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Report No: PAD5311

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 154.3 MILLION
(US\$207 MILLION EQUIVALENT)

TO THE

UNITED NATIONS CHILDREN'S FUND (UNICEF) AND UNITED NATIONS
DEVELOPMENT PROGRAMME (UNDP)
FOR THE BENEFIT OF THE REPUBLIC OF YEMEN

FOR A

SECOND ADDITIONAL FINANCING FOR THE EMERGENCY SOCIAL PROTECTION
ENHANCEMENT AND COVID-19 RESPONSE PROJECT

MARCH 13, 2023

Social Protection and Jobs Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2023)

Currency Unit =

YR 250.20 = US\$1

US\$1 = SDR 0.74

FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Country Director: Marina Wes

Regional Director: Nadir Mohammed

Practice Manager: Anush Bezhanyan

Task Team Leader(s): Andras Bodor

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
APA	Alternative Procurement Arrangements
BCC	Behavioral Change Communication
CBY	Central Bank of Yemen
CEN	Country Engagement Note
CERC	Contingency Emergency Response Component
CfN	Cash for Nutrition
CfW	Cash for Work
COVID-19	Coronavirus disease of 2019
CT	Cash Transfers
ESF	Environmental and Social Framework
ESCP	Environmental and Social Commitment Plan
ESMP	Environmental and Social Management Framework
ESPECRP	Emergency Social Protection Enhancement and COVID-19 Response Project
ECRP	Emergency Crisis Response Project
FAO	Food and Agriculture Organization
FCDO	Foreign, Commonwealth and Development Office
FCV	Fragility, Conflict and Violence
FM	Financial Management
FMFA	Financial Management Framework Agreement
FOREX	Foreign Exchange
GBV	Gender-Based Violence
GCRF	Global Crisis Response Framework
GDP	Gross Domestic Product
GM	Grievance Mechanism
HACT	Harmonized Approach to Cash Transfers Framework
IDA	International Development Association
IDP	Internally Displaced People
IFR	Interim Financial Report
ILO	International Labor Organization
IP	Implementing Partner
IPF	Investment Project Financing
IRG	Internationally Recognized Government
ISR	Implementation Status and Results Report
MCH&N	Maternal and Child Health and Nutrition
MENA	Middle East and North Africa
MFI	Microfinance Institution
MIS	Management Information System
MSME	Micro, Small and Medium Enterprises
OHS	Occupational Health and Safety
PBA	Performance-Based Allocation
PC	Payment Cycle
PDO	Project Development Objective

PMT	Proxy Means Testing
POM	Project Operations Manual
PWD	Persons with Disabilities
PWP	Public Works Project
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan
SFD	Social Fund for Development
SMED	Small and Micro Enterprises Development
SMEPS	Small and Micro Enterprise Promotion Services Agency
STC	Southern Transitional Council
SWF	Social Welfare Fund
TPM	Third-Party Monitoring
TPMA	Third-Party Monitoring Agent
UCT	Unconditional Cash Transfers
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WASH	Water, Sanitation and Hygiene
WB	World Bank
WBG	World Bank Group
WFP	World Food Programme
YLG	Yemen Loan Guarantee Program
YR	Yemeni Rial

Yemen, Republic of

Emergency Social Protection Enhancement and COVID-19 Response Project AF2

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BASIC INFORMATION – PARENT (Emergency Social Protection Enhancement and COVID-19 Response Project - P173582)

Country	Product Line	Team Leader(s)		
Yemen, Republic of	IBRD/IDA	Andras Bodor		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P173582	Investment Project Financing	HMNSP (9344)	MNC03 (1491)	Social Protection & Jobs

Implementing Agency: Social Fund for Development, Public Works Project

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
17-Dec-2020	31-Dec-2024		High

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input checked="" type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)



Development Objective(s)

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.

Ratings (from Parent ISR)

	Implementation			
	06-Apr-2021	16-Nov-2021	19-Jul-2022	14-Sep-2022
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S
Overall ESS Performance	MS	S	S	S
Overall Risk	H	H	H	H
Financial Management	S	MS	MS	MS
Project Management	S	S	S	S
Procurement	S	S	S	S
Monitoring and Evaluation	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Emergency Social Protection Enhancement and COVID-19 Response Project AF2 - P180358)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P180358	Emergency Social Protection Enhancement and COVID-19 Response Project AF2	Restructuring, Scale Up	Yes
Financing instrument	Product line	Approval Date	



Investment Project Financing	IBRD/IDA	24-Mar-2023	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
31-Dec-2026	No		
Is this a regionally tagged project?			
No			

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input checked="" type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD				<div style="width: 0%; height: 15px; background-color: #ccc;"></div>	%
IDA	503.90	408.98	74.93	<div style="width: 85%; height: 15px; background-color: #4CAF50;"></div>	85 %
Grants				<div style="width: 0%; height: 15px; background-color: #ccc;"></div>	%

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Emergency Social Protection Enhancement and COVID-19 Response Project AF2 - P180358)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)



	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	503.90	207.00	710.90
Total Financing	503.90	207.00	710.90
of which IBRD/IDA	503.90	207.00	710.90
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing

World Bank Group Financing

International Development Association (IDA)	207.00
IDA Grant	207.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Yemen, Republic of	0.00	207.00	0.00	0.00	207.00
National Performance-Based Allocations (PBA)	0.00	57.00	0.00	0.00	57.00
Crisis Response Window (CRW)	0.00	150.00	0.00	0.00	150.00
Total	0.00	207.00	0.00	0.00	207.00

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

Explanation

The following waiver is sought from the IDA Board of Executive Directors for the third-party implementation: a



waiver of the application of the Anti-Corruption Guidelines for the IDA grant – a waiver is sought of the Bank Directive for Investment Project Financing and Section 5.14 of the IDA General Conditions for Credits and Grants for Investment Project Financing, which would otherwise require application of the World Bank’s Anti-Corruption Guidelines, in favor of relying on the fraud and corruption procedures of UNICEF and UNDP.

