of this report introduces a new institutional scheme for reconstruction: a permanent reconstruction authority whose aim is to establish efficient and transparent mechanisms for coordination and accountability among internal and external stakeholders. Overall, the proposal presented in the second half of the report seeks to assure the proper flow of funds, the rapid exchange of information, and the timely completion and overall quality of post-war reconstruction projects.

[1] World Bank et al., "Yemen: Preliminary Damage and Needs Assessment" (unpublished report, Washington, DC: World Bank, June 15, 2016).

[2] Food and Agriculture Organization of the United Nations, "FAO Yemen Situation Report - December 2017" last modified December 31, 2017, accessed May 18, 2018. <https://reliefweb.int/report/yemen/fao-yemen-situation-report-december-2017>.

[3] "Yemen's Economic Outlook - October 2017," World Bank, last modified October 11, 2017, accessed May 18, 2018, <http://www.worldbank.org/en/country/yemen/publication/yemen-economic-outlook-october-2017>.

[4] Sultan Barakat, "Post-Saddam Iraq: Deconstructing a Regime, Reconstructing a Nation," *Third World Quarterly*, 26, nos. 4-5 (2005): 571-591.

To be suitable for governance realities in post-war Yemen, any future organizational arrangement for reconstruction must include measures to assure national ownership – meaning the inclusion and buy-in of all stakeholders. Such a framework is an essential step for successful economic recovery, ensuring that reconstruction addresses the basic needs and rights of the Yemeni population and puts the country on the path toward sustainable peace and development.

RECONSTRUCTION MODELS IN FRAGILE POST-CONFLICT COUNTRIES

Despite varied writings on post-conflict reconstruction, the literature on this subject provides no universally accepted theoretical framework for post-war reconstruction. The term ‘post-conflict reconstruction’ has been used in widely varying circumstances. When used in the past to describe reconstruction in Japan and Europe following the Second World War, it referred to reconstruction undertaken in countries where all armed hostilities had ceased. Although this approach produced lasting peace and development following earlier wars, research suggests that it has proven ineffective more recently when applied to fragile states still experiencing some form of recurring conflict, such as Iraq and Afghanistan.^[5]

For decades following the end of the Second World War, a commitment to economic liberalization undergirded Western powers’ Cold War foreign policies. This approach sought to prevent the spread of communism by uniformly imposing free market policies, whether in peace or war, with little consideration to country-specific differences. International financial institutions and development organizations adopted market economy policies around the world, even when engaged in post-war reconstruction.^[6] Bilateral and multilateral development agencies applied a model that prioritized a free market over long-term development that was inclusive, nationally owned, and led through bottom-up local community participation.^[7]

Often, governments in post-conflict developing countries were prompted to adopt a specific model for financing and delivering basic public services – a model that was copied without fundamental modification from Western European states in the 1950s. The reconstruction governance model that

[5] Yosef Jabareen, “Conceptualizing ‘Post-Conflict Reconstruction’ and ‘Ongoing Conflict Reconstruction’ of Failed States,” *International Journal of Politics, Culture, and Society* 26, no. 2 (2012): 107-125.

[6] Caitlin S. Fitzgerald, “Reassessing Neoliberal Economic Reform in Post Conflict Societies: Operation Iraqi Freedom,” *Critique: A Worldwide Journal of Politics* (Fall 2009/Spring 2010), accessed May 18, 2018, https://about.illinoisstate.edu/critique/Documents/Spring2010%20docs/Fitzgerald_Caitlin.pdf.

[7] *Ibid.*

produced such positive results in Europe, however, produced much worse results in fragile, low-income countries.^[8] Even reconstruction models that were found to be successful in some places are not applicable across all post-conflict contexts, indicating that there is no universal blueprint for post-war reconstruction.

Developed economies in peacetime function very differently from wartime and post-war economies in developing countries. Pre-conflict or in peacetime, developing countries in general are impacted by state fragility and limited capacity. They often lack access to timely and accurate information, hindering their ability to plan or provide services. Conflict can effectively destroy a state's capacity to plan or to implement policy directives.

When emerging from conflict, a fragile state lacks the human and financial resources needed for relief, recovery, and reconstruction. These states then experience difficulty in encouraging a culture of national rebuilding, whether among civil servants or the general public.^[9] When these governments fail to meet international donors' requirements for continued funding, donors redirect their funding from state channels to nongovernmental organizations or private sector entities instead. This further undermines the state: without financing, the state fails to build capacity and is unable to sustain itself once international involvement ends.^[10]

Furthermore, it is difficult for a state to appear legitimate in the eyes of its people if it is not involved in providing basic services to its own citizens. Insofar as older post-war models of reconstruction require state capacity to be successful, applying these models in post-conflict developing states will fail to produce sustainable and inclusive growth, development, or lasting peace.^[11]

POST-CONFLICT RECONSTRUCTION IN AFGHANISTAN, IRAQ, AND LEBANON

For anyone concerned to design an institutional reconstruction framework in Yemen, the experiences of other post-conflict fragile states reveal important lessons. This section presents as cases studies post-conflict reconstruction efforts in Afghanistan, Iraq, and Lebanon. As the table below illustrates, Yemen

[8] Gilles Carbonnier, "Conflict, Postwar Rebuilding and the Economy: A Critical Review of the Literature," *WSP Occasional Paper No. 2*. (1998).

[9] Rafat Al-Akhali, "Improving Service Provisioning in Yemen," *Resonate! Yemen* (October 2014).

[10] Sultan Barakat and Steve Zyck, "The Evolution of Post-conflict Recovery," *Third World Quarterly* 30, no. 6 (2009): 1069-1086.

[11] John F. E. Ohiorhenuan, "Post-conflict Recovery: Approaches, Policies and Partnerships," Centre for Research on Peace and Development, Working Paper No. 4 (December 2011), accessed May 18, 2018, <https://soc.kuleuven.be/crpd/files/working-papers/wp04.pdf>.

ranks alongside these countries in terms of human development, corruption, and state fragility. In Yemen, as in Afghanistan, Iraq, and Lebanon, external military interventions and the powerful influence of internal non-state actors have created political instability. Yemen, Iraq, and Afghanistan suffer to varying degrees from the “resource curse” phenomenon: the presence of natural resources that results in rent-seeking and corruption. These factors all present potential obstacles to effective reconstruction and lasting stability.

Indicator	Yemen	Iraq	Lebanon	Afghanistan
HDI Rank 2016 ^[12]	168	121	76	169
Corruption Index 2016 ^[13]	170	166	136	169
Fragile States Index 2017 ^[14]	4	10	43	9

Afghanistan

The final months of 2001 saw the United States lead an invasion to force the Taliban out of power in Kabul. This resulted in the establishment of the Afghan Interim Authority, supported by a UN-backed International Security Assistance Force (ISAF).^[15] Rather than marking the end of more than two decades of war, including Soviet occupation and subsequent civil war, conflict continued unabated. The human toll of the pre-2001 period alone was substantial: the conflict killed well over a million, injured as many again, and resulted in the massive displacement of the Afghan population.^[16] A long and intense war, it caused severe damage to public infrastructure and private property. Emerging from this period, Afghanistan was poor: the GDP per capita in 2002 was only US\$188.^[17]

In 2002, the Afghanistan Coordination Authority (ACA) was established as a temporary independent authority for aid coordination and project implementation.^[18] However, it encountered intense competition from the Afghanistan government, especially the planning and finance ministries. After several changes in its executives, the minister of finance was appointed as the ACA’s director with the aim of halting the institutional rivalry, smoothing aid work, and aligning funding with budget projects. However, the

[12] United Nations Development Programme (UNDP), *Human Development Report 2016* (New York: UNDP, 2016), accessed May 18, 2018. http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf.

