STRATEGIC BUILDING BLOCKS FOR INTERNATIONAL ENGAGEMENT IN YEMEN

DAC-INCAF Issues Brief

October 2011
ABOUT INCAF

The international community is increasingly concerned about slow progress towards achieving the Millennium Development Goals (MDGs) resulting from fragility and conflict. A third of the world’s poor live in countries where the state lacks either the will or the capacity to engage productively with its people, to provide security, to prevent conflict, to safeguard human rights and to provide basic services.

Founded in 2009, the DAC International Network on Conflict and Fragility (INCAF) helps to improve the policy and practice of international engagement in the world’s 40+ fragile and conflict-affected states in areas such as transition financing, peacebuilding, statebuilding and security. It also monitors donor performance to enable further improvement and tracks resource flows to fragile states.
INTRODUCTION

This issues brief summarises discussions at the policy-practitioners workshop on how international engagement in Yemen can be improved, held in Berlin on 12 October 2011. The workshop brought together policymakers from members of the OECD Development Assistance Committee’s International Network on Conflict and Fragility (INCAF), senior staff from donor agencies and international organisations working in/on Yemen and selected outside experts. The purpose of the workshop was to discuss how recent policy recommendations for, and lessons from, international engagement in fragile states can be used in Yemen.

To this end, the following provides a number of strategic building blocks for consideration by the international community. Section 1 of the brief outlines four key recommendations for improving international engagement. Section 2 advances three scenarios to analyse how the situation in Yemen could develop in the future. Section 3 highlights implications for strategising and planning international engagement. Section 4 outlines entry points for such engagement in key statebuilding areas in Yemen. Finally, Section 5 lists two practical next steps.

1. KEY RECOMMENDATIONS

It is clear that continuing international engagement in Yemen as “business as usual” is a recipe for failure. Yet, the current international approach to engagement in Yemen is fragmented and lacks strategic direction. Different and innovative approaches that involve pro-active management and appetite for risk, as well as a high degree of flexibility are required. To this end, and depending on the rapidly changing situation in the country, the international community should:

i. **Create or revive a forum for strategic discussion that unites the Gulf Co-operation Council (GCC) countries, OECD donors and key international organisations around one table.** A partnership approach between the GCC countries, OECD donors and the major international/regional organisations is crucial for successful international engagement. The “Friends of Yemen” (FoY) process offers valuable lessons and starting points. This forum could be facilitated by a special envoy of the United Nations (UN) with a support office located in close proximity to the GCC Secretariat.

ii. **Initiate discussions on a joint strategic framework for international support** that defines overall objectives and a limited number of immediate and medium-term priorities for peacebuilding and statebuilding in Yemen. Whilst the current situation in Yemen is not conducive to detailed, longer-term plans, basic principles and objectives for a common strategy to address broader structural challenges can nevertheless be developed. Such discussions must include relevant non-Western actors.

iii. Once an initial agreement on strategic priorities has been reached, **start a process to put into place a transition compact between key actors.** This should include national actors from the start, but could initially also be more focused on creating a framework for donor co-ordination — depending on the ability of the Government of Yemen to engage in light of the current turmoil. Such a compact should strategically link immediate priorities with resources and funding instruments as the basis for longer-term engagement. A mapping of ongoing/planned activities and funding instruments can provide the basis to identify gaps and overlaps.

iv. In the meantime, and in the face of urgent humanitarian priorities, **rationalise current funding streams and instruments across humanitarian and development budgets and activities.** This is particularly critical for funding to civil society and non-state actors. Donors should consider (a) setting up a pooled fund to finance non-state actors (including core funding); and (b) channelling funds through selected intermediary organisations (e.g. international non-governmental organisations) when these have the ability to act with the necessary flexibility and conflict sensitivity. The establishment of such funds — and their management, in particular — must be carefully considered to avoid doing harm to longer-term peacebuilding and statebuilding efforts.

