



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 25-Feb-2022 | Report No: PIDA32759

**BASIC INFORMATION****A. Basic Project Data**

Country Yemen, Republic of	Project ID P177020	Project Name Yemen Social Protection Enhancement and COVID-19 Response AF	Parent Project ID (if any) P173582
Parent Project Name Emergency Social Protection Enhancement and COVID-19 Response Project	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 16-Feb-2022	Estimated Board Date 30-Mar-2022
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP)	Implementing Agency Social Fund for Development, Public Works Project

Proposed Development Objective(s) Parent

The project development objective is to provide cash transfers, temporary employment, and increased access to basic services and economic opportunities to food-insecure populations affected by COVID-19, the conflict and climate-related shocks, as well as to strengthen the capacity of national institutions.

Components

Unconditional Cash Transfers
Geo-focused Bundles to Reduce Food Insecurity and Malnutrition
Project Management, Monitoring, Evaluation and Capacity Building of National Institutions
CERC

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Development Association (IDA)	300.00
IDA Grant	300.00

Environmental and Social Risk Classification

High

Other Decision (as needed)

B. Introduction and Context

Country Context

The living standards of the Yemeni population have deteriorated even further since the beginning of 2020, with food insecurity and malnutrition reaching alarming levels. Years of conflict had already devastated the economy and impoverished the population by the end of 2019. Gross Domestic Product (GDP) had shrunk in half in real terms since 2015, and food poverty had increased dramatically, as household incomes plummeted, local food production and agricultural assets were destroyed, and food prices increased—the cost of the minimum survival food basket increased by 123 percent between March 2015 and December 2019. The percentage of the population at risk of famine¹ increased by 21 percent in 2015 relative to 2014 and continued to increase until it peaked in December 2018, where 53 percent of the population (15.9 million) were at risk of famine. The situation improved in 2019, only to deteriorate again in 2020: according to the latest projections (December 2020), 16.2 million people were projected to be at risk of famine by June 2021. High frequency phone survey data suggest the situation is likely to be even worse, particularly in the South: the incidence of inadequate food consumption in the South increased from 41 percent (already above the 2018 crisis level of 40 percent) in January 2021, to 53 percent in November 2021 (from 37 percent to 46 percent in the North).²

Women and children are most at risk, further eroding Yemen’s human capital. About 1.1 million pregnant and lactating women were projected to suffer from acute malnutrition during 2021. The levels of child stunting (46 percent) and wasting (16 percent) are among the highest in the world, more than 80 percent of young children are sub-optimally fed (and thus at a risk for becoming undernourished), and two million children require treatment for acute malnutrition. The lack of access to maternal and child health and nutrition (MCH&N) services as well as safe drinking water and proper sanitation—key to preventing and treating malnutrition—have exacerbated the food security crisis. Access to health care has also deteriorated during the current food security crisis.³ Severe child malnutrition, particularly during the first 1,000 days, causes irreparable damage to their future health and brain development and is a large contributor to the eroding human capital of Yemen: the future

¹ Phases 3, 4 and 5 of the Integrated Food Security Phase Classification (IPC).

² Data collected by the World Food Program (WFP) through monthly mobile phone surveys. The incidence of inadequate food consumption (IFC) is the share of the sample with poor or borderline food consumption as measured by a Food Consumption Score (FCS) of 42 or below.

³ The Food Security Crisis in Yemen, World Bank, September 2021.



earnings potential of children born today in Yemen will be 63 percent lower than what it could have been with complete education and adequate health (World Bank 2018).

COVID-19 and the depreciation of the currency are behind the worsening of the food security and malnutrition situation, particularly through their impact on food prices. As of February 24, 2022, Yemen had around 11,751 confirmed cases of COVID-19 and 2130 deaths⁴ and around 373,000 people have been fully vaccinated (1.3 percent of the total population). The global pandemic is impacting the Yemeni population mainly through reduced economic opportunities and remittances as well as higher food and fuel prices. Preliminary Bank estimates suggest that GDP shrunk by 8.5 percent in 2020. COVID-induced increases in global food prices (30 percent increase between 2019 and 2021) have had a significant impact on domestic food prices because of Yemen's high dependency on food imports. This has been exacerbated in the South by the sharp depreciation of Yemeni Rials (YER) against the US dollar (from 595 in December 2020 to 1,385 in December 2021), while it only depreciated slightly in the North (from 585 to 600 during the same period).⁵ The cost of the minimum survival food basket, which up until 2020 had been very similar on average in the South and the North, shot up from June 2020, particularly in the South, where it increased by threefold by November 2021 (compared to a 40 percent increase in the North).