[13] “Corruption Perceptions Index 2016,” *Transparency International*, January 25, 2017, accessed May 18, 2018. https://www.transparency.org/news/feature/corruption_perceptions_index_2016.

[14] “Fragile States Index,” *Fund for Peace*, accessed May 18, 2018. <http://fundforpeace.org/fsi/data>.

[15] “Operation Enduring Freedom Fast Facts,” *CNN*, last modified October 5, 2016, accessed May 18, 2018. <http://www.cnn.com/2013/10/28/world/operation-enduring-freedom-fast-facts/index.html>.

[16] “Afghanistan: Soviet Invasion and Civil War,” *World Peace Foundation*, last modified August 7, 2015, accessed May 18, 2018. <https://sites.tufts.edu/atrocityendings/2015/08/07/afghanistan-soviet-invasion-civil-war>.

[17] “GDP per Capita,” *World Bank*, accessed May 18, 2018. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=AF>.

[18] Alastair J. McKechnie, “Humanitarian Assistance, Reconstruction & Development in Afghanistan: A Practitioner’s View” (presentation, International Conference on Post-Conflict Reconstruction, Hiroshima, Japan, November 11-13, 2002), accessed May 18, 2018. http://siteresources.worldbank.org/INTAFGHANISTAN/Publications-Resources/20175916/Humanitarian_Assistance_Hiroshima_Paper.pdf.

policy did not lead to any improvement in the ACA's performance. The Afghanistan Credit Reconstruction Fund was established, also in 2002, as a joint venture between the international community and the Afghan government, represented by the Ministry of Finance.^[19] The fund aimed to finance the rebuilding of rural infrastructure, as well as reconstruction in the education and health sectors.^[20]

Despite the large volume of aid Afghanistan received, the social and economic impacts of the aid were limited. Aid policies did not create the simple and flexible institutional framework needed to build a stable economy. The reconstruction program applied conventional development principles rather than those principles of post-conflict reconstruction that enable affected groups to feel their grievances have been addressed. The economic reconstruction framework focused on structural reforms designed for stable countries in peaceful circumstances, above all the independence of the central bank and the prohibition of overdraft budget financing. Donors channeled roughly 75 percent of their aid to groups outside government control, meaning that donors spent it on their own priorities, including hiring their own staff and purchasing their own countries' imported goods.^[21]

The International Monetary Fund (IMF) and World Bank (WB) allowed Afghanistan to access credit on the condition of structural and fiscal reforms. These conditions were mirrored by international donors. This limited the Afghan government's ability to finance employment and development projects. For instance, a large share of the external international funding went to finance reforms, imports, and the government's current expenditures. Central cities were the primary beneficiaries, neglecting the country's rural population. In rural areas, critical infrastructure and key productive sectors such as electricity and transportation still lack any significant progress on reconstruction and rehabilitation. Corruption remains a significant challenge.^[22] The reconstruction framework failed to account for or include the whole Afghan population. In so doing, it failed to build local ownership of reconstruction efforts.^[23]

The reconstruction efforts in Afghanistan have not generated sustainable growth or stability. What little economic growth has occurred came from the consumption of huge volumes of humanitarian aid in addition to the temporary economic ties that come with the presence of international community agencies, contractors, and foreign troops. The overwhelming reliance on external credit and limited development of national public finance channels have trapped the country on long-term aid dependency. The resulting poor economic conditions arguably play a role in prolonging this country's conflict.^[24]

[19] "Afghanistan Reconstruction Trust Fund," *United States Agency for International Development*, last modified August 26, 2013, accessed May 18, 2018, <https://www.usaid.gov/node/51786>.

[20] Graham Crouch, "Afghanistan: Supporting State Building and Development," *World Bank*, last modified April 11, 2014, accessed May 18, 2018. <http://www.worldbank.org/en/results/2014/04/11/afghanistan-supporting-state-building-and-development>.

[21] Castillo del Graciana, "Peace through Reconstruction: An Effective Strategy for Afghanistan," *The Brown Journal of World Affairs* 16, no. 2 (Spring/Summer 2010).

[22] Castillo del Graciana, "Rebuilding from War: Economic Reconstruction in Post-Conflict States," *World Politics Review*, last modified May 31, 2011, accessed May 18, 2018, <https://www.worldpoliticsreview.com/articles/9011/rebuilding-from-war-economic-reconstruction-in-post-conflict-states>.

[23] *Ibid.*

[24] Sultan Barakat, "The Failed Promise of Multi-donor Trust Funds: Aid Financing as an Impediment to Effective State Building in Post-conflict Contexts," *Policy Studies* 30, no. 2 (2009): 107-126.

Iraq

The 2003 invasion of Iraq and subsequent conflict left substantial impacts on the Iraqi economy and population. According to one survey, the conflict killed a half a million individuals by 2011.^[25] The same period saw 2.6 million Iraqis internally displaced and over one million become refugees.^[26] The war damaged Iraq's civilian infrastructure, including oil production – the primary engine of the Iraqi economy.^[27]

In 2003, the UN and the World Bank (WB) jointly led post-conflict reconstruction efforts. An initial joint assessment estimated reconstruction costs to reach US\$36 billion.^[28] The International Reconstruction Fund Facility for Iraq (IRFFI) was launched in early 2004 to facilitate coordination on reconstruction efforts.^[29]

There were many constraints for the IRFFI. The WB and IMF made Iraq's access to credit conditional upon reforms. Donors demanded that Iraq allow donor countries to fill reconstruction contracts and import equipment. IRFFI also faced the major constraint of being a post-conflict institution operating in conflict conditions; reconstruction planning and implementation began while the conflict in Iraq was still active.^[30]

The international community began reconstruction under the assumption that the US and international organizations would finance only the first stage of reconstruction; the following stages were to be conducted by the Iraqi government. An immediate recovery of the oil sector was expected, and the Iraqi state was assumed to have the capacity to implement reconstruction.

A total of more than US \$40 billion were devoted to reconstruction as of 2006.^[31] Yet several donors retracted their committed pledges: for example,

[25] Dan Vergano, "Half-Million Iraqis Died in the War, New Study Says," *National Geographic*, last modified October 13, 2013, accessed May 18, 2018. <https://news.nationalgeographic.com/news/2013/10/131015-iraq-war-deaths-survey-2013>.

[26] "Iraq," *Internal Displacement Monitoring Centre*, accessed May 18, 2018. <http://www.internal-displacement.org/countries/iraq>; Sarah Kanbar, "Iraqi Refugees after the War," *Muftah*, last modified July 4, 2013, accessed May 18, 2018. <https://muftah.org/iraqi-refugees-after-the-war/#.WkSbW9-nGUK>.

[27] R. Jeffrey Smith, "The Failed Reconstruction of Iraq," *The Atlantic*, last modified March 15, 2013, accessed May 18, 2018. <https://www.theatlantic.com/international/archive/2013/03/the-failed-reconstruction-of-iraq/274041>; "UK: Iraq Torches Seven Oil Wells," *CNN*, last modified March 21, 2003, accessed May 18, 2018. <http://www.cnn.com/2003/WORLD/meast/03/21/sprj.irq.oil.wells>.

[28] "Iraq needs \$36 billion for reconstruction for 2004-2007 - UN assessment," *UN News Centre*, last modified October 3, 2003, accessed May 2018, <http://www.un.org/apps/news/story.asp?NewsID=8445>.