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1. The brief has been produced by the OECD-DAC INCAF Secretariat. As such, it does not necessarily reflect the views of individual participants, or the organisations they represent. It is also without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Finally, much has happened in Yemen since this workshop took place, not the least of which was President Saleh agreeing to the GCC plan on 23 November 2011. However, the implementation of this plan is what matters for Yemen’s future and the road ahead remains a long one. Much of the thinking and ideas in this issues brief remain highly relevant.
2. THREE SCENARIOS FOR YEMEN’S DEVELOPMENT

It is impossible to predict the twists and turns that the situation in Yemen will take over the next few months. It is clear that this process will be driven by many factors and some surprises. External actors may have a modest influence on some of these elements, but most of the developments will be a function of the interests, actions and interactions of the key Yemeni stakeholders. As a result, international actors should think ahead at the possible scenarios and make sure that their interventions are flexible, scalable and remain relevant as changes in power occur. Three broad scenarios were discussed:

- **Peaceful transition.** This scenario amounts to President Saleh signing the GCC plan and allowing the UN to support its implementation. The likelihood of this scenario hinges on the ability of the international community to exert consistent and meaningful pressure on President Saleh. The role of the GCC, and of Saudi Arabia in particular, will be pivotal to realise this. The impact of this scenario will be a relatively peaceful transition if (a) it can combine an acceptable exit for President Saleh and key figures of the current ruling elite; (b) it can establish a credible path to improved governance (e.g. more balanced North/South representation, more inclusive civic engagement, revising the constitution and electoral law, reaching a sustainable form of accommodation with tribal power-holders); and, (c) adequate long-term international assistance can be mobilised in support. Even then, significant challenges — such as how to deal with transitional justice issues — will remain.

- **Continued stalemate.** This scenario amounts to a continuation of the current uncertainty and “low-level” conflict. Events and actions will determine the headlines on a day-to-day basis without decisive turning points. Since this scenario is a continuation of the status quo, it is the default scenario unless strong domestic or international forces are gathered to change course. Its implications are that Yemen will become increasingly fragmented and marred by periodic, intense conflict. In this scenario, Yemen will fail to address longer-term resource and development challenges related to water, oil and economic development. In the short-term, this will create more room for power groups and elements to pursue their own agenda, including al-Qaeda in the Arabian Peninsula (AQAP). In the long term, this may create a dramatic humanitarian situation and a serious degradation of Yemen’s level of development. The gradual deterioration of the situation in this scenario is its highest risk.

- **Civil war.** This scenario amounts to growing internal conflict that turns increasingly violent. The main contending parties are likely to include (a) President Saleh and those parts of the security forces still loyal to his regime; (b) General Ali Muhsen Alahmar and the forces loyal to him; (c) the Houthi movement in the North; (d) leaders or forces that might come to pursue Southern secession; and (d) various tribal and ideological forces, including AQAP. This scenario is likely to have several implications. First, it might result in the complete breakup of the Yemeni army, which would result in the long-term availability of men and guns for hire or patronage. Second, it may well lead to increased demands for secession. Third, it could provide space for local power holders and groups like AQAP to use the conflict to their advantage. Fourth, a serious humanitarian crisis is likely to worsen the overall situation.

3. IMPLICATIONS FOR STRATEGISING AND PLANNING INTERNATIONAL ENGAGEMENT

The workshop discussed key challenges for delivering international assistance in Yemen and identified a number of lessons from past experience. The following key points emerged:

There is a need for an overarching strategic framework that is shared by international actors and defines key areas for external engagement and support. What are the key outcomes that international actors want to support in Yemen? This will require an examination of and discussion on development partners’ underlying assumptions for addressing Yemen's fragility. The DAC policy guidance on statebuilding and on transition financing and the 2011 World Development Report provide a useful starting point for such an exercise. Indeed, some donors have already used a statebuilding lens to define their overall strategic objectives (e.g. the Dutch strategy emphasises deeper state-society relations and human security). A common strategic framework will need to identify and recognise the tensions and trade-offs between objectives (e.g. counter-terrorism, stability, statebuilding, democratisation). It is rare that strategy documents openly acknowledge such tensions.

