

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
APPRAISAL STAGE**

Report No.: PIDISDSA18550

Date Prepared/Updated: 22-Aug-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Yemen, Republic of	Project ID:	P159053
		Parent Project ID (if any):	
Project Name:	Yemen Emergency Crisis Response Project (P159053)		
Region:	MIDDLE EAST AND NORTH AFRICA		
Estimated Appraisal Date:	27-Mar-2016	Estimated Board Date:	19-Jul-2016
Practice Area (Lead):	Social Protection & Labor	Lending Instrument:	Investment Project Financing
Borrower(s):	United Nations Development Program		
Implementing Agency:	United Nations Development Program		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			
Financing (in USD Million)			
Financing Source			Amount
BORROWER/RECIPIENT			0.00
IDA Grant			50.00
Total Project Cost			50.00
Environmental Category:	B - Partial Assessment		
Appraisal Review Decision (from Decision Note):			
Other Decision:			
Is this a Repeater project?	No		

B. Introduction and Context

Country Context

The current conflict and societal fragility in the Republic of Yemen stems from fifty years of cycles of violence, long-standing grievances over corruption, and elite capture of resources as well as tribal, regional, and more recently sectarian divisions. Following the unification of the Republic of Yemen in 1990, out of two states with divergent political and economic systems, the Yemeni State contended with establishing central authority and a pluralistic political system in a country with complex regional and tribal constituencies. Building a modern state upon tribal and traditional forms of governance in one of the poorest countries in the world has represented an ongoing challenge. Control of economic rents by traditional political forces complicated transition toward more inclusive and equitable governance.

The Arab Spring arrived in the Republic of Yemen in early 2011. Widespread protests and revolt demanding better governance, jobs, and improved livelihood led to a political stalemate and economic deterioration. Led by the Gulf Cooperation Council, an agreement was reached in late November 2011 for a conditional peaceful transfer of power from the Saleh Presidency to a power-sharing transitional government under interim President Hadi. The agreement, stipulated the launch of a UN-supervised and inclusive national dialogue. The National Dialogue Conference (NDC) was launched to address social, economic, and political grievances among all regions and groups, including movements such as Houthis in the north and Hiraak in the south, opening the door to this through a transitional government ratified by the election in February 2012. However, only few steps were taken to implement the NDC outcomes, missing important opportunities to overcome grievances and restore some public trust. Groups such as the Houthis and Hiraak saw this as marginalizing their demands for more autonomy and sharing of resources. As the NDC drew to its conclusion, the security situation deteriorated.

The Republic of Yemen descended into a full-fledged military conflict and peace mediation efforts are ongoing to date. In June 2014, armed conflict between the Government and militias started to spread across much of the country. Houthi militias, supported by Saleh forces, exploiting public discontent, drove their way into Sana'a in September 2014 and gradually took over government institutions during the first quarter of 2015. The interim President Hadi and his Government had to flee. A Saudi Arabian-led coalition of 10 Arab countries initiated a military campaign to restore President Hadi's Government to power. Prime Minister Ahmed Bin Daghr's cabinet only recently returned to Aden, and is, to date, still grappling with serious security issues, further complicated by the resurgence of the Al-Qaeda in the Arabian Peninsula (AQAP) and other radical Islamist groups, including Islamic State, particularly in the south and the east of the country. Several efforts to mediate peace have been led by the UN Special Envoy, including an ongoing round of peace talks hosted by Kuwait and supported by the international community with a ceasefire in effect since April 11, 2016. While the talks are slow and tedious, there is hope that some concrete progress can be made soon, but the ceasefire is reportedly violated regularly.

The conflict has resulted in a catastrophic humanitarian emergency. In May 2015, the UN placed the Republic of Yemen at Level 3 of humanitarian distress, the highest categorization of countries in conflict. According to UN agencies, between March 2015 and February 2016, the conflict left over 7,600 people dead including 3,000 civilians and another 6,000 injured. About half of Yemen's population of about 26.8 million live in areas directly affected by the conflict. Over 21.1 million Yemenis (80 percent of the population) are in need of humanitarian assistance and 2.8 million Yemenis have been forcibly internally displaced. IDPs suffer the greatest service

delivery deficits while enduring social dislocation, trauma, and isolation. The protection prospects for women-headed households, that represent 52 percent of the displaced community, are particularly challenging. Severe food insecurity affects 7.6 million people, and an estimated two million are malnourished, including 1.3 million children, of whom 320,000 are suffering from acute malnutrition. Basic services across the country are on the verge of collapse. Chronic drug shortages, and conflict-related destruction restrict around 14 million Yemenis, including 8.3 million children, from accessing health care services. Also, more than 1.8 million additional children have been out of school since the escalation of conflict, bringing the total number of children out of school to more than 3 million. Over 1,600 schools remain closed due to insecurity, physical damage, or their use as shelters for displaced people. Aid delivery has been affected by violence and security concerns.

