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The Architecture of Dependency: Political Economy of Donor Funding in Yemen

Why USD 20 Billion Has Not Bought Durable Institutions — and What Must Change

Mundher Mubarak |

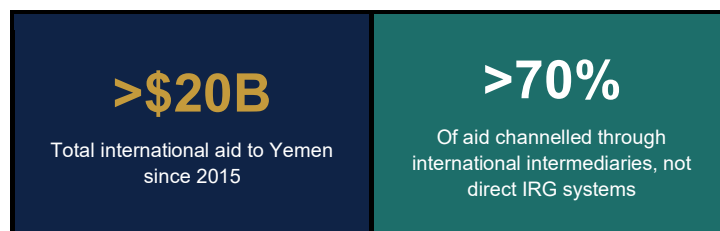
EXECUTIVE SUMMARY

Since 2015, Yemen's Internationally Recognised Government (IRG) has operated under conditions of extreme fiscal stress, forced displacement, and institutional fragmentation. Over this period, international donors have channelled in excess more than USD 20 billion in combined humanitarian, development, and governance support—one of the largest per-capita aid mobilisations in the world. The results, by any durable institutional metric, remain deeply disappointing.

This brief argues that the underperformance of international assistance in IRG-controlled Yemen is not a consequence of insufficient funding, inadequate expertise, or adverse security conditions alone. It is the predictable product of a structurally distorted aid architecture—one that systematically rewards activity over institutional persistence, privileges intermediary capture over domestic ownership, and insulates project designers from the consequences of their choices.

Drawing on a political economy analysis of the donor landscape, this brief identifies three interlocking failure mechanisms: fragmented donor coordination, a closed ecosystem of implementing partners, and a self-reinforcing loop that recycles programme templates regardless of impact. Together, these dynamics have produced what we term 'performance theatre': visible outputs, high disbursement rates, and sustained reporting activity—without institutional transformation.

The brief closes with six strategic recommendations directed at donors, the IRG, and the international community. Durable change in Yemen is not a technical problem. It is a political economy problem—and solving it requires confronting the incentive structures that currently prevent international assistance from doing what it claims to intend.



01 THE IRG CONTEXT: GOVERNING UNDER SIEGE

The IRG's displacement from Sana'a to Aden in 2015 was not merely a geographical relocation. It represented the wholesale restructuring of the Yemeni state under conditions of armed conflict, collapsed revenue, and competitive territorial fragmentation. Ministries were reconstituted in provisional facilities; authorities operated without consolidated budget systems; central bank functions were bifurcated between Aden and Sana'a; and service delivery was reduced to ad-hoc, often donor-funded, responses to acute need.

Against this backdrop, international donors faced an acute dilemma: how to support a recognised—but functionally weakened—government without either substituting for it entirely or inadvertently legitimising parallel structures.

The resolution adopted by most donors was to fund around the state rather than through it: channelling resources via international organisations, INGOs, and implementing intermediaries, while nominally directing outputs toward IRG counterparts.

This approach may have been operationally prudent in 2015 and 2016. A decade later, it has calcified into a structural norm—one that has systematically delayed the emergence of autonomous IRG institutional capacity. What began as an emergency workaround has become the enduring architecture of external engagement.

02 AID DEPENDENCY: A STRUCTURAL OUTCOME, NOT A TRANSITIONAL PHASE

The conventional framing presents aid dependency in Yemen as a temporary condition—an unavoidable by-product of active conflict, to be resolved once political settlement is reached. This framing is analytically incorrect and operationally dangerous. Aid dependency in Yemen is not a consequence of the conflict alone; it is, in significant part, a consequence of how international assistance has been designed, delivered, and governed.

Across four domains—humanitarian response, basic service delivery, macroeconomic stabilization, and governance support—IRG institutions have been progressively configured to function as aid recipients and implementation vehicles, rather than as autonomous policy actors. The following table maps the dependency landscape by sector:

SECTOR	PRIMARY DONOR CHANNEL	DEGREE OF IRG OWNERSHIP	KEY STRUCTURAL RISK
Humanitarian	UN OCHA-coordinated cluster system; large INGOs	Minimal — parallel delivery structures dominant	Permanent exclusion of IRG from emergency governance
Basic Services (health, WASH, education)	World Bank, UN agencies, bilateral implementing partners	Low — outputs delivered, ministry systems bypassed	Service delivery collapse if funding lapses
Macroeconomic Stabilisation	World Bank, IMF, AMF	Moderate — CBY/MoF engaged but constrained	Fiscal dependency on deposits and transfers
Governance & Civil Service Reform	EU, UNDP, bilateral donors via consulting firms	Performative — endorsement without internalisation	Reform narratives captured by implementing partners

Table 1: Aid Dependency Landscape by Sector, IRG Yemen

03 THE FRAGMENTATION PROBLEM: COORDINATION WITHOUT COHERENCE

Yemen's international engagement architecture is characterised by a profound and structurally entrenched fragmentation. Donor operations are dispersed across multiple hubs—Amman, Riyadh, Aden, Sana'a, and donor capitals—with sustained operational presence inside Yemen limited to a small number of actors. This physical dispersal produces three analytically distinct distortions.