[29] World Bank, "World Bank Iraq Trust Fund Report to Donors" (presentation, International Reconstruction Fund Facility for Iraq (IRFFI) Donor Committee Meeting, Dead Sea, Jordan, July 19, 2005), accessed May 18, 2018, <http://documents.worldbank.org/curated/en/895801468042568364/pdf/3903401Q0DeadS1s0july0200501PUBLIC1.pdf>.

[30] Diana Cammack, Diana McLeod, Alina R. Menocal, and Karin Christiansen. *Donors and the 'Fragile States' Agenda: A Survey of Current Thinking and Practice*. (London: Overseas Development Institute, 2006), accessed May 18, 2018. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/1955.pdf>.

[31] Gordon Adams, "Post-Combat Stabilization and Reconstruction: The Lessons for US Government Organization and National Security Resource Planning," *Stimson Center*, accessed May 18, 2018. <http://www.comw.org/pda/14dec/fulltext/06adams.pdf>.

only 67 percent of the committed funds were delivered in 2007. In Iraq, as in many post-conflict countries, international financial institutions prescribed conventional structural economic reforms that impeded job creation and made the country dependent upon aid.^[32] When the international community withdrew, many reconstruction projects were abandoned; lacking financing from the Iraqi government, these have never been completed. Operating in conflict conditions, under faulty assumptions, the IRFFI ultimately failed to rebuild much of Iraq's destroyed infrastructure.

Lebanon

Lebanon's civil war lasted from 1975 to 1990. It caused massive devastation of financial, economic, and social infrastructure. The loss to Lebanon's economic output was estimated at US \$24 billion in 1986, and the GDP per capita declined by around 67 percent. There were an estimated 131,000 war deaths and 500,000 refugees.^[33]

Lebanon's Council for Development and Reconstruction (CDR) was a public institution established in 1977 by presidential decree to lead post-conflict reconstruction and development. The council consisted of six departments: planning, funding, projects, legal, finance, and administrative. As a financially and administratively independent body, it had extraordinary power to avoid administrative bottlenecks that might have slowed down the funding and reconstruction process. It had its own management, payroll, and reporting requirements. Its main aim was to accelerate the implementation of reconstruction projects and to minimize disputes about reconstruction within the government. It was affiliated with the cabinet and under the supervision of the prime minister. All of its reconstruction programs needed cabinet approval. However, the CDR cooperated with other stakeholders in reconstruction planning, funding, implementation, and monitoring. It was responsible for communicating, coordinating, and negotiating with donors and international organizations.^[34]

There were also other participating and, to a certain extent, competing bodies in the reconstruction work. These included the Council of the South, established for reconstruction in southern Lebanon, and the Central Fund for the Displaced that established finance, housing, and rebuilding projects in support of the reconciliation initiatives.^[35]

[32] Castillo del Graciana, "Economic Reconstruction of War-Torn Countries: The Role of the International Financial Institutions," *Seton Hall Law Review* 38, no. 4 (2008): 1265-1295.

[33] Ghassan Dibeh, "Foreign Aid and Economic Development in Postwar Lebanon" (UNU-WIDER Research Paper No. 2007/37, June 2007) accessed May 18, 2018. <https://www.wider.unu.edu/sites/default/files/rp2007-37.pdf>.

[34] Council for Development and Reconstruction, "Lebanon Municipal Service Emergency Project: Environmental and Social Management Framework" last modified March 20, 2014, accessed May 18, 2018. <http://www.cdr.gov.lb/study/MSEP/MSEPESMF.pdf>.

[35] Charles Adwan, "Corruption in Reconstruction: The Cost of National Consensus in Post-War Lebanon," last modified December 1, 2004, accessed May 18, 2018. <http://www.cipe.org/sites/default/files/publication-docs/adwan.pdf>.

During the period 1991-2009, the public investment programs' progress reports indicated that half of CDR-prepared investment projects were presented to the cabinet. The cabinet approved 30 percent of those projects. In the end, however, only 15 percent of the approved investment projects were then implemented as planned.^[36] Lebanese ministries continued to account for funded projects in their annual budgets, but political conflict resulted in few announced investment programs and weakened the council's ability to conduct the reconstruction work.

The post-war reconstruction work faced many constraints, but most important among these was the ongoing factional competition within the Lebanese government. Ministries under pressure from their confessional constituencies attempted to monopolize reconstruction projects, leading to mismanagement and waste. The political confusion resulted in a failure to properly allocate funding, leading to project delays and increased implementation costs. In addition, powerful political actors and a lack of local inclusiveness often disrupted reconstruction efforts.

Donors funding also fragmented among the CDR and other entities, such as the Council of the South. Regional donor countries such as Saudi Arabia, Qatar, and the UAE funded and executed reconstruction projects directly, separate from centralized government institutions.^[37] These donors operating unilaterally focused on specific regions and sectors (especially education and religion), which led to mismatches between funding and requirements.^[38]

Lessons for Yemen from Afghanistan, Iraq, and Lebanon

As the above examples have shown, security and stability are crucial prerequisites for reconstruction. Fragile peace agreements and uneven power-sharing can impede reconstruction. In order for reconstruction to succeed, elites on all sides of the conflict must be included in aid distribution efforts. Though reconstruction occurs in cooperation with international stakeholders, the institutional arrangements for reconstruction should be nationally designed and led. As the above cases demonstrate, if the country does not have ownership of reconstruction efforts then state institutions fail to build capacity. This in turns prevents long-term stable development.

Early planning, damage evaluation, and needs assessment is critical to projecting reconstruction costs and defining priorities that reflect the goals

[36] Nabil Al Jisr, "Council for Reconstruction and Development Working Paper," November 23, 2010, accessed May 18, 2018. <http://www.cdr.gov.lb/Latest/speechnov232010.pdf>.

[37] Alistair Harris, "Reconstructing Gaza – Lessons from Lebanon," *United State Institute of Peace*, last modified March 1, 2009, accessed May 18, 2018. <https://www.usip.org/publications/2009/03/reconstructing-gaza-lessons-lebanon>.

[38] *Ibid.*

of local communities. International agencies usually perform the evaluation work; yet national expertise is essential for integrating into the evaluation a local understanding of context. While affected regions should be the focus of rebuilding efforts, post-conflict development should not concentrate only on the main cities and affected areas. The exclusion of rural and otherwise unaffected areas may prompt citizens in those areas to feel hostility towards the state; this might in turn weaken the state's control over all its territory. Such a reaction might drive the country back into conflict, delaying reconstruction and perpetuating violence.

In the above cases, international development agencies played a significant role in funding post-conflict missions. In this role, they insisted on unrealistic policy reforms and unhelpful conditions more suited to developed countries in peacetime. These agencies focused mainly on institutional and macroeconomic structural reforms. In a post-conflict agenda, the interventions of the international community should balance between meeting humanitarian needs and building state capacity. ^[39] The primary attention ought to be devoted to the economy's main productive sectors such as power, water, and transportation (particularly rural): those that will facilitate sustainable economic growth and employment. This is one of the most critical measures for avoiding recurrent conflict. Most reconstruction plans include disarmament, but few prioritize job creation. Yet, when people are left without opportunities for employment or education, they are more likely to return to conflict.

The above cases also illustrate a major challenge in the timing of aid being misaligned with the absorption capacity of the post-conflict state. Generally, donors and international agencies are most enthusiastic in the initial phases of reconstruction, immediately post-conflict. Aid flows in; yet the state capacity to absorb this aid is still very limited. As time goes on, state capacity grows – but donors begin to fall short of delivering their commitments. In the longer term, by the time state absorption and implementation capacity improves, aid declines. Learning the lessons provided by these challenging examples will provide a cautionary example for planners looking ahead to Yemen's future needs.