Poverty, already high before the conflict, grew fast as well. Before 2014, Yemen was already profoundly challenged on several fronts — high population growth, severe urban-rural imbalances, food and water scarcity, female illiteracy, widespread poverty, and economic stagnation. The ongoing conflict is likely to have fundamentally altered the social and economic landscape of the country and further increased poverty levels. Initial simulations of the impact of the conflict shows that the poverty incidence may have almost doubled nationally (from 34.1 percent in 2014 to 62 percent in 2016). The total conflict-related losses and damages to agriculture, fisheries, and livestock are estimated to amount to about US\$3 billion, due to lack of power, pumped water, production inputs, and market access and breakdown of logistical chains. The conflict has caused destruction of physical infrastructure and severe impairment of civil and public services. The conflict and the associated deterioration in security conditions have deepened the economic crisis and caused further deterioration of living conditions in the country. In 2015, the economy contracted by about 28 percent. Inflation is on the rise and is estimated to have reached about 30 percent in 2015. The fiscal space shrank by about a third, reducing the state's share in the economy to below 20 percent, essentially financing only salaries for public employees and limiting resources for public services such as health and education or any policy conduct. Oil production and exports, the mainstay of the pre-conflict Yemeni economy, came to a halt.

Additionally, the ongoing war and other political violence are having significant negative impact on the social fabric and social cohesion of the Yemeni society. This is yet to be analyzed and understood further; however, a follower of Yemeni politics and social media can easily recognize the damage of the social fabric and polarization of society around conflict-born and fueled sectarian, political, and tribal alignments. The complexity of the conflict among warring factions and shifting alliances has exacerbated social tensions. The youth, who in 2011 aspired to a modern and inclusive Republic of Yemen, have been used to fuel the conflict or have been alienated. Furthermore, the remarkable resilience of the Yemeni population that endured decades of underdevelopment is now tested to its limits and will continue to deteriorate if left unaddressed. People, communities, public and private institutions need support to cope and build resilience towards peace and recovery. Restoring and strengthening resilience in families, communities, and institutions from the start is urgent and as essential as political dialogue and humanitarian relief.

Sectoral and institutional Context

Before the conflict, the Republic of Yemen instituted an array of social policies and programs that provide a diverse set of social protection benefits to the population. These include Community-Driven Development (CDD) programs, Small and Micro Enterprise Development (SMED)

implemented by the SFD; social safety net programs through a Labor Intensive Works Program (LIWP) under the SFD, a targeted cash transfer program under the Social Welfare Fund (SWF), and a labor intensive PWP. These national programs were established in the mid-1990s, and their capacity was developed through two decades with intensive investments from the donor community and the Government of Yemen (GoY). Contributing factors to the success of these programs include, but are not limited to: non-politicized appointments of their management and personnel, legally supported management autonomy (in the case of SFD which was established under Law # 10 of 1997), performance-based staff hiring procedures, clearly defined implementation procedures including funds distribution and targeting, the community-based and participatory approaches to project identification and implementation, and instituting strong monitoring and evaluation practices. Before the armed conflict in early 2015, the SFD was successfully implementing its Phase IV program with around US\$1.12 billion funding that was committed by over 14 donors including the Bank, with a planned 20 percent Government contribution. The PWP was implementing its Phase IV program with US\$283 million funds committed from five donors with 4 percent Government contribution. The SWF is a fully Government-funded program that has expanded its coverage over the years reaching current coverage of 1.5 million beneficiary households.

The Bank and other regional, bilateral, and international development agencies have funded and supported the SFD and PWP since their inception in 1996. To date, the SFD has disbursed close to US\$1.67 billion in subprojects in over 13,000 villages and 3,700 urban neighborhoods across the poorest districts of the Republic of Yemen across 22 governorates. Between 1996 and 2015, the PWP implemented 5,149 projects in about 11,200 villages and 1,300 urban neighborhoods, totaling an estimated US\$648 million. Both programs have played a significant role in improving access of poor communities to education, water, sanitation, roads, and irrigation, among other activities. Additionally, the SFD has been implementing cash-for-work, rain-fed agriculture, SMED activities through microfinance, small enterprise lending and technical assistance, and capacity building for local government and civil society organizations. Bank experience with SFD and PWP has shown both entities have good reputation for political neutrality, credibility and effective delivery of results.