Has the waiver(s) been endorsed or approved by Bank Management?

Approved by Management [] Endorsed by Management for Board Approval [] No []

Explanation

The waiver was endorsed by Management for Board approval on March 10, 2023.

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

**Contributing Practice Areas**

Finance, Competitiveness and Innovation
Social Sustainability and Inclusion

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

PROJECT TEAM**Bank Staff**

Name	Role	Specialization	Unit
Andras Bodor	Team Leader (ADM Responsible)		HMNSP
Ashraf Ahmed Hasan Al-Wazzan	Procurement Specialist (ADM Responsible)		EMNRU
Akram Abdelaziz Hussein	Financial Management Specialist (ADM Responsible)		EMNGU
Mohame ElShorbagy	Environmental Specialist (ADM Responsible)		SMNEN
Amer Abdulwahab Ali Al-Ghorbany	Social Specialist (ADM Responsible)		SMNSO
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Caroline Marie Cecile Cerruti Hailey	Team Member		SMNSO
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Marie Agnes Ndour Huchard	Team Member		HMNSP
Maya El-Azzazi	Team Member		LEGAM
Murat Cengizlier			



Randa G. El-Rashidi	Team Member		HSASP
Wael Ahmed Elshabrawy	Team Member		EMNGU
Extended Team			
Name	Title	Organization	Location



I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Original Project Objectives, Design, and Scope

- 1. The Emergency Social Protection Enhancement and COVID-19 Response Project (ESPECRP) (“ongoing project”) has been providing support to food-insecure households in Yemen since its approval in December 2020.** The project, a US\$503.9 million equivalent Grant out of Yemen’s IDA 19 Performance-Based Allocation (PBA), was approved on December 17, 2020, for the original grants, and March 30, 2022, for the first Additional Financing (AF), respectively, and builds on the design of the recently completed Emergency Crisis Response Project (ECRP). The original grants became effective on December 23 and 24, 2020, while the AF grants became effective on April 13 and 22, 2022. The project aims to provide immediate support to food insecure households through unconditional cash transfers (UCTs) while increasing resilience to food-insecurity in the future by building/rehabilitating relevant community assets (e.g., agricultural land, irrigation systems, rural roads, water, sanitation, and hygiene (WASH)) and supporting the local production and distribution of food.
- 2. The project development objective (PDO) 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.** The grant recipients and implementing entities of the project are the United Nations Children’s Fund (UNICEF), supported by the Social Fund for Development (SFD), and the United Nations Development Program (UNDP) supported by the SFD (and affiliated institutions) and the Public Works Project (PWP). The ongoing project was processed applying condensed procedures and the special consideration for Projects in Situations of Urgent Need of Assistance or Capacity Constraints (paragraph 12 of the Bank Policy for Investment Policy Financing (IPF)).
- 3. The project mainly targets food-insecure households and focuses on interventions that are most effective at addressing food insecurity.** The original project was conceived during the COVID-19 outbreak and, in addition to addressing the effects of the protracted conflict, sought to address the effects of the pandemic on poor and vulnerable households. The project also relies heavily on local institutions with a demonstrated delivery record, neutrality, operational ability, and mandate to work across the country, such as SFD and PWP. Given continued short-term food security needs, most of the project funds are being used to provide unconditional cash transfers (UCTs) to vulnerable households. This includes UCTs to Social Welfare Fund (SWF) beneficiaries that are most at risk of malnutrition. For vulnerable people that are able to work, the project continues to engage with communities to provide temporary employment opportunities to build valuable community assets, prioritizing projects that contribute to food security, climate resilience and anchoring gender sensitive interventions. In an effort to address food insecurity more sustainably, the project also provides economic opportunities to vulnerable populations through support to micro, small, and medium enterprises (MSMEs), with an emphasis on food market resilience and market-based mechanisms.

B. Project Performance

- 4. The ESPECRP continues to make strong progress against a highly volatile political and security backdrop.** The last implementation status and results report (ISR) (September 2022) rated Overall Implementation Progress, and Progress towards achievement of the PDO satisfactory. The project is in compliance with environmental and social aspects, with a satisfactory rating for environment and social, and a moderately satisfactory rating for



financial management. To date, overall disbursements under the project stand at US\$408.98 million out of the total Grant amount of US\$503.90 million (84.52 percent disbursement), with a 56 percent disbursement ratio.

5. **Fiduciary Compliance.** The last project ISR (September 2022) rated Financial Management performance as Moderately Satisfactory (owing to the fragile and high-risk of operating in a conflict affected country), while Procurement performance is rated Satisfactory. The project is in compliance with all fiduciary requirements under the Financial Management Framework Agreement (FMFA). Interim Financial Reports (IFRs) under the project are being received in a timely manner and found acceptable by the Bank. No procurement issues have been recorded under the project to date.