[39] Sultan Barakat, *After the Conflict: Reconstruction and Development in the Aftermath of War* (London: IB Tauris, 2010).

YEMEN'S PREVIOUS RECONSTRUCTION INITIATIVES

Even before the current conflict Yemen was the poorest country in the Middle East and one of the least developed countries in the world. As of 2011, Yemen was 154 out of 187 countries on the United Nations Development Programme's Human Development Index. Average life expectancy in Yemen was 65.5 years; gross national income per capita was \$2,213 (at a constant 2005 purchasing power parity), and the adult literacy rate was 65 percent.^[40] Approximately 70 percent of the population resided in rural areas, and while farming and herding made up less than 10 percent of gross domestic product (GDP) prior to the current crisis, they were the source of livelihood for roughly 50 percent of Yemenis.^[41] In 2012, total public expenditure in rural areas was 4.8 percent of GDP, almost none of rural Yemen was connected to the national power grid, and the average household spent 65 minutes per day securing water.^[42]

These circumstances were the culmination of decades in which Yemen was trapped in recurring political, social, and economic crises. Longstanding hostility exists between the central government and regional leaders, and tensions have long been high between northern and southern areas of the country. In the three decades prior to their 1990 unification, both North and South Yemen experienced multiple rounds of unrest. After unification, Yemen experienced a civil war in 1994; multiple wars in the Sa'ada governorate between 2004 to 2010; the expansion of Al Qaeda in the Arabian Peninsula (AQAP); and the war now ongoing since late 2014. Meanwhile, Yemen has also experienced a number of natural disasters, including the 1982 earthquakes in Dhamar and the 2008 flood in Hadramawt and al-Mahra. Even as these conflicts and disasters have hindered the state's capacity to deliver public services, successive Yemeni governments have launched reconstruction initiatives, rehabilitation efforts, and humanitarian response campaigns.

This section gives brief histories of five of those initiatives: the Dhamar Reconstruction Council, following the 1982 earthquake; the Sa'ada Reconstruction Fund, following the third Sa'ada war in 2007; the Hadramawt & al-Mahra Reconstruction fund, following the 2009 flood; the Abyan Reconstruction Fund, following the 2012 occupation of Abyan by AQAP; and the Executive Bureau, following the 2011 uprising. Each of these initiatives consistently struggled with a lack of independence and transparency, insufficient funding, and poor coordination among those involved in reconstruction efforts.

[40] United Nations Development Programme (UNDP), *Human Development Report 2011* (New York: Palgrave, 2011) accessed May 18, 2018, http://hdr.undp.org/sites/default/files/reports/271/hdr_2011_en_complete.pdf; United Nations Children's Fund, "At a Glance: Yemen" last modified December 31, 2013, accessed May 18, 2018. https://www.unicef.org/infobycountry/yemen_statistics.html.

[41] Farea Al-Muslimi and Mansour Rageh, "Yemen's Economic Collapse and Impending Famine: The Necessary Immediate Steps to Avoid Worst-case Scenarios," *Sana'a Center for Strategic Studies*, last modified November 5, 2015, accessed May 18, 2018. <http://sanaacenter.org/publications/main-publications/26>.

[42] *Ibid.*; UNDP, *Human Development Report 2011*.

Dhamar Reconstruction Council – Earthquake, 1982

On December 13, 1982, an earthquake hit the governorate of Dhamar with a magnitude of approximately 6 on the Richter scale. The earthquake caused substantial damage and loss of life: 1,500-2,500 people were thought to be killed and another 1,500 were injured. According to the US Agency for International Development, 42,300 homes were rendered uninhabitable, of which 11,380 were completely destroyed. Public infrastructure also suffered: 131 water projects were damaged, precipitating major losses for the rural economy. USAID estimated total economic and infrastructure losses at US\$2 billion.^[43]

In the immediate aftermath, the Yemeni government declared a state of emergency in the affected area and formed an emergency relief committee. The committee was chaired by the army chief, members of relevant ministries, and the governor of Dhamar. It took over the relief tasks and logistical affairs associated with external relief supplies. The relief execution office in Dhamar was chaired by the governor and included local development committees, which had existed as active community organizations before the disaster. The local committees played a major role in handling the needs assessment and aid distribution.

In January 1983, a presidential decree established a ‘top-down’ model to tackling reconstruction challenges: it created the Supreme Council for Reconstruction (SRC) and its Executive Office for Reconstruction (EOR). The SRC was chaired by the prime minister, members of key ministries, the head of the central planning agency, and the governor of Dhamar. The SRC’s core task was reconstruction policy planning. The EOR was responsible for collecting data and conducting studies, estimating costs, tendering work, locally supervising work, and preparing and conducting local education programs. It consisted of seven main units: design; supervision; public relations; finance and administration; repair and building education; self-help; and the seismological unit. All the main units were chaired by the Executive Director, who was also a member of the SRC.^[44]

Aiming to reduce government bureaucracy and to ensure that reconstruction progressed swiftly, the EOR was given financial and administrative independence from other government departments. The SRC and EOR approached reconstruction as a locally led effort. Their plan was to hire local contractors to rebuild completely destroyed units and, for partially affected units, to contract with the homeowners for repair. Donor aid and the government’s share of financing went directly to the EOR budget. The EOR, however, quickly proved ineffective as reconstruction implementation began. It lacked experience in large-scale housing projects and had only a limited capacity for coordination or monitoring. It showed signs of favoritism in the selection of beneficiaries, and its budget grew inflated through over-staffing.

[43] Office of US Foreign Disaster Assistance, *Disaster Case Report: Yemen Arab Republic – Dhamar Region Earthquake* (Washington, DC: USAID, 1983) accessed May 18, 2018. http://pdf.usaid.gov/pdf_docs/pbaab301.pdf.

[44] Sultan Barakat, *Reviving War-Damaged Settlements towards an International Charter for Reconstruction after War*, (doctoral dissertation, University of York, 1993).

Gradually, the various ministries outside the EOR retook responsibility for tasks within their ministerial scope. However, this happened without the establishment of a coordination body: widespread overlap and duplication of reconstruction resulted. The central government, in agreement with the World Bank and other international non-governmental organizations (INGOs), approved the implementation of reconstruction work through external contractors. This gave donors the lead in implementation at all stages of reconstruction. This ultimately led to unsuitable housing shelters being widespread.^[45] Ultimately, reconstruction efforts following the earthquake in Dhamar were inefficient, missed deadlines, went over budget, and failed to achieve housing targets.

Sa'ada Reconstruction Fund – Conflict, 2007

Between 2004 and 2006, three rounds of conflict in Sa'ada between fighters from the Houthi group and Yemeni government forces killed hundreds of soldiers and civilians while wounding thousands more. Approximately 26,000 private properties were affected by the conflict. Of these, 21,500 were housing units, 3,150 were farms, and the rest were business enterprises. This was in addition to damage to 1,060 public institutions, including 684 mosques and 238 schools.^[46] The estimated cost of damage to public and private property was US\$600 million.^[47] In July 2007, during a fourth round of conflict, the government issued a presidential decree establishing the Sa'ada Reconstruction Fund (SRF).^[48] The SRF's objectives were to assess war damages, estimate the cost of reconstruction, raise funds, and manage the implementation of reconstruction. Under the prime minister's authority, the government budget specified US\$55 million in ad hoc reconstruction financing, in addition to any funding it approved from national and international sources.