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The lack of a high-level co-ordination body among donors (and with Yemeni power holders) reduces the collective impact of interventions to reduce Yemen’s fragility. Before the crisis, donor co-ordination primarily took place at the sector level. Whilst this has led to some positive results in terms of harmonised sector approaches, these results have neither added up to, nor have they translated into broader socio-political impact. Sectoral engagement needs to be part of a broader strategy and benefit from close political co-ordination if it is to generate broader developmental results.

Regular planning and programming methods are inappropriate for engagement. The high fluidity and rapidly changing situation in Yemen is not conducive to detailed prioritisation. Donors should therefore ensure that their approaches are extremely flexible so that they can address priorities that may emerge from any of the possible scenarios. These flexible approaches would hopefully be used in support of a nascent political settlement based on a broader transition strategy. Because such priorities are likely to continue to shift, flexibility will continue to be required for the next few years. Regular programming approaches will not carry the day. Donors have a unique chance to make good on their intentions to improve the quality, speed and risk-tolerance of their engagement.

External actors are likely to be more influential by building strong regional understanding and relations than by only engaging directly with Yemeni politics and elites. Yemen’s geographic location on the Gulf of Aden and the Red Sea, close to Somalia and in the backyard of Saudi Arabia, ensures that external regional players will continue to influence developments substantially. This will require external actors to work through integrated diplomatic, security and development strategies.

Donors need to identify new local partners and engage with a broader set of actors whilst ensuring better information-sharing and co-ordination regarding their support to civil society. A common challenge for all donors in Yemen is the difficulty to identify partners both inside and outside the government. Access to government officials remains limited, also due to the reduced donor presence in Sana’a. There is also a shortage of implementing partners. Donors need to engage new actors beyond the political parties and formal institutions. How can youth, civil society and other non-state actors be engaged? How can the protesters be involved (especially because of the lack of clear leadership and the risk that the protest movement will be co-opted by political parties)? Short- and medium-term partnership strategies must be distinguished (e.g. in the short term the vice-president is a key interlocutor, but a medium-term strategy needs to call for the engagement of a broader range of actors). At the same time, as donors scale-up financial support to civil society organisations, it is important to ensure that this support does not overwhelm them. A joint mapping of key stakeholders (building on existing assessments such as the one undertaken by the European Commission) could be carried out to identify key partners, interests and potential roles. In fact, Yemen’s capacity to absorb foreign aid is very low and will probably be even lower after the current crisis. This needs to be factored into any form of external financial support.

Understanding the political economy of public sector reform is vital, and in particular why past interventions to strengthen the capability and responsiveness of government have had only moderate success. Despite considerable investment in helping to build central government capacity, success appears to have been limited. Whilst islands of excellence within ministries have been created and technical capacities established in a number of sectoral areas (e.g. the water sector), the impact on the overall performance and responsiveness of government remains limited. Similarly, these interventions have contributed little to change the nature of domestic political processes. How can future investments help to catalyse broader change and contribute to building the legitimacy and capacity of the Yemeni state? This will require testing the relevance and political appetite for reforms with different stakeholder groups, understanding how reforms are perceived and building on existing capacities and institutional strengths to define reform. This also calls for leaders who are interested and able to support progressive change.

Extending the reach of the government beyond Sana’a remains a formidable challenge. The central government has been able to provide little more than the most basic social services and is largely absent in remote parts of the country. The ability of the central government to build and institutionalise sustainable and increasingly transparent governance networks with key Yemeni power- and stakeholders, especially tribes, will be essential to (a) ensure increasing control over its territory; (b) deliver basic services; (c) safeguard the population; and (d) gradually build its legitimacy. Workshop participants did not discuss governance relations between Sana’a and provincial/tribal areas or decentralisation and local governance strategies, but it did identify these issues as crucial for a medium-term statebuilding strategy. It will be essential to understand how future decentralisation policies will impact on state-society relations and the political settlement. Donors will need to carefully assess whether or not to support decentralisation, taking into account past evidence and adopting a “do no harm” lens.
4. ENTRY POINTS FOR INTERNATIONAL ENGAGEMENT IN KEY AREAS OF STATEBUILDING