6. **Environmental and Social (E&S). Overall E&S performance under the project is deemed Satisfactory.** Under Component 1: UCT, UNICEF reported six incidents during Payment Cycle (PC) 11 and five incidents under PC12 due to security as well as road safety issues. In response, UNICEF has introduced several adequate measures to enhance security arrangements under the project. Under Component 2: Geo-focused support to reduce food insecurity and malnutrition, the project continues to apply Occupational Health and Safety (OHS) measures and no incidents have been reported thus far. In an effort to expedite the clearance process of subproject Environmental and Social Management Plans (ESMPs), the Bank has been working with UNDP and the implementing partners (IPs) to further streamline and improve the process. The Bank is also working to build on current experience to improve the quality of site-specific instruments. Regular E&S training and workshops are being delivered by the Bank targeting UN and its IP staff working on the Project to further build their capacity on the application of the World Bank Environmental and Social Framework (ESF).

7. In terms of progress towards achievement of key PDO results indicators, under Component 1 (*UCTs*), which is implemented by UNICEF, significant implementation progress has been made with the completion of four payment cycles to beneficiaries (PC1 through PC4). Some implementation functions have already been transitioned to SFD during the implementation of these cycles. These PCs have on average, reached 1.42 million poor and vulnerable SWF beneficiary households (comprising around 9.3 million individuals) against a target of 1.5 million households. Third-party monitoring (TPM) data collected for every PC has indicated on average, that 99.9 percent of surveyed beneficiaries reported receiving the correct benefit amount; 93 percent of grievances that were received were addressed within the required timeframe, and 97 percent of surveyed beneficiaries expressed satisfaction with the project. TPM findings also indicated that beneficiaries of the UCT spend benefits on average, on the following top three categories - food (82 percent); repaying debts related to food, healthcare, and utilities (65 percent); and healthcare (28 percent). Benefits were also used for other categories such as covering transportation costs, paying for utilities, and education fees.

8. The project is also making progress under Component 2 (*Geo-Focused support to reduce food insecurity and malnutrition*), which is implemented by UNDP, following the streamlining of ESF instrument preparation and clearance processes. In terms of key results under this component, 61,113 households against a target of 61,500 have received their cash assistance and have started benefiting from awareness sessions on nutrition. These households include 65,137 women, of whom 3,738 are from the SWF, and 96,878 children. The number of direct beneficiaries of wage employment has reached 43,434 out of a target of 121,853; the number of people with access to basic services is 459,294 against a target of 904,830; the number of micro, small, and medium enterprises supported by the project stands at 3,664 against a targeted 7,854; and the number of people provided with access to improved sanitation services to reduce water-borne diseases is 48,738 out of a target of 255,200. Under this component, and as envisaged in the design of the AF, the Bank and implementing entities



have agreed on a proposal to operationalize geo-focused bundles of interventions including the selection and allocation of funds across governorates, including at the district, sub-district, and village levels. The project is expected to reach between one and eight districts per governorate, covering around 65-80 districts.

C. Rationale for Additional Financing

9. **The conflict in Yemen, now in its ninth year, continues to make Yemen one of the poorest and most food-insecure countries in the world with extreme levels of multiple deprivations.** Widespread conflict, severe economic decline, food insecurity, and collapse of essential services continue to take a toll on the population, exacerbating an already vulnerable situation. With a collapsed economy and diverging currency, along with surging increases in prices, fewer people are able to meet their basic needs, and many are increasingly dependent on humanitarian assistance. Funding shortages from the donor community, particularly at the start of 2022 have impacted millions of people¹. The effects of Russia's invasion of Ukraine, which have exacerbated global food shortages, have impacted many households in Yemen as prices of food and fuel become unaffordable for vulnerable households. The conflict has also pushed basic services towards the brink of collapse, making it more difficult for people to access healthcare, education, clean water, sanitation, or social protection services. As a result, about 21.6 million people need some form of humanitarian assistance in 2023². A staggering 19 million people (out of the 31.8 million total population) are in crisis, emergency, or catastrophic level of food insecurity including 3.17 million children under the age of five, 2.28 million adolescent girls, and 1.52 million pregnant or lactating women.

10. Additionally, 2.42 million school-aged girls and boys are out of school³, more than half a million children suffer severe acute malnutrition⁴, and 1 in 2 have no access to safe drinking water. Furthermore, an estimated 4.5 million people are internally displaced with 378,000 newly displaced expected in 2023. Adding to chronic poverty and acute conflict conditions, natural disasters are testing the coping capacity of Yemen's vulnerable population. The torrential rains that hit Yemen during the July - September 2022 monsoon season, have caused severe flooding across 182 districts in 18 governorates and left over 17.4 million people in need of assistance. The damages reported from the floods have caused widespread disruption in livelihoods and warrant a strong social protection response, ultimately re-building resilience capabilities, including through consistent cash transfers during (and beyond) the recovery period. To respond and protect the poor and vulnerable households in districts affected by the floods⁵, a full coverage cash transfer response to all beneficiaries is needed. These deprivations are eroding Yemen's human capital: the future earning potential of children born today in Yemen will be 63 percent lower than what it could have been with complete education and adequate healthcare.