Reconstruction under the SRF faced major challenges. The continued threat of hostilities impeded reconstruction work. The SRF neglected public infrastructure: it allocated only 12 percent of its funds to rebuilding public infrastructure, while the rest went to rebuilding private property.^[49] Its implementation was ineffective: the contracted reconstruction program built only 41 percent of its planned housing units, while only 10 percent of contracts for repairs to private houses or businesses were completed.^[50] More troubling for long-term stability was that the SRF's approach to reconstruction was not fully inclusive: there were widespread accusations of 'reconstruction

[45] *Ibid.*, 9.

[46] This information is taken from the 2014 annual report of the Sa'ada Reconstruction Fund.

[47] This information is taken from the 2007 Sa'ada conflict evaluation report given by the Yemen National Security Bureau to the Yemen Parliament.

[48] United Nations High Commissioner for Refugees, "Constitution of the Republic of Yemen" accessed May 18, 2018. <http://www.refworld.org/pdfid/3fc4c1e94.pdf>.

[49] This information is taken from the 2014 annual report of the Sa'ada Reconstruction Fund.

[50] *Ibid.*

bias', with rebuilding efforts directed according to personal affiliation rather than need. Local mistrust of the central government often led to government agencies being denied access to various areas; reconstruction in these areas was then dependent on INGOs.

Over time, the international community stepped in to provide humanitarian assistance. After the fifth round of the Sa'ada conflict, the UN and other INGOs launched a humanitarian mission in Sa'ada. They allocated US\$4.6 million to carrying out a joint rapid-needs assessment for sanitation, health, education, and civilian protection. Qatar also became involved, mediating negotiations and distributing goods to refugees through the Qatari Red Crescent Society.^[51] Yemen's own recovery efforts had failed.

Hadramawt & al-Mahra Reconstruction Fund – Flood, 2008

In October 2008, the remnants of a tropical cyclone from the Indian Ocean came ashore in the eastern part of Yemen. The cyclone brought heavy rains to normally arid regions and caused flash flooding, with the governorates of Hadramawt and al-Mahra worst affected. The total estimated cost for damage and losses was US\$1.6 billion.^[52]

In response to the flooding, the government issued a presidential decree establishing the Hadramawt and al-Mahra Reconstruction Fund (HMRF) and appointed an executive director to manage its operations. The HMRF was governed by a board of directors chaired by the prime minister. The board of directors included key ministers, including the minister of planning and international cooperation as the board deputy chairman; the ministers of finance, legal affairs, education, public health, public works, environment, agriculture, interior, and energy; the secretary general of the cabinet; the governors of Hadramawt and al-Mahra; representatives of local NGOs; and members of the private sector.^[53] The HMRF was charged with planning and implementing reconstruction in coordination with local authorities. In addition, it was meant to facilitate humanitarian interventions, to aid in the recovery of public services, and to establish governorate emergency centers. The HMRF's funding came from the government, local donations, external cash, and in-kind grants. Funding was not transferred directly to the reconstruction fund, but flowed rather through the ministries of planning and finance.^[54] The HMRF was intended to have a high degree of financial and administrative independence. It reported only to the cabinet; it had no direct relation with

[51] International Crisis Group, "Yemen: Defusing the Saada Time Bomb" (Report No. 86, 27 May, 2009), accessed May 18, 2018. <https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/yemen/yemen-defusing-saada-time-bomb>.

[52] Global Facility for Disaster Risk Reduction, *Damage, Loss and Needs Assessment* (2009) accessed May 18, 2018. https://www.gfdr.org/sites/default/files/GFDRR_Yemen_DLNA_2009_EN.pdf.

[53] Global Facility for Disaster Risk Reduction, *Tropical Storm, October 2008: Recovery Framework Case Study* (August 2014) accessed May 18, 2018. https://www.gfdr.org/sites/gfdr/files/Yemen_August2014.pdf.

[54] This information is taken from the 2016 annual report of the Hadramawt and al-Mahra Reconstruction Fund.

donors in terms of funding, reporting, or monitoring and evaluation.

The HMRF's main mechanism for reconstruction was 'self-help' cash transfers to individual home or business owners affected by flooding. The HMRF also funded the rehabilitation and reconstruction of 226 public projects. Financial shortages hindered its capacity to provide such transfers: the government delivered only YR 42 billion [US\$210 million at the 2009 exchange rate], to the reconstruction fund.^[55] Even with the funding it did receive, the HMRF struggled to fully utilize the resources available to it. According to a report to the HMRF board, between 2009 and 2013 the HMRF spent only YR 29.5 billion [US\$137.2 million], that is, only 70 percent of the total funding available to it.^[56]

In all, reconstruction efforts following the 2009 floods were a qualified success. According to a World Bank evaluation report, the HMRF succeeded in engaging local authorities and civil society organizations in consultations through their direct line with governors. It utilized direct cash transfers for compensation and job creation for local residents. However, the fund lacked any coordination mechanism and monitoring framework.

Abyan Reconstruction Fund – Conflict, June 2012

In 2011, al-Qaeda in the Arabian Peninsula (AQAP) took control of large parts of Abyan governorate. They occupied the governorate for roughly a year, until the Yemeni army regained nominal control.^[57] The fighting caused widespread destruction of public and private property and led to death, injury, and the displacement of thousands of people in Abyan. The estimated damage was YR 125 billion [US\$581.4 million].^[58]

To begin the rebuilding process and to handle the urgent humanitarian needs of the area, the government established the Abyan Reconstruction Fund (ARF) by presidential decree in July 2012.^[59] The government allocated YR 10 billion [US\$46.5 million] to the ARF to establish a framework and to conduct damage assessments in collaboration with local authorities. However, the ARF made little effort to enhance its capacity to absorb this funding from the government and from donors, despite three changes in executive management. The ARF failed to show any reconstruction successes; it quickly developed a reputation for mismanagement, corruption, and embezzlement. Violence in the area resumed.

The evaluation report on the ARF's performance considered it a failure according to every indicator. Lacking any set action plan, the ARF worked aimlessly. It lacked transparency in all its activities, had no accountability

[55] *Ibid.*

[56] "Eastern Reconstruction Fund Argues for Rapid Assessment of the Flood Damage and Loss Data," *Saba News Agency*, July 2009, accessed May 18, 2018. <http://www.sabanews.net/ar/news189844.htm>.

[57] This information is taken from the 2012 annual report of the Yemen Center for Strategic Studies.

[58] This information is taken from an internal document titled "Report to the Governorate: Wide-Range Meeting in Sana'a" presented in March 2013 by the Abyan Reconstruction Fund.