These projects have over the years improved the quality of life for millions of Yemenis and created employment for many of the poorest. The country's experience in implementing interventions through the SFD and PWP has demonstrated significant outcomes in delivering short-term employment, improving access to services, and empowering communities and non-state actors. The latest impact evaluation of the SFD found that almost 70 percent of its funds benefit the poorest three income deciles, and an impact evaluation of the SFD LIWP found statistically significant program effects on food consumption, debt repayment and durable goods ownership, and that the LIWP program played a role in cushioning targeted communities from the economic shock of 2010-2011, averting possible longer term consequences related to selling off assets and increased debt, and positive impacts of the LIWP created infrastructure on water availability.

The conflict and the security situation in the country have negatively affected the funding and therefore scalability of these critical programs. This is at a time when their benefits and services are needed most, especially by the poor and vulnerable, to mitigate the negative impact of the conflict, the effects of which could be long-term. The deterioration of the political and security

situation in the country has caused a negative impact in all social safety net programs. Since the beginning of 2015, the Government has been unable to transfer cash assistance to 1.5 million households benefiting from the SWF. The SFD and PWP, who charge their operating costs to projects signed with donors, have also been affected by the conflict-induced decrease of donor financing. This has significantly depleted the funding available for their operating cost with a high risk of running out of operating funds in the near future (PWP by June 2016 and SFD by December 2016).

Despite the significant impact of security and funding challenges, the SFD and PWP continue to operate and adapt to the current environment. The SFD continues to receive funding despite the conflict, from the U.K. Department for International Development, the Government of the Netherlands, Kreditanstalt für Wiederaufbau (KfW, German Development Bank), the Islamic Development Bank (IsDB), and the UNDP, but at a funding rate that is less than 10 percent of the levels before the crisis. The PWP continues to receive funding from the IsDB, but also at a much lower rate than before the crisis (15 percent). Despite the ability of the SFD and PWP to maintain their core staffing over the past 12 months, with the sharp decline in their funds, both programs are at high risk of losing their staff and hence the capacity of the best service delivery instruments in the country. With such small funding envelopes, both SFD and PWP would not be able to sustain their current implementation capacity for much longer, unless they are engaged in larger operations.

Farmers, and medium, small and micro enterprises (MSMEs) have been significantly affected and are struggling to survive. MSMEs along with the agriculture sector are considered the most accessible sectors for the poor to generate income and improve their livelihoods. Both of these sectors generate over two thirds of employment opportunities nationwide. The current conflict has disrupted the country's existing business operations making entrepreneurs and firms either temporarily suspend operations, permanently close or, in the case of larger firms, relocate their operations overseas. Microfinance institutions (MFIs) sustained unprecedented negative impacts in 2015 as a result of the war, particularly those operating in the most affected areas such as Aden and Taiz governorates. The portfolio at risk age has unprecedentedly increased to 29 percent resulting in a drop in the number of financially sustainable MFIs, from five out of eleven in 2014 to one out of eleven in August 2015. The operational and financial performances of MFIs also have been greatly impacted. The inability of most MFIs to reach clients, provide financial services, and collect repayments, along with the closure and destruction of a number of branches, all have caused huge deficits on the MFI's operational self-sufficiency and put a number of those MFIs at risk of collapse.

The UNDP has worked in the Republic of Yemen since 1966. It currently employs 13 international and 95 national staff, who support activities in 15 governorates across the Republic of Yemen. Responding to the conflict, the UNDP developed the Yemen Resilience Program with the aim of building resilience from the bottom up, using local systems, capacities, and institutions to progressively strengthen service delivery and governance systems. By promoting a (building back better) approach and promoting change in the dynamics of conflict, power, and gender relations, the program lays the foundations for future recovery and state-building efforts. The program has three objectives: (a) livelihood restoration through short-term employment and MSME recovery; (b) service restoration; and (c) peace building.