11. **The proposed second additional financing (AF2) is intended to sustain and scale up the impact of the ongoing project in response to the chronic food insecurity and malnutrition situation.** The proposed AF2 will be financed by a US\$207 million equivalent IDA grant from the national Performance-Based Allocation (PBA) (US\$57 million) and Crisis Response Window funds for Yemen (US\$150 million). AF2 will continue to provide

¹ Two-thirds of major UN aid programs have been reduced or closed. United Nations Office for the Coordination of Humanitarian Affairs, September 2022.

² Humanitarian Need Overview: Yemen, OCHA, December 2022.

³ United Nations Children's Fund, Education Disrupted: Impact of conflict on children's education in Yemen, UNICEF Yemen, 2021.

⁴ Integrated Food Security Phase Classification, Yemen: acute malnutrition situation January–May 2022 and Projection for June–December 2022, <<http://www.ipcinfo.org/ipc-countryanalysis/details-map/en/c/1155480/?iso3=YEM>>, accessed 6 June 2022.

⁵ Yemen: Situation Update Humanitarian Impact of Flooding | 25 August – 18 September 2022, OCHA.



immediate relief and increase resilience to food insecurity and malnutrition. To enhance the social protection adequacy of the cash transfer program, AF2 will support an adaptation such that the intended annual benefit amount will be delivered in three PCs per year as opposed to the prior quarterly arrangement; this will decrease the risk of inevitable operational delays reducing the effective annual benefit receipts. To increase impact, AF2 will continue to operationalize the bundling of geo-focused interventions and target those bundles to areas with high food insecurity, malnutrition, and potential for food production— in line with the Bank’s approach to reduce food insecurity and malnutrition. The AF2 will support the introduction of enhanced community mobilization at the location of the geo-bundles for improved sustainability of impact.

12. AF2 will also advance the strategy for transition towards digital payments in cash transfers, and more broadly supporting the emergence of a digital payment friendly local ecosystem, which also includes support towards the acquisition of national IDs and access to financial literacy interventions initially at on a pilot basis. AF2 will continue efforts to strengthen the capacity and role of national institutions to deliver support. Furthermore, the implementation of AF2 will support mainstreaming operational solutions emerging from the implementation of the ongoing project including, but not limited to, adjustments to alleviate the impact of reduced access of female beneficiaries and female project implementation personnel, enhancement of the call center capacity during peak demand periods of PCs, and moving toward joint supervision of the implementation of geo bundling interventions with other contributing development partners.

13. **The proposed AF2 would continue to be implemented by UNICEF and UNDP under the FMFA.** Similar to the ongoing project, UNICEF and UNDP will enter into a contractual agreement and grant provision with SFD, and SFD and PWP respectively, to support implementation of project activities under their respective components.

14. **The World Bank (IDA-funded) Emergency Cash Transfer program (ECT) under the Emergency Crisis Response Project (P159053), which closed in March 2022, along with the UCT program under the ongoing ESPECRP (P173582) has been providing support to nearly 1.43 million poor and vulnerable households.** Since 2017, the projects have delivered a total of 14⁶ PCs to beneficiaries, and by doing so, have helped prevent deeper food insecurity and human capital deterioration due to the conflict. The UCT program is a foundational support mechanism under the conditions of the current crisis when creating alternative income-generating opportunities is severely constrained. The proposed AF2 will extend the program’s support to poor and vulnerable households with much-needed cash benefits to help them cope with the effects of the overlapping crises namely: the conflict, food price inflation, climate-related emergencies, such as the floods of August-September 2022, and the aftermath of the COVID-19 pandemic. These benefits have proven critical to households to enable them to protect human development, smooth basic consumption, and meet expenditures for basic services.

15. **The project meets the criteria under which IDA can directly finance third parties within the IDA19 Remaining Engaged in Conflict (RECA) priorities⁷.** Specifically, on the criteria of *demonstrated value added by IDA*, the project builds on the ongoing IDA-financed ECRP to deliver support to vulnerable populations affected by food insecurity as a result of COVID-19, conflict, and climate-related shocks. The activities supported by the project will serve to maintain Yemen’s social protection system following the political fragmentation and suspension of government-funded programs. In this respect, the project’s unconditional cash transfer component will continue providing support to a targeted 1.5 million households in the beneficiary list of the SWF cash transfer program, which was halted in 2015. On the criteria pertaining to *strengthening local systems*, the

⁶ Ten PCs under the ECRP and four under the ESPECRP.

⁷ World Bank, IDA19 deputies report, Annex 3, paragraph 10, page 102.



project seeks to significantly strengthen the capacity and role of national institutions, notably SFD and PWP. Finally, on the criteria focusing on *attention to sustainability*, the project will support the World Bank’s strategy to gradually increase reliance on national institutions to deliver IDA support to Yemen, with the ultimate goal of working directly with credible institutions, such as SFD, as IDA recipients and preserving their programs and systems that are critical for supporting current needs and post-conflict recovery. In addition to engagement of SFD and PWP, through the project, the Bank also convenes and advocates with other donors of these critical institutions to crowd-in additional support beyond IDA, supporting their longer-term engagement as national development institutions and enhancing sustainability. The Bank is also supporting the development of the SFD’s Third Crisis Response Plan to position SFD’s strategic role for supporting longer-term recovery in Yemen, including through partnerships with a range of development partners.