Epistemic Fragmentation

Donors operating from Amman or Riyadh are structurally dependent on second-hand analysis and intermediated reporting. Situational awareness is filtered through implementing partner narratives, which are systematically incentivised to present programme performance positively. Real-time political economy dynamics—elite bargains, reform blockages, institutional deterioration—are routinely invisible to decision-makers in donor capitals.

Coordination Theatre

Yemen hosts an extensive architecture of coordination platforms: sector working groups, donor roundtables, and bilateral consultation mechanisms. In practice, no platform exercises the authority to enforce trade-offs, mandate

sequencing, or override individual donor mandates. Coordination meetings produce minutes; they do not produce strategic coherence.

Mandate-Driven Programming

In the absence of enforced prioritisation, each donor funds interventions aligned with institutional mandates and domestic political visibility requirements rather than a shared theory of change. The result is systematic overfunding of visible, reportable activities (training events, workshops, assessment outputs) and chronic underfunding of slower, less legible institutional transformation processes.

“No single coordination platform in Yemen’s aid architecture enforces trade-offs, sequences interventions, or holds implementing actors accountable for institutional outcomes. The proliferation of platforms has become a substitute for the strategic coherence that none of them provides.”

04

THE CAPTURED ECOSYSTEM: POLITICAL ECONOMY OF PROJECT FUNDING

At the operational core of Yemen’s aid architecture lies what this brief terms a ‘captured ecosystem’: a relatively narrow set of international organisations and consulting entities that have achieved dominant positioning in the design, implementation, and evaluation of internationally funded programmes in Yemen. This concentration is neither accidental nor conspiratorial. It is the predictable outcome of donor incentive structures that reward risk management, fiduciary compliance, and reporting volume over institutional impact.

The Anatomy of Capture

Ecosystem capture in Yemen’s donor landscape operates through three mutually reinforcing mechanisms:

- **Design-implementation fusion:** The same organisations that participate in donor strategy consultations, needs assessments, and programme design are frequently awarded implementation contracts for the programmes they helped shape. This structural conflict of interest is rarely disclosed, and donor procurement rules rarely prohibit it.
- **Information monopoly:** Proximity to donor coordination platforms, international conferences, and funding pipelines enables a small group of actors to control the analytical narratives that shape programme design. Local expertise is consulted—through tokenistic ‘national consultant’ arrangements—but rarely accorded decisive influence.
- **Crisis as business model:** For many intermediary actors, Yemen’s protracted crisis has generated a stable and recurring revenue stream. The incentive to resolve or transcend the crisis—to design programmes that genuinely transfer authority and render external assistance unnecessary—is structurally weak. Continuity of the problem is, implicitly, continuity of the business.

Consequences for IRG Institutional Development

The consequences of ecosystem capture for IRG institutions are severe and compounding. Domestic reformers—civil servants, technocrats, local policy actors with deep contextual knowledge—are systematically excluded from upstream design processes. Reform priorities are determined by intermediary organisations whose understanding of Yemen is, at best, analytically sophisticated but operationally distant.

The result is programmes built on ‘inherited templates’: governance reform models transplanted from other fragile-state contexts, adjusted at the margins for Yemen, and delivered by organisations with limited institutional presence or accountability to IRG counterparts. Political economy analysis is conducted—but it is formalistic rather than operational, producing analytical products that satisfy donor reporting requirements without altering programme design.

05

PERFORMANCE THEATRE: THE SELF-REINFORCING LOOP

The intersection of donor fragmentation and implementing partner capture produces a self-reinforcing dynamic that this brief characterises as ‘performance theatre’: a system that generates visible, measurable activity—workshops delivered, beneficiaries reached, outputs produced, funds disbursed—without generating institutional change.

- 01 Limited donor field presence increases reliance on intermediary reporting
- 02 Intermediaries control both implementation and performance narratives
- 03 Weak feedback loops prevent accurate diagnosis of institutional failure
- 04 Familiar programme frameworks are recycled with cosmetic adjustments
- 05 Output-level metrics remain positive; institutional outcomes remain unchanged
- 06 Positive reporting sustains funding flows; the cycle repeats

Figure 1: The Self-Reinforcing Donor-Intermediary Loop

The consequences extend beyond programme inefficiency. Performance theatre actively distorts the political economy of reform in Yemen by creating false signals. When donor databases record high disbursement rates, strong output delivery, and positive beneficiary surveys, the case for fundamental redesign is weakened. Senior IRG officials learn that engagement with donor processes is primarily performative—that expressing reform intent is rewarded, while reform execution is neither required nor effectively measured.