In 2015, the UNDP supported different interventions resulting in improved employability and

entrepreneurial potential of 784,723 individuals and their family members (direct and indirect beneficiaries) across the governorates of Sada, Hajjah, Sana'a, Taiz, Aden, and Abyan with estimated benefits to 2,144,700 people (direct and indirect). To preserve core institutional capacity, build local capacity, and deliver services, the UNDP has partnered with the SFD in support of the Cash for Work Program (CFWP). The UNDP signed an agreement with the SFD in August and September 2015 for four rural districts of Taiz Governorate, reaching 738 households (including 50 percent of women). The program focused on asset rehabilitation at the community level, more specifically the rehabilitation of agricultural terraces and construction of water collection tanks and latrines. This represented a total of 68,081 work days. In April 2016, the UNDP and SFD signed a three-year extension of their partnership, including support of the SFD's delivery of social services to deprived communities through the CFWP. Since the start of the conflict, the UNDP has provided three grants to the SFD to support the resumption of social services (water, education, health) while providing employment and livelihoods opportunities that strengthen local economies, which in turn facilitate the return to relative normalcy as well as strengthening social cohesion.

C. Proposed Development Objective(s)

Development Objective(s)

The Project Development Objective is to provide short-term employment and access to selected basic services to the most vulnerable; and preserve existing implementation capacity of two service delivery programs.

Key Results

The following indicators will be used to measure achievement of the PDO:

- (a) The number of direct beneficiaries of wage employment (disaggregated by gender, youth, and IDPs) to measure coverage of income support
- (b) The number of people provided with access to key services (disaggregated by gender) to measure potential coverage of community and social services
- (c) The percentage of core staff positions of the SFD and PWP retained to measure preservation of the capacity of these critical national programs

D. Project Description

The project will implement small, fast-disbursing interventions that serve as a rapid response, providing households and communities affected by the conflict with income support (as wages) to purchase basic necessities. These short-term interventions will also deliver benefits to the wider community by creating community assets, small infrastructure, and improved access to basic service delivery, as well as restoring livelihoods (for example, the SMEs interventions). They will bring communities together around common humanitarian and development initiatives and hence promote social cohesion and the protection of human capital. The project will give special attention to youth and, as an important peace dividend, provide them with income and participation opportunities, and will include design features that ensures women's access to project opportunities. The project will also finance the operating cost of SFD and PWP to ensure continuation of their core staff and operational capacity. The project will be implemented through two components.

Component Name

Labor Intensive Works and Community Services

Comments (optional)

The overall objectives of the component are to (a) provide income support to targeted communities through temporary employment opportunities, (b) increase the productive assets and means of livelihood of beneficiary households and communities and improve access to community and social services, and (c) preserve the implementation capacity of the SFD and PWP, as key national service delivery programs. The component will be implemented through three subcomponents that engage the SFD in subcomponents 1.1 and 1.3, and PWP in subcomponent 1.2, which build on existing and well established programs implemented by these entities.

Component Name

Project Management and Monitoring

Comments (optional)

This component will support project management and monitoring and evaluation (M&E) to ensure that the project is successfully and efficiently implemented in conformity with the Project Appraisal Document and the Disbursement Agreement. The component will finance: (a) the UNDP's general management support (indirect) costs; (b) direct project management and supervision costs required to support implementation of the project; (c) hiring of a third-party monitoring (TPM) agency; and (d) project evaluation.

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

National

F. Environmental and Social Safeguards Specialists

Amer Abdulwahab Ali Al-Ghorbany (GEN05)

Ibrahim Ismail Mohammed Basalamah (GSU05)

II. Implementation

Institutional and Implementation Arrangements

The proposed project will be implemented by the UNDP under the Fiduciary Principles Accord (FPA). As a result, the UNDP will be fully responsible for implementation, and the procurement, financial management, safeguards, and disbursement procedures of the UNDP's implementing UN agency will apply. The UNDP representation in the Republic of Yemen will be responsible for implementation of the project. The project will be implemented partially through direct implementation and through subcontracts with implementation partners, in accordance with the project component descriptions (section IV A), using the UNDP standard Subproject Agreements.