Sectoral and Institutional Context

Prior to the conflict, Yemen had a broad array of social protection programs implemented by national institutions. This included Community-Driven Development (CDD) programs run by the Social Fund for Development (SFD) and the Public Works Project (PWP); poverty-targeted unconditional cash transfers (UCT) under the Social Welfare Fund (SWF); categorically-targeted cash transfers (Disability Fund, and the Fund for Martyrs and the Wounded); community-based services (through SFD and the National Programme for the Development of Productive Families); support to small and micro enterprises (SMEs), microfinance and job creation through the Small and Micro Enterprise Development (SMED) and Small and Micro Enterprise Promotion Services Agency (SMEP)⁶; and pensions for formal workers in the public and private sectors. The World Bank and other donors have been supporting SFD and PWP since their inception in 1996, including throughout the conflict. The Bank also supported SWF's unconditional cash transfers prior the conflict.

The conflict has undermined the ability of national institutions to deliver support and increased reliance on humanitarian institutions. National institutions such as SFD and PWP have historically retained their autonomy and political independence and have remained functional with support from donors. However, government programs, including those of the SWF and the Disability Fund, were affected by the political fragmentation of institutions and discontinued these programs. The public sector, the single largest employer pre-conflict, has not consistently made salary payments to over 1.2 million civil and military employees since mid-2016. Civil and military pension funds have also suffered during the conflict, increasing vulnerability among many families relying on pensions. Earnings from government bonds were inaccessible due to the liquidity crisis, and contributions from public employees also stopped when salary payments stopped⁷ preventing the pension funds from financing payments. The social protection institutional landscape in Yemen is currently marked by a combination

⁴ The actual number of cases and deaths are likely to be much higher due to the limited testing capacity.

⁵ The main factor explaining the different evolution of the exchange in the South and the north is the monetization of the fiscal deficit by the Central Bank of Yemen (CBY) in Aden (The Food Security Crisis in Yemen, World Bank, September 2021).

⁶ Both units are under the Social Fund for Development.

⁷ MoPIC 2017, "Social Protection Programs in Yemen."



of international development and humanitarian actors, as well as key national institutions (notably SFD and PWP) that have maintained political neutrality and operational functionality. These efforts have fallen short of the rising needs: 24.1 million people (over 80 percent of the population) are estimated to need humanitarian or social protection support.

C. Proposed Development Objective(s)

Original PDO

The project development objective is to provide cash transfers, temporary employment, and increased access to basic services and economic opportunities to food-insecure populations affected by COVID-19, the conflict and climate-related shocks, as well as to strengthen the capacity of national institutions.

Current PDO

The project development objective is to provide cash transfers, temporary employment, and increased access to basic services and economic opportunities to food-insecure populations affected by COVID-19, the conflict and climate-related shocks, as well as to strengthen the capacity of national institutions.

Key Results

The PDO will be monitored through the following PDO level outcome indicators:

- Beneficiaries of social safety net programs (disaggregated by number of household members and the number of females)
- Number of beneficiary households benefitting from the cash for nutrition program (disaggregated by number of SWF households, females and IDPs)
- Number of direct beneficiaries of wage employment (disaggregated by number of females and IDPs)
- Number of people with increased access to basic services (disaggregated by number of females)
- Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project (disaggregated by number of female-led businesses)
- Percentage of UCT program implementation functions intended to be transferred to SFD that have effectively been transferred
- People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change

D. Project Description

Similar to the parent project, the proposed AF applies paragraph 12 of Section III of the IPF Policy (*Projects in Situations of Urgent Need of Assistance or Capacity Constraints*). The special consideration of paragraph 12 of Section III of the said Policy is being triggered based on the urgent need of assistance caused by the worldwide COVID-19 outbreak in December 2019, as well as the ongoing conflict coupled with insecurity, political instability, blockages to food and fuel deliveries, and economic collapse, all of which have led to a situation of severe economic and social distress.



The proposed Additional Financing (AF) is intended to sustain and scale up the impact of the parent project in response to the deteriorating food insecurity and malnutrition situation. The proposed AF will be financed by a US\$300 million equivalent grant from the national Performance Based Allocation (PBA) for Yemen. The AF will continue to provide immediate relief to food insecurity and malnutrition while also increasing resilience to food insecurity and malnutrition in the future. Moreover, to increase impact, the AF will aim to bundle interventions and target areas with high food insecurity and malnutrition as part of the Bank's approach to reduce food insecurity and malnutrition, which is summarized below and articulated in the draft Country Engagement Note (CEN) for Yemen (FY22-23). The AF will continue efforts to protect the purchasing value of UCT benefits, including through further improvements to the FOREX strategy to maximize the benefit amount in YER as well as mobilizing donor resources to continue to finance top-ups to cash benefits. The AF will also continue the efforts to strengthen the capacity and role of national institutions to deliver support.