[59] "Cabinet Approves Draft Decree on Setting up Abyan Reconstruction Fund," *Saba Net*, last modified July 10, 2012, accessed May 18, 2018. <http://sabanews.net/en/news274497.htm>.

mechanisms, and employed few qualified staff.^[60] The report pointed out 685 cases of fraud affecting recipients of compensation, amounting to YR 900 million [US\$4.2 million]. The report also noted YR 300 million [US\$1.4 million] reported as compensation for ‘ghost’ beneficiaries. The report concluded by arguing for the appointment of credible and accountable local actors to manage post-conflict reconstruction.^[61]

The Executive Bureau – Conflict, December 2013

Protests linked to the 2011 Arab uprisings placed the government of President Ali Abdullah Saleh under intense pressure to avoid collapse. Saleh agreed to step down, transferring power to his deputy Abdu Rabbu Mansour Hadi, and a transitional unity government was formed. However, this government had neither the institutional leverage to meet the public’s expectation for political change, nor the economic resources to provide better public services and income-generating employment. Donors realized the challenge presented both by Yemen’s lack of funds and its limited capacity to absorb external funding effectively. Donors pledged billions of dollars to Yemen to facilitate the transition; however, given their past experience in Yemen, they demanded the establishment of an Executive Bureau, whose aim was to ensure aid effectiveness by building state capacity.^[62]

The Bureau consisted of three units. The first was a policy unit, which was to provide technical assistance, capacity building, and advocacy for government reforms. The second, a projects unit, was to facilitate the implementation of donor-funded projects. The third, an evaluation and monitoring unit, was to report on the flow of funds and the progress of project implementation.^[63]

In 2012, donors and the Yemeni government agreed on a mutual accountability framework outlining the key actions and obligations of both parties. Both parties agreed to create the Executive Bureau to support the implementation of the mutual accountability framework, and to have the World Bank lead on coordinating the administrative and financial setup and operational requirements of the Bureau.^[64]

However, disagreements about the mandate of the Executive Bureau continued between donors and the Yemeni government. This delayed the launch of the Executive Bureau: although it was meant to provide support during the transitional period, it was not launched until December 2013 and was not functional until early 2014. Later in 2014, Houthi fighters seized the capital and displaced Hadi’s government to Aden, limiting its ability to govern.^[65]

[60] This information is taken from the 2013 annual report of the Yemen Central Controlling and Accountability Agency.

[61] Erica Gaston and Nadwa Al-Dawsari, “Waiting for Change: The Impact of Transition on Local Justice and Security in Yemen,” *United States Institute of Peace* (Peaceworks Report No. 85, 2013) accessed May 18, 2018. <https://www.usip.org/sites/default/files/PW85-Waiting-for-Change.pdf>.

[62] Maria-Louise Clausen, *State-building in Fragile States: Strategies of Embedment* (doctoral dissertation, Aarhus University, 2016) accessed May 18, 2018. http://politica.dk/fileadmin/politica/Dokumenter/ph.d.-afhandlinger/maria-louise_clausen.pdf.

[63] *Ibid.*

[64] *Ibid.*

[65] “Yemen Profile - Timeline,” *BBC*, last modified December 4, 2017, accessed May 18, 2018. <http://www.bbc.com/news/world-middle-east-14704951>.

The disagreements about the mandate led to creating the Executive Bureau with a contradicting identity: it was touted as independent, yet was under the direction and supervision of the Minister of Planning and International Cooperation with its offices housed at the Ministry of Planning; it was supposed to accelerate aid absorption, yet the Ministry of Planning and International Cooperation remained the point of contact and the responsible body for all aid coordination with donors. Stripped of any legal mandate to play an effective role, the Executive Bureau became a supportive body that attempted to coordinate between government institutions and donors. The responsibility of implementation, however, stayed with the government. The Executive Bureau did not have the political power necessary to overcome the challenges of overseeing projects or to influence the line ministries. It faced institutional resistance from ministries who viewed it as an encroachment.

When Prime Minister Khaled Bahah was appointed in November 2014, one of his priorities was to empower the Executive Bureau and address the weaknesses that limited the bureau's ability to function as envisioned. He began by pushing for an adjusted Republican decree to have the bureau report directly to the Prime Minister and to update its mandate. The new decree was announced on January 16, 2015, but the Prime Minister and President announced their resignations on January 22; the re-designed Executive Bureau never materialized.^[66]

Despite its limitations, the Executive Bureau was an ambitious organization. More so than other government departments, it sought to address aid absorption problems and coordination challenges. The bureau's staff and executive director were professional, and its reports were transparent.^[67] However, its financial arrangement with the World Bank expired in June 2015, as the security and political situation in Yemen continued to deteriorate after the launch of Saudi-led coalition operations. The end of the financial arrangement led to the complete cessation of the bureau.

Evaluation of Yemen's Past Reconstruction Initiatives

As is shown by the past initiatives discussed above, the Yemeni government has lacked a clear vision for crisis management and reconstruction. Rather than having consistent and unified institutions for crisis management and reconstruction, it has reacted to conflicts and disasters by establishing an ad hoc variety of mechanisms, frameworks, and procedures.

Each of the above initiatives lacked independence: their boards consisted of government ministers and were chaired by the prime minister. Not only did this limit the autonomy of each initiative, it weakened the ability of the initiative to perform basic functions. For instance, it was difficult to schedule meetings of the board of directors regularly or when urgently needed, merely because coordinating the busy schedules of high-level ministers was a challenge.

With the exception of the Executive Bureau more recently, all of Yemen's reconstruction initiatives in the past decades have lacked basic transparency and accountability mechanisms. Periodic monitoring and evaluation,

[66] *Ibid.*

[67] *Ibid.*

reporting on progress, and assessing the performance of executive management were all missing from previous frameworks. This led to massive corruption in reconstruction interventions. The appointment of executives and staff was often due more to influence than to ability.

In each case described above, funding was insufficient. Donor and government funding commitments were met either slowly or not at all. Finally, a lack of coordination between the initiatives and their government counterparts led to overlap and the duplication of reconstruction work. This in turn created a mixed sense of ownership over reconstruction efforts, making it difficult to hold any one party accountable.

Parallel Public Agencies in Yemen

Despite its poor record with reconstruction initiatives, Yemen does have one example of an innovative service delivery mechanism. Until the mid-1990s, the central Yemeni government was responsible for delivering public services all over the country. However, a significant gap existed in delivery and coverage, especially in rural areas.^[68] This failure of the central government led to the creation of parallel semi-autonomous agencies, which sought to provide needed services and to ensure the efficient and transparent use of donor resources. In the 1996-1997 period, the government established the Public Work Project (PWP), the Social Welfare Fund (SWF), and the Social Fund for Development (SFD), each with special arrangements to operate outside government rules about civil service, procurement and management procedures. These arrangements provided a model for effective, efficient, and transparent services provision in Yemen. This prompted a higher level of donors' involvement and funding, as donors charged these agencies with a large share of basic services investment.^[69]

These semi-autonomous institutions provide a good example of an effective, efficient, and transparent institutional mechanism for providing social services in Yemen. They proved able to overcome many deficiencies of the civil service, effectively delivering various needed services, and ensuring the transparent use of resources. Through this they gained greater support from international partners and donors, as well as Yemeni citizens.

There are many factors that contributed to their relative effectiveness. Their legal mandate was carefully drafted to provide sufficient autonomy and control while having a well-defined relationship with the government. They were given the power to operate outside normal civil service protocol in terms of salaries, hiring and contracting. They bypassed the cumbersome financial management and procurement routine of the public sector, yet have their own transparent and efficient regulations. They take a decentralized, community-driven approach. However, they remain only a short-term alternative; there is no clear strategy for how they might be reintegrated into the government.

[68] "Innovative Service Delivery Stocktake: DFID Case Study of Service Delivery in Fragile & Conflict Affected Situations Using CSAE Framework: Yemen Social Fund for Development," *UK Department for International Development* (2011) accessed May 18, 2018. https://assets.publishing.service.gov.uk/media/57a08abc40f0b6497400073e/61004-Case07_DFID_Yemen.pdf.

[69] Elsa Duret, Hassan Abdulmalik, and Stephen Jones, "Mid-Term Evaluation of the EFA Fast Track Initiative: Country Case Study: Yemen," *Fast Track Initiative* (February 2010) accessed May 18, 2018. http://mokoro.co.uk/wp-content/uploads/FTI_FullCCSYemen_Feb2010y.pdf.