16. **The proposed AF2 is aligned with the World Bank Group’s (WBG) global, regional, and country strategic objectives.** The project is aligned with the WBG twin goals of eliminating extreme poverty by 2030 and boosting shared prosperity, measured as the income of the bottom 40 percent in any given country, in a sustainable manner. The project also contributes to the WBG’s Middle East and North Africa (MENA) Strategy Regional Update (“Looking Forward”), including Pillar 2 - Protecting the poor and vulnerable; Pillar 3 – Sustainable business and job creation; and Pillar 4 – Strengthening institutions, building better. It also contributes to the FY22-23 WBG Country Engagement Note (CEN) for Yemen, discussed by the Board of Executive Directors on April 14, 2022, including: (i) support for basic service delivery and human capital preservation; and (ii) promoting food security, resilience, and livelihood opportunities through a “continuum of support”. Furthermore, the project is aligned with the WBG Gender Strategy (FY16-23) and contributes to three of its four pillars: (i) focusing on addressing malnutrition among vulnerable women (pregnant women and mothers of children under five) which contributes to the first pillar of improving human development outcomes; (ii) increasing income-generating opportunities for women through the cash-for-work and cash-for-nutrition programs which contribute to the second pillar of creating more and better jobs⁸; and (iii) increasing opportunities for women businesses to access financial services which contributes to the third pillar of removing barriers to women’s ownership and control of assets. AF2 is also aligned with the World Bank’s Global Crisis Response Framework (GCRF), discussed by the Executive Directors on July 12, 2022, specifically pillars 1, 3, and 4 – responding to food insecurity; strengthening resilience; and strengthening policies, institutions, and investments for rebuilding better; respectively. The project is also consistent with the World Bank’s Social Protection and Jobs Compass: Charting a Course Towards Universal Social Protection, in particular: (i) it seeks to contribute to a “country-specific trajectory” towards Universal Social Protection, (ii) it advances the strategy through “progressive realization”, (iii) it considers the “diverse needs” in the country environment; and (iv) it supports “tailored instruments” for progress.

II. DESCRIPTION OF ADDITIONAL FINANCING

17. **As with the original financing and the AF, paragraph 12 of Section III of the IPF Policy (*Projects in Situations of Urgent Need of Assistance or Capacity Constraints*) is being applied to the preparation of the proposed AF2.** The operation also follows Condensed Procedures provided for in paragraph 56 of Section III of

⁸ A UNDP assessment indicates that the impact of the Emergency Crisis Response Project (ECRP) – which the proposed project builds on, has had significant positive effects on women beyond project completion. For example, almost all SMEPs women (99.5 percent) supported by the project have continued with their livestock breeding activity which has resulted in a significant increase in livestock (128 percent) in one year, ultimately helping them to improve their livelihood and obtain new assets. Additionally, UNDP is conducting an assessment on the impact of the Cash for Work activities to provide insights on the impact of women’s long-term employability under the program. Results are forthcoming.



the IPF Directive (*Exceptional Arrangements in Situations of Urgent Need of Assistance or Capacity Constraints*). The application of paragraph 12 is in line with the relevant policy and its criteria whereby the borrower (the Republic of Yemen) is deemed by the Bank to be in urgent need of assistance because of conflict; and experience capacity constraints because of fragility or specific vulnerabilities. The special consideration of paragraph 12 of Section III of the said Policy is thus triggered based on the urgent need of assistance caused by the ongoing conflict coupled with insecurity exacerbated by the recent dissolution of truce, political instability, need for support to recover from the August – September 2022 floods, high food price inflation, along with the effects of Russia’s invasion of Ukraine, which have all led to a situation of severe economic distress.

18. **Proposed changes under AF2.** The following revisions will be introduced under the proposed AF2 and restructuring: **(i)** Component 1 (UCTs) will introduce a new subcomponent – ‘Digital Payment Pilot and Financial Literacy’, specifically supporting a shift to receive digital payments for beneficiaries who wish to shift, in six pilot districts, including incentives and facilitating acquisition of IDs augmented by access to financial literacy interventions; **(ii)** under Component 2 (Geo-focused support to reduce food insecurity and malnutrition), a new activity which will be implemented across all project sub-components will be included to further operationalize Enhanced Community Mobilization for Geobundling; **(iii)** PDO and intermediate level indicators will be revised to increase associated targets and extend the end target dates in line with the extended implementation period, as well as the addition of a new intermediate sub-indicator to monitor progress of the newly added sub-component under Component 1; **(iv)** the project’s closing date will be extended by an additional two years, from December 31, 2024, to December 31, 2026, to reflect the extended implementation period and operationalization of the geo-bundling approach under Component 2, and to align it with the closing date of AF2.

A. Project Development Objective (PDO)

19. The development objective of the project 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”. No changes to the PDO are envisioned under the proposed AF2.

B. PDO Level Indicators

20. The PDO will be monitored through the same PDO level outcome indicators as in the ongoing project, while indicator targets will be increased to reflect the increase in allocated amounts across project components (see Results Framework for details). No new PDO level indicators will be added. One new intermediate indicator - will be added to monitor progress of the newly added sub-component under Component 1. (see Table 1 below for details).