To achieve the objective of preserving the implementation capacity of existing service delivery structures in the Republic of Yemen, the SFD and PWP have been selected at the country level as recipients of subcontracts from the UNDP for implementation support of Component 1. Accordingly, the UNDP will engage the SFD and PWP as its implementation partners, given their track record of effective implementation of similar interventions, their geographical outreach capacity, and the need

to serve the objective of preserving and restoring the capacity of these important national institutions from deteriorating further, also given the withdrawal and/or reduction of donor funding due to the conflict. The UNDP has undertaken a recent capacity and readiness assessment of implementation partners, the SFD and PWP, which confirmed their adequate implementation capacity and fiduciary arrangements. Accordingly, the UNDP decided on the appropriate contractual arrangement in accordance with their operational guidelines.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	This policy is not triggered.
Natural Habitats OP/BP 4.04	No	This policy is not triggered.
Forests OP/BP 4.36	No	This policy is not triggered.
Pest Management OP 4.09	No	This policy is not triggered.
Physical Cultural Resources OP/BP 4.11	No	This policy is not triggered.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered.
Involuntary Resettlement OP/BP 4.12	No	This policy is not triggered.
Safety of Dams OP/BP 4.37	No	This policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not triggered.

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Given the application of the Fiduciary Principles Accord (FPA) for this operation, Bank safeguard policies would not apply. Rather, the UNDP's 2014 SES would apply and would be adopted for this operation, according to standard UNDP project implementation mechanisms; and the Bank would solely rely on these policies, procedures, and practices to manage any environmental and social (E&S) impact of this project. The application of these guidelines, which are broadly consistent with those of the Bank, will help mitigate potentially high adverse environmental and social impacts stemming from the selection and implementation of subprojects.

Possible key risks and impacts include: The conflict context may produce social tensions during project implementation, concerning prioritization of subprojects, locations, and selection of participants. Additionally, the control of geographical areas of the country by different political/religious factions could lead to interference and inappropriate targeting and selection of subprojects and/or elite capture.

<p>Key mitigation measure include a Third Party Monitoring (TPM) agency to be hired, and the choice of SFD and PWP as UNDP's local implementing partners. Specifically, the TPM will monitor environmental and social safeguards and help ensure compliance through quarterly visits and reports, and final TPM reports will be shared with the Bank. Furthermore, SFD and PWP are recognized for their reputation for political neutrality and objectivity, objective and transparent fund allocation and targeting approach – all of which has been agreed and will be monitored for compliance. Other measures to be undertaken to address these risks will be reflected in the Operations Manual for the project. The measures will include:</p> <ul style="list-style-type: none"> (i) clear definition of targeting, as well as transparent and publicized selection criteria (geographical and beneficiary targeting were agreed based on publicly available data; eligibility, and selection criteria for the approval of community-driven subprojects were also agreed during preparation of the project and are clearly captured in the project appraisal document); (ii) participatory preparation and implementation of subprojects (citizens and communities will be engaged in subproject selection and beneficiary selection, preparation, monitoring, operation, and maintenance); (iii) frequent communication with communities and local stakeholders (UNDP will design and implement monitoring and communication activities within the communities); (iv) grievance redress/ stakeholder response mechanism procedures to ensure timely handling of grievance redress (UNDP will use the existing grievance redress mechanism - stakeholder response mechanism - that will address any potential deviation from the project roles; (v) public disclosure of the reasons for the rejection of subprojects, if any, to increase transparency; and so on. (vi) TPM agency will visit project sites and conduct frequent checks that would inform the need for action, if any.
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
N/A
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
N/A
<p>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</p>
N/A
<p>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</p>
N/A

B. Disclosure Requirements

<p>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.</p>
<p>If in-country disclosure of any of the above documents is not expected, please explain why:</p>
N/A

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes []	No []	NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes []	No []	NA [×]
All Safeguard Policies			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes []	No []	NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes []	No []	NA [×]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes []	No []	NA [×]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes []	No []	NA [×]

V. Contact point**World Bank**

Contact: Afrah Alawi Al-Ahmadi

Title: Sr Social Protection Specialis

Contact: Sabine W. Beddies

Title: Sr Urban Spec.

Borrower/Client/Recipient

Name: United Nations Development Program

Contact: Edward Christow

Title: Team Leader

Email: Edward Christow <edward.christow@undp.org>

Implementing Agencies

Name: United Nations Development Program

Contact: Mikiko Tanaka

Title: Country Director

Email: mikiko.tanaka@undp.org

VI. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>

VII. Approval

Task Team Leader(s):	Name: Afrah Alawi Al-Ahmadi, Sabine W. Beddies	
<i>Approved By</i>		
Safeguards Advisor:	Name: Brandon Enrique Carter (SA)	Date: 22-Aug-2016
Practice Manager/ Manager:	Name: Hana Brixi (PMGR)	Date: 22-Aug-2016
Country Director:	Name: Poonam Gupta (CD)	Date: 23-Aug-2016