THE WAY FORWARD FOR POST-CONFLICT RECONSTRUCTION IN YEMEN

The current crisis is by far the most severe that Yemen has experienced in its troubled history. In January 2017 the UN declared Yemen the site of the world's worst humanitarian crisis. By the end of 2017, roughly 22.2 million Yemenis were in need of some kind of humanitarian protection or assistance, of which 11.3 million were in acute need.^[70] This included 17.8 million people who were food insecure, of which 8.4 million were at risk of starvation.^[71]

The country's humanitarian deterioration has largely been precipitated by conflict-induced economic and state collapse: the World Bank estimated that between 2015 and 2017 Yemen's GDP shrank a cumulative 37.5 percent. Commercial businesses have laid off more than 50 percent of the private sector workforce. The evaporation of government revenues has led the government to suspend most public sector operating costs, including salaries for Yemen's 1.2 million civil servants.^[72] The collapse of public services has in turn left 16 million people without access to safe water and 16.4 million with only limited or no access to healthcare. This has precipitated a surge in the number of suspected cholera cases in Yemen to more than 1 million in December 2017.^[73]

The task of reconstruction in any post-conflict scenario thus presents a daunting task. To some extent, the Yemeni government can begin building an institutional framework from the blueprint left from the Executive Bureau; it can also learn from local institutional models that have the advantages of deep community understanding, national reach, and a professional workforce: the Social Fund for Development, the Public Work Projects, and the Social Welfare Fund. Yet, as Yemen's history of reconstruction efforts has shown, there currently exists no permanent crisis management system in Yemen. Until now every response to a crisis or conflict has started from scratch.

Given this context, the Yemeni government must plan to launch a proactive institutional framework to deal with this and future crises, not just react ad hoc to crises as they unfold. It must adopt a new post-conflict reconstruction framework, one that builds state capacity while ensuring transparency and coordinating effectively. Moreover, it must adopt an inclusive approach. Post-conflict reconstruction efforts in Afghanistan, Iraq, and Lebanon – as well as in Yemen's own past – have made it clear that an inclusive, nationally led approach is necessary for lasting development and peace. Though international donors will necessarily take a role, reconstruction institutional arrangements should be designed to build trust among key Yemeni stakeholders: the national government, local NGOs, the private sector, and local communities.

[70] United Nation Office for the Coordination of Humanitarian Aid (OCHA), *2018 Humanitarian Needs Overview*, December 2017, accessed May 18, 2018. https://reliefweb.int/sites/reliefweb.int/files/resources/yemen_humanitarian_needs_overview_hno_2018_20171204_0.pdf.

[71] *Ibid.*

[72] *Ibid.*

[73] *Ibid.*

The Proposed Reconstruction Institutional Model

Specifically, this paper suggests the establishment of a permanent and independent Public Reconstruction Authority (PRA) operating to empower and coordinate the work of local reconstruction offices, created at the local level in areas affected by the conflict or natural disasters.

Such an authority should manage all the tasks required in reconstruction: current and future post-conflict or disaster reconstruction planning; policy design; funding and fundraising, both internal and external; and coordinating with donors, international organizations, government, and other local stakeholders. In addition, it should maintain essential tasks required for a transparent process: monitoring and evaluation; reporting; and overseeing strategic national projects.

This proposed public reconstruction authority should operate in a multi-level fashion by setting up local reconstruction offices on the ground following any disaster or end of conflict. These local offices could take over operations within their local scope, including assessment, planning, local funding, fundraising, project implementation, monitoring, reporting, and coordination.

The reconstruction authority should be public, yet independent of the cabinet. It should be established by a presidential decree that specifies its mission, authority, and responsibilities. The reconstruction authority should have its own protocols for procurement, personnel, and payroll. It should have well-specified mandates and clear regulations for its operations, interactions with relevant stakeholders, and internal administrative affairs. It should form clear limits on the power of local reconstruction offices to approve projects and financing. For instance, a project that costs under YR 1.25 billion [US \$5 million] could be planned, approved, contracted, and funded under local office jurisdiction, while any project above that level would have to be authorized by the PRA.

The reconstruction authority's board of directors should include representatives from the donor community (both from within the Gulf Cooperation Council and from among other international donors); representatives from the cabinet; and representation from the private sector; in addition to the executive director of the reconstruction authority. The board should be chaired by a Deputy Prime Minister to ensure it has the highest level of support. The responsibilities of the board should be clearly stated in the decree establishing the bureau. These responsibilities should be limited to strategic-level direction and oversight. This will ensure flexibility for executive management and local management to implement reconstruction projects efficiently. The law establishing the Social Fund for Development can serve as a good example of separating the functions of the board from the executive management of the authority.

The board of directors should follow a competitive, merit-based, transparent process for recruiting the reconstruction authority's executive director and all staff. After nominating the executive director, the board should appoint the directors of local offices following the same competitive, merit-based, and transparent process. The same recruitment process should again be followed to staff local offices to deliver efficient and rapid reconstruction work.

The reconstruction authority can manage external funding by establishing a pool fund for all donors. This fund can be managed by the reconstruction authority itself or jointly co-managed by the reconstruction authority and an international or regional development bank acting as a trustee. Such a fund can have a separate account, independent of the government budget, for the collection and disbursement of grants and loans from donors and international organizations. This account can be held in a commercial bank approved by the reconstruction authority board; it should also be routinely audited by an independent organization according to the international auditing standards.^[74]

More generally, the reconstruction authority must have a long-term strategic plan to restore, consolidate, and prioritize reconstruction funding from Yemeni sources. External funding can be expected to be ample in the short term but may decline in the medium to long term. Such policies will ensure sufficient funds for long-term reconstruction efforts as external funding declines.

Establishing a Monitoring and Evaluation Unit

Monitoring and evaluation is a critical accompanying function to reconstruction efforts. Monitoring and evaluation ensures that resources are properly utilized and that funding is appropriately allocated. The reconstruction authority has an obligation to all parties who contribute funding to reconstruction, ensuring that contributions are spent fairly and efficiently, allocated to the intended beneficiaries, and disbursed within the limits of an agreed-upon timeframe. International donors require strong mechanisms for financial monitoring and reporting, mechanisms that enable them to report back to their own constituents on the good use of their funding.

Although donors and the central government can continue to have their own oversight and auditing mechanisms, the reconstruction authority should establish its own monitoring and evaluation unit, using an internal monitoring and evaluation system suitable for all external donors and international organizations. The main duties of this unit should be to collect and compile information at the project level; to prepare progress and statistics reports; and to follow up on the implementation of the reports' recommendations. This unit can operate in conjunction with the monitoring and evaluation entities that already exist in the Yemeni government, such as the Central Organization for Control and Auditing, the Supreme National Authority for Combating Corruption, and the Supreme Judicial Council, and the High Authority for Tender Control. In creating its own monitoring and evaluation unit, the reconstruction authority declares its accountability, transparency, and capacity while maintaining a degree of national ownership over reconstruction.

[74] For reference see Sultan Barakat, "Mid-term Evaluation Report of the National Solidarity Programme (NSP), Afghanistan," Active Learning Network for Accountability and Performance in Humanitarian Action, May 2006, accessed May 18, 2018. <https://www.alnap.org/help-library/mid-term-evaluation-report-of-the-national-solidarity-programme-nsp-afghanistan>.

Engaging Reconstruction Stakeholders

The reconstruction authority should have a rational and effective framework to manage its relationship with stakeholders in reconstruction. These include the Yemeni government; donors and international development agencies; the private sector; local NGOs; and the affected local communities.