Table 1: Revised Indicators

PDO Indicator	Target (Dec 2024)	Revised Target (Dec 2026)	Comments
Provision of Cash Transfers			
Beneficiaries of social safety net programs (CRI, Number)	1,500,000	1,500,000	No change
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)	1,500,000	1,500,000	No change



Number of districts where beneficiaries can receive unconditional cash transfers digitally (Number) (<i>Intermediate level indicator</i>)	N/A	6	Newly added intermediate level indicator to capture payment digitization
Beneficiaries of social safety net programs - Female (CRI, Number)	720,000	720,000	No change
Household members (Number)	9,350,000	9,350,000	No change
Number of beneficiary households benefitting from the cash for nutrition program (Number)	61,500	106,500	An additional 45,000 HHs added
Number of beneficiary households (Social Welfare Number)	6,150	9,300	An additional 3,150 SWF HHs added
Number of beneficiaries (female) (Number)	63,600	111,600	An additional 48,000 female beneficiaries added
Number of beneficiaries (children) (Number)	90,000	153,000	An additional 63,000 children added
Provision of temporary employment			
Number of direct beneficiaries of wage employment (Number)	121,853	155,208	An additional 33,355 people added
Number of beneficiaries (female) (Number)	25,515	33,710	An additional 8,195 female beneficiaries added
Number of beneficiaries (IDPs) (Number)	18,278	22,281	An additional 4,003 IDPs added
Increased access to basic services and economic opportunities to vulnerable populations			
Number of people with increased access to basic services (Number)	904,830	1,122,880	An additional 218,050 people will be provided with access
Of which, female (Number)	419,372	528,397	An additional 109,025 females will be supported
Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project (Number)	7,854	10,009	An additional 2,155 MSMEs will be supported
Number of female led SMEs supported by the project (Number)	2,131	2,778	An additional 647 female led SMEs will be supported
People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change (Number)	255,200	272,845	An additional 17,645 people will be provided with improved access

C. Project Components and Costs

21. No substantial changes will be introduced to project components which will largely follow those of the ongoing project. Component costs will be increased to include the proposed US\$207 million AF2 grant allocation as reflected in Table 2 below.

Table 2: Revised Project Components

Components	Original Grant	AF Grant	AF2 Grant	Total Revised Allocation
	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)
Component 1: Unconditional Cash Transfers	152.00	182.00	134.50	468.50
Subcomponent 1.1: Unconditional Cash Transfers	135.00	182.00	131.50	448.50



Subcomponent 1.2: Cash for Nutrition (<i>only under original grant</i>)	17.00	Moved to Component 2	Moved to Component 2	17.00
Subcomponent 1.2: Digital payment pilot and financial literacy (<i>new</i>)	NA	NA	3.00	3.00
Component 2: Geo-focused support to reduce food insecurity and malnutrition	38.40	99.20	55.90	193.50
Subcomponent 2.1: Cash for Nutrition	NA	32.00	19.00	51.00
Subcomponent 2.2: Cash for Work	15.70	27.60	15.90	59.20
Subcomponent 2.3: Community Assets	15.70	27.60	15.00	58.30
Subcomponent 2.4: Economic Opportunities and food market resilience	7.00	12.00	6.00	25.00
Component 3: Project Support, Management, Evaluation and Administration	13.50	18.80	16.60	48.90
Subcomponent 3.1: UNICEF	7.50	10.00	9.00	26.50
Subcomponent 3.2: UNDP	6.00	8.80	7.60	22.40
Component 4: Contingent Emergency Response	0.00	0.00	0.00	0.00
Total Project Allocation	203.90	300.00	207.00	710.90

22. **The proposed AF2 builds on the original financing and its AF under the ongoing project to provide enhanced support to vulnerable Yemenis affected by food insecurity and malnutrition.** The project will continue to provide CTs to households affected by food insecurity and malnutrition, and other deprivations, through UCTs to SWF beneficiaries across all districts in Yemen (Component 1), as well as Cash for Nutrition (CfN) to households with mothers and/or children at risk of malnutrition in selected communities (Subcomponent 2.1)—the cash support under the CfN subcomponent is complemented by health and nutrition education and referral of malnutrition cases to health facilities. AF2 will continue to engage with selected communities to provide temporary employment opportunities to build valuable community assets to reduce food insecurity and malnutrition (subcomponents 2.2 and 2.3). The AF will also continue to support selected SMEs involved in the production, storage, and distribution of food in selected geographical areas (subcomponents 2.4). A detailed description of project components is presented below.

Component 1: Unconditional Cash Transfers (implemented by UNICEF, with SFD as IP) (AF2 allocation US\$134.50 million)

23. **The UCT program has disbursed almost the entire allocation under the parent project (US\$142.25 million out of US\$142.50 million); and around US\$181.42 million out of US\$192 million under the AF grant – leaving a balance of approximately US\$0.01 million equivalent.** PC4 was launched on November 28, 2022, and concluded on December 27, 2022, with preliminary figures showing that 1.41 million households were reached with cash benefits, while PC5 will be launched in March 2023. PC5 would be the last PC under the ongoing project as funds will have been completely utilized. The proposed AF2 would thus allow the continuation of benefits through calendar year 2023.