The Bank is introducing a 'continuum of support' approach to reduce food insecurity and malnutrition in Yemen, which the proposed AF will begin implementing in coordination with other operations. Donor support is overwhelmingly focused on supporting consumption (through cash transfers (CTs) and food assistance). Support is often short-lived and rarely complemented with interventions to increase long-term resilience to food insecurity and malnutrition. As a result, interventions often fail to have an impact beyond the period of support and do not help prevent subsequent food crises. While immediate needs should continue being addressed (through CTs, food assistance, and treatment of malnutrition), these efforts should ideally be complemented by interventions that increase resilience to food insecurity and malnutrition. A 'continuum of support' approach would include building relevant community assets and increasing local food production and distribution, as well as investments in MCH&N and WASH services. While these bundles of support should ideally be available everywhere they are needed, priority would be given to areas with high food insecurity and malnutrition⁸ incidence. While the Bank is working to promote support from other donors, it will start implementing geo-focused bundles of interventions supported under its projects, including the proposed AF, the Yemen Food Security Response and Resilience Project (YFSRSP) (P176129), and the Yemen Emergency Human Capital Project (YEHCP) (P176570).

The AF will continue efforts to strengthen the capacity and role of national institutions. Under the proposed AF, the implementation of project activities will be carried out through national institutions (as implementing partners (IPs), namely SFD⁹ and PWP—under the oversight of UNDP and UNICEF as implementing agencies and IDA grant recipients. This approach builds on the successful partnership between UNICEF and SFD for SFD to carry out UCT-related functions previously undertaken by UNICEF either directly or through third party vendors. This partnership will be strengthened under the AF. The contracting of SFD to carry out UCT-related activities is being done gradually, following the completion of readiness assessments and needed capacity building, in a way that minimizes any disruption to the program, and in consultation with national authorities.¹⁰ This is part of a broader Bank approach, further articulated in the draft CEN for Yemen (FY22-23), to gradually increase the role of local institutions in project implementation. The AF will also continue to provide capacity building to SFD and PWP, and will enhance its engagement with, and capacity of SWF to support the implementation of UCT.

⁸ Bundles do not need to include the same interventions everywhere. Bundles can also be defined at the household level within the targeted geographical areas (e.g., cash for nutrition and treatment of malnutrition, followed by support to the same households to grow and prepare nutritious foods).

⁹ And affiliated institutions: Yemen Loan Guarantee Program (YLG); Small and Micro Enterprise Promotion Services Agency, (SMEPs); and the Small and Microenterprise Development (SMED).

¹⁰ Including with the Social Welfare Fund (SWF) -the government institution that implemented the UCT program prior to the conflict.



Proposed changes under the AF. The following revisions will be introduced under the proposed AF and restructuring: **(i)** PDO and intermediate level indicators will be revised to increase associated targets; **(ii)** for simplification, Project components will be realigned and revised as follows: (a) Subcomponent 1.2 will be moved under Component 2 (as Subcomponent 2.1); (b) Component 1 (currently “Cash Transfers”) will be renamed “Unconditional Cash Transfers” (c) Component 2 (currently “Labor Intensive Works and Economic Opportunities”) will be renamed “Geo-focused support to reduce food insecurity and malnutrition”; (d) the allocation for Component 1 will be increased by US\$182 million; (e) the allocation for Component 2 will be increased by US\$100 million; (f) two new intermediate level indicators related to geographical bundling of interventions under Component 2 will be introduced to the Results Framework; (g) the allocation for Component 3 will be increased by US\$18 million; and **(iii)** the project’s closing date will be extended by an additional two years, from December 30, 2022 to December 30, 2024, to reflect the extended implementation period, offset delays caused by the preparation and clearance of ESF instruments, and to align it with the closing date of the AF.

Under the proposed AF, sub-component 1.2 will be moved under Component 2 as subcomponent 2.1. As a result of this change, and the geographic bundling of interventions under the revised Component 2, Component 1 (currently “Cash Transfers”) will be renamed “Unconditional Cash Transfers”, while Component 2 (currently “Labor Intensive Works and Economic Opportunities”) will be renamed “Geo-focused bundles to reduce food insecurity and malnutrition”. As in the parent project, the AF will include Component 3: Project Support, Management, Evaluation and Administration; and Component 4: Contingent Emergency Response (CERC). Further details are provided in the Project Appraisal Document of the parent project (Report No. PAD3894).