First, the reconstruction authority must coordinate closely with the Yemeni government on long-term strategic planning. The national reconstruction plan should be defined jointly with the cabinet to ensure the acceptance, coordination, and coherence of the plan across sectors and regions. Each level of government must have a clear and specific scope of involvement that is coordinated and supervised by the reconstruction authority and its local offices. Local authorities should work in collaboration with local offices and be able to propose projects, while the public reconstruction authority should work with the central government on national-level strategic planning and project implementation.

The cabinet should provide the reconstruction authority with the Yemeni government's share of funding and in-kind contributions like land, facilities, or expertise. Besides continuing to be responsible for ongoing service delivery, line ministries should submit reports to the reconstruction authority related to planned projects. This can assist the reconstruction authority both to secure funds from donors and to implement projects. Line ministries should also expect to manage reconstruction projects once they are completed. The reconstruction authority should thus provide the central government with technical advice, ensuring the government's ability to maintain completed projects.

Relations between local reconstruction offices and local authorities should follow the same pattern. It should be clear to all parties that the scope of the local offices is end-to-end project planning, implementation (through a competitive process that allows public sector units and private sector companies to compete in bidding for projects), and monitoring and evaluation of all projects identified in the reconstruction plan.

Second, the reconstruction authority must gain the trust of donors; donors will be more likely to fulfill their commitments if they are confident their funds are being properly managed. In the past, international partners have been involved in Yemen's reconstruction initiatives as funders, advisors, and sometimes implementers of reconstruction efforts. However, given the weak capacity of the Yemeni government in the past to coordinate or report on aid flows, donors have developed a negative perception of reconstruction work in Yemen. Donors may show reluctance to deliver pledged aid to the government.

As such, it is vital for the reconstruction authority to address international partners' concerns. Having donor representatives on the board of directors is a signal of a true partnership between Yemen and the donor community. In addition, a compact can be signed between the government of Yemen and international donors to clarify the roles of international partners; identify a joint coordination mechanism for compliance with donor requirements; encourage donors to deliver funding over both short and long time horizons; outline government commitments, and ensure the national ownership of the reconstruction program.

Third, the reconstruction authority must include the private sector in the reconstruction process. The private sector is a key player in reconstruction: it can act as funder, supplier, and implementer of reconstruction infrastructure. It can bid on implement reconstruction projects based on procurement needs and bids issued by the reconstruction authority. For its part, the reconstruction authority should formalize relations between the public and private domains during post-conflict reconstruction. It should also build capacity for private-public partnerships.

Next, the reconstruction authority must treat local non-governmental organizations as important partners in reconstruction. Often, local NGOs have a deep involvement with local communities. They can provide an important link to particularly affected or marginalized groups, bringing the needs and concerns of those groups into the reconstruction processes. These organizations may facilitate consultation with women, youth, and marginalized groups. The reconstruction authority should form partnerships with only qualified local NGOs. Similarly, universities, think tanks, consultancies, and business associations can provide a source of independent professional proposals, evaluations, expertise, and advice. These are all important factors in enhancing the transparency and efficiency of reconstruction efforts, and thereby boosting the trust of all stakeholders.

Finally, the reconstruction authority must take particular care to include local communities in reconstruction efforts. No one knows better a local community's needs than the members of that community. They have expertise in what works best in their community. Besides providing labor for project implementation, they can provide knowledge in consultation. These communities can offer an important channel for information on reconstruction progress. The reconstruction authority should make an effort to contact them directly during assessments, and to survey them periodically for feedback.

Pursuing an Inclusive Strategy

Regardless of when the current conflict ends, the prospect for lasting peace and prosperity in Yemen depends on a strategy that includes all Yemenis.

Immediately post-conflict, reconstruction efforts will need to focus on rapid economic stabilization in order to help Yemenis meet their basic needs and lay the groundwork to eventually move beyond direct aid provision. Damage and needs assessment must be determined at the local level in order to reflect the population's needs. In the short term, the focus must be to create small projects both in the communities most affected by the conflict and across all of Yemen. Focusing on the needs of affected areas should not mean ignoring the rest of the country – particularly if perceived favoritism leads to anger against the state. Efforts should further be devoted to the needs and development of women, youth, and marginalized groups. An end to the war will undoubtedly result in a shift in who most influences specific regions or areas; therefore, the reconstruction efforts must work in close communication and collaboration with those players at all levels and stages.

Reconstruction should take a multi-level, mixed institutional approach that does not rely too heavily in the short term on the capacity of Yemen's central government. The Yemeni government's existing authority, weak even before the war, has only deteriorated during the conflict. A long time will be required to restore that authority and to gain the capacity needed to manage routine governance tasks, let alone reconstruction work. Furthermore, because the war has caused substantial regional and sectarian fragmentation, it may be politically impractical to rely solely on a central authority for post-conflict reconstruction throughout Yemen. The local reconstruction offices will thus play a major role in the early stages of reconstruction.

Focusing efforts on the Yemeni population as a whole will provide basic services and create job opportunities across regions. People are less likely to return to conflict if they are occupied and earning an income. They are also more likely to support the peace if they experience increased well-being, see an improvement in public services, and hear of successful development projects. As such, a reconstruction institutional model that emphasizes national ownership, transparency, and inclusiveness will have the best chance to consolidate peace in the long term.

CONCLUSION

Lessons learned from past reconstruction efforts, both in other fragile post-conflict contexts and in Yemen itself, suggest specific mechanisms that may avoid previous failures. The reconstruction authority proposed here takes a multi-level, mixed institutional approach that establishes clear roles for all stakeholders. It emphasizes national ownership of the process, rigorous monitoring, close coordination among reconstruction partners, and a long-term strategy to increase state capacity. This approach has the best chance of providing a transparent, effective, and lasting reconstruction effort for this and future crises.

At the time of writing the conflict is still active; the proposals laid out here may thus seem an optimistic exercise. Difficulties will certainly arise, especially given the highly uncertain post-conflict landscape in Yemen. Yet all stakeholders in an eventual Yemeni reconstruction must begin now to envision and plan for a positive future. Work can begin immediately in organizing discussions between international donors and funding sources, laying the groundwork with political leaders and technocrats in the Yemeni government, seeking the buy-in of local authorities and NGOs, and preparing for the launch of a future reconstruction effort.

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ABOUT THE “RETHINKING YEMEN’S ECONOMY” INITIATIVE

This two-year project, which was launched in March 2017, is an initiative to identify Yemen’s economic, humanitarian, social and developmental priorities in light of the ongoing conflict in Yemen and to prepare for the post-conflict recovery period. The project aims to build consensus in crucial policy areas through engaging and promoting informed Yemeni voices in the public discourse, and to positively influence local, regional and international development agendas.

The project has four components: (1) in the Development Champions Forums, Yemeni experts and professionals in social and economic development will identify key issues for intervention and provide recommendations towards tackling these issues; (2) in the Research Hive, we will – based on the issues and recommendations of the Development Champions – conduct research and identify best practices and lessons learned from international experiences to create knowledge capital for the Rethinking Yemen’s Economy initiative; (3) in the public outreach component, we will implement consultation workshops with local stakeholders, including the private sector, youth and civil society organizations; moreover, we will conduct campaigns through both traditional and social media outlets to engage the wider Yemeni public; (4) and through regional and international engagement we will inform stakeholders of project outcomes and aim to motivate and guide the international community’s policy interventions to the greatest benefit of the people of Yemen.

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