24. **The proposed extension of funding towards the UCT program will help prevent the likely catastrophic consequences of its elimination and will support parallel efforts to navigate the program towards a more sustainable and affordable path.** Admittedly, the UCT program's benefit adequacy has deteriorated from some 18-20 percent of the basic food basket cost in 2017 to 10-11 percent in 2022. However, it is still a cornerstone of supporting the most elementary forms of need - food security, among vulnerable households under the persisting conflict. In an environment of diminishing international aid to Yemen, consolidation, and prioritization of the international community's resources towards the most essential programs in the country appears inevitable. A dialogue on anchoring the UCT program to some measure of food security, impact adequacy, and helping it transition to a more affordable and sustainable path, possibly with the support of a broader coalition of development partners, will be intensified. Prolonged IDA financing to support the UCT program's continuity is a precondition for the efforts in improving the sustainability and benefit adequacy of the program to bear fruit. Any future trajectory for the UCT program will be a function of the evolution of the development-humanitarian-peace nexus. The distinction between development and humanitarian programs in Yemen to support food security in Yemen is perhaps more artificial than elsewhere. The transition to the IP (SFD) based delivery of the UCT program may attract a larger share of resources from donor partners that prioritize institutional sustainability behind their investments.

25. **Under the proposed AF2, implementation arrangements of the UCT component will follow those under the ongoing project.** UNICEF will enter into a new subsidiary agreement (agreed to by the World Bank) with SFD for the implementation of various program functions. As the IDA Grant recipient on behalf of the Republic of Yemen, UNICEF will be responsible for carrying out the following functions and activities: (i) management of the TPM, project management information system (MIS), and beneficiary list; (ii) capacity building functions; (iii) quality implementation support services; (iv) reporting and external communication; (v) management and procurement of financial service provider(s) to implement the cash transfers; and (vi) carrying out all ex-post and reconciliation functions under the project. SFD will be provided access to the MIS modules needed to perform its functions based on data management protocols developed by UNICEF to protect beneficiary data. SFD, in line with the World Bank's strategy to invest in the capacity of local institutions for better sustainability of development programs, will support UNICEF on the other activity functions under the responsibility/supervision of UNICEF and will continue to do so under AF2. These functions include, but are not limited to field facilitation activities, primary activity monitoring, procurement of technical and consulting services, grievance redressal, and management of the Call Center.

26. **Under the proposed AF2, Component 1 will aim to finance two PCs in 2023 to households on the SWF beneficiary list.** It will be implemented by UNICEF, with implementation support from SFD and with the engagement of the SWF. Beneficiaries in the SWF list pre-conflict (1.5 million households, representing around 9.35 million individuals) were identified based on a combination of poverty-targeting – using Proxy Means Test (PMT) – as well as categorical targeting – elderly, female-headed households, orphans and disabled. The list covers households across Yemen's 333 districts, and beneficiaries were verified by UNICEF upon assuming the cash transfer program in 2017, under the IDA-funded Emergency Crisis Response Project (ECRP). Unverified beneficiary households are also verified with each PC. The project will continue aiming to provide benefits to all households in the SWF list. To date, the project has typically been reaching a maximum of around 1.43 million households under each PC – given that some beneficiaries from the pre-conflict list are recorded as deceased, while others have never come forward to claim their benefits. Similar to the ongoing project, Component 1 will finance the costs associated with the delivery of UCTs as well as costs associated with the digital payment pilot, other than UNICEF's costs, TPM fees, and quality implementation support services which are included under



Component 3. These include payment agency(ies) fees and operating costs of SFD, including for (i) field facilitation and outreach activities; (ii) grievance collection and redressal; and (iii) management of financial service providers.

Sub-component 1.1: Unconditional Cash Transfers (AF2 allocation US\$131.50 million).

27. **This subcomponent finances the continued delivery of targeted UCT benefits to SWF beneficiary households throughout 2023.** Prolonged IDA financing towards poverty targeted national coverage UCT program benefiting some 29 percent of the population is arguably a development imperative while intensified efforts improve the sustainability and benefit adequacy of the program based on broader collaboration between development partners.

28. **Despite various improvements in the program design, the UCT program's social protection adequacy has deteriorated.** Various factors have been affecting the UCT program's benefit adequacy. Over time, the most essential downward influences have been the depreciation of the local currency and the increase in global food prices initially fueled by COVID-19 pandemic-related supply chain disruption, followed by Russia's invasion of Ukraine. The project's new foreign exchange (FOREX) strategy (introduced during PC11) fixed the benefit value in US\$ terms and protects against the continuous devaluation of Yemeni Rial (YR). It also addressed the de facto dual currency status of the country in the north and the south but did not protect against the portion of global food price inflation that also manifested in US\$ terms. The temporary top-up to alleviate the impacts of the COVID-19 shock proved effective but was phased out due to limited funding - PC4 in November 2022 was delivered without a top-up amount. Administrative improvements, such as decreased costs from increased competition between payment service providers⁹ and a change in the source of covering the liquidity costs of payment service provider banks also increased the benefit value marginally. The net result of these influences is that the UCT program's benefit value decreased from 18-20 percent of the cost of the basic food package in 2017 to 10-11 percent in 2022. For this reason, benefit adequacy and sustainability are similarly highly weighed issues when planning to navigate the future trajectory of the program.