06 KEY ANALYTICAL FINDINGS

1

Structural Aid Dependency

Yemen’s aid dependency is not a transitional condition caused by conflict; it is a designed outcome of an assistance architecture that has consistently funded around rather than through IRG institutions, producing capacity without authority.

2

The Intermediary Capture Problem

A concentrated ecosystem of international implementing partners has achieved structural control over programme design, implementation, and evaluation—creating conflicts of interest that systematically disadvantage IRG ownership and domestic reform leadership.

3

Coordination Without Strategy

Yemen’s extensive donor coordination architecture produces activity and process, not strategic coherence. No platform exercises authority to enforce prioritisation, sequencing, or accountability for institutional outcomes.

4

Performance Metrics Drive Perverse Incentives

Output-based reporting requirements reward visible, short-cycle activities while penalising the slower, less legible institutional work required for durable change. This is not a measurement problem—it is an incentive design problem.

5

Domestic Reformers Are Systematically Marginalised

IRG technocrats and civil society actors with deep contextual knowledge are consistently excluded from upstream design processes, reduced to implementation roles, and denied the institutional space to lead reform.

6

The Crisis-as-Business-Model Dynamic

For key actors in Yemen's implementing ecosystem, protracted instability is operationally convenient. The structural incentive is not to solve Yemen's governance crisis but to manage it at a level that sustains funding flows.

07 STRATEGIC RECOMMENDATIONS

Addressing Yemen's aid architecture failure requires structural intervention, not programmatic adjustment. The following five recommendations are directed at donors, the IRG, and the broader international community. They are ordered by priority and urgency.

1

Separate Design from Implementation

Donors must structurally prohibit implementing organisations from participating in the design or needs assessment of programmes they subsequently implement. Competitive procurement must be genuinely open to local entities, with fiduciary support provided rather than used as an exclusion mechanism.

2

Re-centre Domestic Reform Actors in Design Processes

Donors must create direct, funded channels for engagement with IRG technocrats, Yemeni civil society, and domestic policy actors in programme design. This requires accepting higher short-term political risk in exchange for long-term institutional legitimacy.

3

Shift Success Metrics from Outputs to Institutional Persistence

Programme evaluation frameworks must replace output delivery metrics with measures of institutional endurance: Does the reform survive the project? Does the institution function without the implementing partner? Does the domestic actor lead?

4

Establish a Yemen Donor Coordination Authority with Enforcement Mandate

The existing coordination architecture must be consolidated into a platform with actual authority to enforce prioritisation, manage sequencing, and impose accountability for strategic coherence.

5

Develop a Transition Roadmap from Intermediary to Direct Engagement

Donors and the IRG jointly should develop a five-year roadmap with defined milestones for transitioning programme delivery from international intermediaries to domestic institutions, accompanied by explicit authority-transfer benchmarks and commensurate fiduciary capacity-building.

08 CONCLUSION: FROM ACTIVITY TO INSTITUTIONAL PERSISTENCE

Yemen stands as one of the defining test cases for international engagement in fragile and conflict-affected states. More than a decade of unprecedented aid mobilisation has produced a paradox: institutions are nominally present but functionally dependent; capacity has been built but authority has not been transferred; reforms have been planned, documented, and reported—but not owned, led, or sustained.

This is not a failure of effort, resources, or technical knowledge. It is a failure of political economy design—a system configured, often unconsciously, to reward intermediaries rather than institutions, activity rather than persistence, and performance rather than change.

The implications extend beyond Yemen. The structural dynamics described in this brief—donor fragmentation, intermediary capture, performance theatre, and the systematic marginalisation of domestic reformers—are not Yemeni peculiarities. They are endemic features of fragile-state aid architectures globally. Yemen is not an outlier. It is a warning case: a demonstration of what international assistance produces when it optimises for its own operational convenience rather than for the institutional transformation it claims to seek.

Changing this does not require more funding. It requires a fundamental redistribution of authority, risk, and design control—from international intermediaries to domestic institutions, from activity metrics to persistence metrics, from coordination theatre to strategic coherence. This is not a technical challenge. It is a political choice.

“Moving from activity to persistence is not a technical challenge—it is a political choice. Until donors are willing to transfer authority rather than perform reform, Yemen will remain a cautionary example for fragile-state engagement globally.”

About Core Insights Consults

Core Insights Consults is a specialist advisory firm focused on governance, institutional reform, and political economy analysis in fragile and conflict-affected states, with particular expertise in Yemen and the broader Middle East. Our Insights series publishes independent analysis aimed at informing evidence-based policy.

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About the Author:

Mundher Mubarak is the Co-Founder and CEO of Core Insights Consulting and a policy and political economy specialist focused on Yemen's economic recovery, institutional reform, and local development. He previously served as a Policy Advisor with the Prime Minister's Technical Team (PMTT). Mundher holds a Master of Public Policy from the University of Erfurt and a BSc in Psychology from the Heinrich Heine University Düsseldorf.



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