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The environmental and social impacts and risks of the AF project activities remain the same as assessed under the parent project. Key environmental impacts and risks, some of which have materialized during implementation of the parent project, include exposing project workers and communities to health and safety risks and environmental impacts during implementation if project activities are not adequately managed, particularly under activities involving intensive labor. These environmental risks and impacts are expected to be site-specific, reversible and generally of low magnitude, and can be mitigated by following appropriate measures.

Although environmental risks and impacts are expected to be site-specific, reversible and generally of low magnitude and can be mitigated following appropriate measures; nonetheless, and based on the implementation experience of the parent project (as well as other similar operations in Yemen), and identification of significant Occupational Health and Safety (OHS) gaps, there is a significant risk for fatal incidents or serious injuries to occur under the project, particularly under Component 2. This is anticipated as the project will provide temporary work



opportunities to a large number of local community members who are un-skilled, largely illiterate, and with little or no knowledge or experience in applying OHS measures. Furthermore, there is a risk of COVID-19 transmission among community workers if worksites are not managed appropriately.

Potential social impacts of the project are related to the Cash for Work activities and the rehabilitation of the Community Assets interventions such as potential loss of assets, labor influx as 50 percent of the labor are from outside the target communities by private contractors, and community health and safety such as injuries. This project is not expected to require physical or economic displacement. There may be potential need for small parcels of land for the community asset development activities, but these will be met through community contributions, which is an accepted local practice. There may be social impacts and risks, particularly with the Cash for Work and the rehabilitation of Community Asset activities. These could include labor-related issues, community health and safety, discrimination and mistreatment, potential for fraud and corruption, exclusion due to security risk and other factors, elite capture of investments by powerful and/or better-connected beneficiaries. Given the above, the social risk is deemed Substantial. However, the project will be implemented in conflict-affected settings and project stakeholders may be exposed to potential security risks in their engagement under this project. For this reason, the overall project environmental and social risk is rated High.

E. Implementation

Institutional and Implementation Arrangements

Similar to the parent project, the AF will continue being implemented by UNICEF and UNDP under the Financial Management Framework Agreement (FMFA), in partnership with SFD and PWP. UNICEF will be the recipient agency for Component 1 (Unconditional Cash Transfers), while UNDP will be the recipient agency for Component 2 (Geo-focused bundles to reduce food insecurity and malnutrition). Both agencies will be recipients for project management, monitoring and evaluation costs under Component 3. UNICEF will enter into a subsidiary agreement with SFD for the implementation of Component 1, while UNDP will enter into subsidiary agreements with SFD (for the implementation of Subcomponents 2.1, 2.2 and 2.4) and PWP (for the implementation of Subcomponent 2.3). These agreements will be subject to the approval of the World Bank.

The AF will continue to strengthen the successful partnership between UNICEF and SFD for SFD to carry out UCT-related activities previously undertaken by UNICEF either directly or through third party vendors. The contracting of SFD to carry out such activities is being done gradually, following positive readiness assessments and capacity building, in a way that minimizes any disruption to the program, and in consultation with national authorities. This process started in PC10 with facilitation activities in the South (extended to the North in P11), and continued with the collection of grievances through the Call Center in PC11 (the Call Center is now managed by SFD and housed in Sanaa). UNICEF and SFD also started conducting joint field supervision in PC11. The contracting of grievance redressal (case management) is planned for PC12. The current proposal is for SFD to carry out the bidding for payment providers in PC13, which for the first time will be open competition. The basic terms of the contracts with banks (exchange rates and fees) as well as the selection criteria which will be preset



by UNICEF in consultation with SFD. UNICEF will also provide final clearance to the list of selected banks. The AF will also enhance the engagement with, and capacity of SWF to support the implementation of UCT.¹¹

Fiduciary arrangements. Consistent with the authorizing environment provided for under the FMFA, the financial management (FM) and disbursement procedures of UNICEF and UNDP—as the recipient UN agencies—will apply. UNICEF’s and UNDP’s representation in the Republic of Yemen will be responsible for implementing the project. The project will apply Alternative Procurement Arrangements (APA) utilizing the procurement regulations, rules, policies and procedures of UNICEF and UNDP.

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¹¹ The details on SWF support to the implementation of the project and capacity building will be reflected in a MOU. Such support will not be contracted by the project. Capacity building activities will be procured by the project.



FOR MORE INFORMATION CONTACT

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APPROVAL

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