- **Political settlements and dialogue**
  
  At the heart of Yemen's long-standing fragility is the country's exclusive political settlement, which limits access to power, resources and economic opportunities to a small elite centred around President Saleh and his family. The settlement contributed significantly to the most recent outbreak of violence. Any strategy to tackle the drivers of conflict and fragility in Yemen therefore needs to support a more inclusive political settlement and political system. Effective intervention in this area requires intimate knowledge of the complexity and history of existing governance arrangements and the relations between the ruling elite and the broader range of stakeholders. The following entry points were identified:

  - **Supporting a political settlement or transition agreement.** Ending hostilities in Yemen will require an “inclusive enough” political settlement and transparency on a subsequent political process which can be perceived by Yemenis as legitimate. Whilst the role for outside actors in fostering an elite pact or transition agreement are limited, they can encourage participation of all key stakeholders in the negotiation process, and insist on a transparent process. Dialogue with Saudi Arabia and other regional countries that have influence on the Yemeni elite should be part of this strategy.
  
  - **Fostering dialogue between state and non-state actors.** Supporting political dialogue can play an important role in expanding an initial political settlement (which might be limited to some political groups) to include other constituencies and interest groups. Trust between the different groups and regions in Yemen is very weak, and a careful, step-by-step approach is required.
  
  - **Supporting elected institutions and formal institutions of accountability.** Formal elected institutions such as the parliament are weak but have the potential to play a role in the future. Donors should resist the temptation to push for quick democratic reform and instead support local processes that meet public expectations.
  
  - **Strengthening civil society actors and civic institutions.** Support to CSOs, youth organisations, political parties and business organisations has become a key area for donor engagement in Yemen. There are many challenges in this field, including limited absorption capacity, the risk that funding distorts mandates, and recognising the linkages between civil society actors and the current regime. It is therefore important to thoroughly understand the interests, representativeness, legitimacy and potential roles of different civil society actors.

- **Economic development and employment**
  
  Yemen faces immense long-term development challenges, especially ensuring the availability of sufficient water, replacing oil revenues with other sources of income, and realising sufficient economic growth to ensure that its growing and increasingly young population continues to have prospects for a future. Poverty and unemployment are key factors that can aggravate unrest. A strategy for economic development will need to carefully assess the political economy and address specific structural constraints, including corruption, lack of education and the economic impact of khat use. It will need to focus on key sectors that can form the core of a recovery strategy, in particular agriculture (including fisheries), trade mining and the construction sector. It will also need to face up to reality. Neither the government nor international support will be able to create a sufficiently large number of jobs in the short term. Although it would be a long-reaching contribution to Yemen's development, the relaxation by GCC countries of their current policies and regulations governing labour migration is unlikely. This reduces Yemen's possibilities to “export labour” in order to generate revenue and jobs. More specifically, the following entry points were identified:

  - **Short-term investments in labour-intensive projects** *(e.g. rural roads, cash for work)* may not impact much on long-term growth, but are valuable ways to help sustain peace. Government and donors should also resist pressure to immediately develop a comprehensive plan for macro-economic development, but rather focus on stability in the immediate post-conflict period and retain flexibility of action.
Critical and specific constraints that hamper longer-term development should be addressed at the same time to create the right conditions for economic development. Two constraints are particularly relevant: First, there is a need to increase the government’s financial manoeuvrability. The challenge is that measures such as removing fuel subsidies can destabilise a fragile peace. Second, the education sector requires immediate investments to support longer-term workforce creation to drive economic development. The initial focus should be on vocational skills, rather than on higher education. Decentralised models might usefully compensate for the limited reach of the national government in many parts of Yemen.

Any long-term strategy for economic development in Yemen should recognise the critical importance of diversification, particularly for agriculture and trade. Innovative approaches should be explored to support private sector development, including through small and medium enterprise (SME) regulations, a new trade policy and value chain approaches.

Regional and global environments

Participants established five regional and global factors that influence developments in Yemen. First, the global threat of AQAP and its linkages to other terrorist groups, including in Somalia, influences the strategic priorities of external actors. It was widely felt that the current crisis facilitates extremist recruitment as well as an expansion of the power of extremist groups. This is a concern for both the West and the GCC. Second, some argued that the Houthi issue represents a proxy conflict between Iran and Saudi Arabia over regional influence, and expressed fears that it might spread to Yemen’s west coast. Third, the combination of Yemen’s location along some of the main global shipping lanes and the current climate of lawlessness and corruption increasingly attracts organised crime and pirates. Fourth, the interests and objectives of Saudi Arabia, as the key regional power, vis-à-vis Yemen are ill-understood by Western actors. Finally, the Arab Spring and the global economic crisis were argued to have an influence both on public perception and on economic prospects in Yemen. Specific relations were not explored. On the basis of this brief overview, the following entry points were suggested:

The Friends of Yemen (FoY) could be revived to provide a useful and inclusive forum for discussion between Western actors and the GCC. It is a unique forum to bring together all key players in the region. It could, for instance, help establish the critical global and regional importance of long-term stability in Yemen, what this could look like and how the various actors involved can make their contributions.

Effectively reducing the global dimension of the threat posed by extremist groups requires a long-term strategy to address the local grievances that contribute to radicalisation and that follows from a more durable political settlement. Three essential components of such a strategy are: (a) improving local dispute resolution mechanisms; (b) ensuring better basic service delivery (the social development fund arguably provides one mechanism to do so); and (c) increasing opportunities for youth. More indirectly, existing sectoral programmes and networks in areas like water management, health and education can contribute to conflict prevention and de-radicalisation in the immediate term if designed and used in a conflict-sensitive manner.

5. PRACTICAL NEXT STEPS

In closing the meeting, the World Bank offered to host a donor co-ordination meeting in the region before the end of 2011 to take forward some of the ideas outlined in this document. INCAF work and experiences to-date can help frame the discussion and participants suggested that INCAF help do so.

Future meetings should focus on developing a shared strategy, realising an agreement on immediate priorities (before the political transition commences) and establishing a division of labour.
The DAC International Network on Conflict and Fragility works on specific development challenges in conflict-affected and fragile states, supporting peacebuilding and statebuilding processes that concentrate on promoting lessons and experiences from the field, setting international norms and standards, tracking global results and providing practical guidance to help improve responses. To this end, the Conflict and Fragility Series brings together both in-depth analysis and practical recommendations. Free electronic copies may be downloaded from the OECD Bookshop (www.oecd-ilibrary.org). For more information, contact the INCAF Secretariat at james.eberlein@oecd.org.

Peacebuilding, Statebuilding and Security

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http://dx.doi.org/10.1787/9789264074989-en
This publication presents new thinking on statebuilding and clear recommendations for better practice. Drawing from best practices from the field, it offers guidance on how donors can better facilitate positive endogenous statebuilding processes and strengthen the foundations upon which capable, accountable and responsive states are built.

From Power Struggles to Sustainable Peace: Understanding political settlements
http://dx.doi.org/10.1787/9789264116498-en
Until recently, the term “political settlement” has been used almost interchangeably with “peace agreement”. But it has broader implications: political settlements span the continuum from negotiated peace agreements to long-term historical development — in the latter sense approaching the concept of a social contract. This publication provides an overview of key definitions, components and concepts of political settlements, based on existing literature. It also examines the potential impact of donor activities on political settlements and highlights possible implications for donor engagement and support.

The State’s Legitimacy in Fragile Situations
http://dx.doi.org/10.1787/9789264083882-en
State legitimacy matters because it transforms power into authority and provides the basis for rule by consent, rather than by coercion. This publication urges development partners to pay much more attention to legitimacy and to broaden their understanding of it to encompass aspects that are derived from people’s shared beliefs and traditions, not just from Western state models. It also provides practical recommendations on how development partners can support better relations between state and society in fragile situations.

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