29. **From PC5, rather than aim for four payment cycles, the delivery modality of the UCT program will shift to three annual payments.** The density of operational steps under the quarterly PC modality has typically led to inevitable delays due to the country's challenging implementation environment. The associated longer period between PCs has thus not allowed the delivery of four PCs per calendar year; in effect, beneficiaries have received a lower annual benefit value than what was intended by the program. Under the new modality, the same annual benefit value, US\$120 equivalent, will be delivered in three payments rather than four. In other words, the CT amount per PC will be increased by a third to keep the annual benefit amount constant. This change is expected to increase the value of benefit receipts from US\$30 per household to US\$40 per household per PC and alleviate various operational challenges. The significantly higher likelihood of delivering the full intended annual benefit amount to beneficiaries, in effect, increases the immediate benefit adequacy of the UCT program compared to the status quo. The new modality decreases operational costs, and better allows timing PCs to match the annual cyclicity of need among beneficiaries.

30. **The AF2 will support continued UCT program adjustments based on the implementation experience of the ongoing project.** This will include efforts to enhance access for female beneficiaries, improve call center capacity at critical times, and improve awareness of Grievance Mechanism (GM) channels. As was the case in the

⁹ A third financial service provider (Yemen Kuwait Bank – YKB) was contracted to deliver benefits under PC4.



last PCs, the TPM report found that the project continues to be successfully delivered, ensuring critical support to the Yemeni population. The reports highlighted some key findings, including almost all (98 percent) of surveyed beneficiaries were either highly satisfied or satisfied with the project. However, 55 percent of female beneficiaries noted there were no female cashiers available to serve them. In addition, only 47 percent of respondents were aware of how to file a grievance, while 21 percent were aware about home outreach service and only 29 percent of beneficiaries were aware about calculation of the benefit amount under the FOREX strategy. TPM findings also indicated high levels of satisfaction amongst beneficiaries who used the GM: 98 percent of beneficiaries were highly satisfied or satisfied with the GM services. In an effort to further improve awareness and functioning of the GM, SFD has expanded the size of the case management team and has increased efforts to boost awareness on GM channels available to beneficiaries.

31. Any potential plans to modify the UCT program are associated with updating the current beneficiary list. The current list which is dated prior to the conflict may no longer reflect the emerging patterns of needs as new vulnerable households are now excluded from the program. The related process would involve a wide range of stakeholders and would aim to identify a conflict-sensitive approach to revise the beneficiary list that is also consistent with best practices of targeting in social safety net programs. Any future decisions to revise the program's beneficiary list will not affect the PCs under AF2.

Sub-component 1.2: Digital Payment Pilot and Financial Literacy (new) (AF2 allocation US\$3 million).

32. **This new subcomponent will finance the costs of advancing the transition toward digital payments of UCT benefits combined with access to digital and financial literacy interventions for project beneficiaries.** The activities financed through this subcomponent will initially support digital payment and national ID acquisition pilots with embedded access to low-cost scalable digital and financial literacy interventions. The targeted number of beneficiaries supported by this activity will be demand-driven, but interventions will be limited to six districts. The activity will support at least 1,400 beneficiaries (five percent in each of the six districts) with an upper bound of 22,180 beneficiaries (80 percent in each of the six districts or 1.5 percent of total UCT beneficiaries). In facilitating beneficiary selection to switch to digital payments, and to continue using it, a monetary incentive will be offered to the base benefit.

33. **Digital payment of Social Safety Net benefits is a key step towards financial inclusion for many vulnerable households and also contributes to reduced program implementation costs and enhanced fiduciary controls.** Digital delivery of UCT payments can reduce payment errors, instill regularity in administration, further boost service quality, while also opening up potential to receive multiple payments into one channel. In a broader sense, widespread dispersion of digital payments in an economy, particularly among lower-income groups, could potentially pave the path towards a myriad of economic development opportunities through network effects. The large coverage of the UCT program in Yemen holds the promise of facilitating a transition to indirect development effects such as the ones experienced in multiple African economies (e.g. Kenya¹⁰).

34. **While demand for digital payments has grown, there remain significant challenges to comprehensive digital transformation.** Early results from PC4's TPM, where new questions on digital payments were posed to respondents, found that among the two percent of respondents who were aware of digital payments, about 62 percent of them were interested in switching to digital payment modalities. Demand for digital payments is

¹⁰ Only 71 percent of businesses in Kenya use cash as a means of payment while 56 percent have a strong preference for digital wallets as a means of payment by their customers. (VISA, 2022)



however, limited by supply side constraints such as low network coverage, unstable/lack of internet connectivity and low prevalence of digitally equipped retailers. About half of beneficiaries have a national ID, and half have a mobile phone and it is likely a significant subset does not possess feature phones, a condition to use many digital financial services¹¹– both are important considerations to make digital payment options possible for those who wish to switch.

35. **A broader supply side issue is that of the regulatory environment of the financial sector in Yemen. While fragmented, it allows for wide provision of electronic payments.** Prior to 2014, the sector was highly regulated with only banks being allowed to provide such services. A 2020 directive from the Central Bank of Yemen (in Sana’a) expanded the type of financial service providers that could offer digital financial services, beyond the existing system led by banks, leading to the creation of 10 new modalities of e-wallets. The central bank in Aden developed its own system in early 2020 “the Payment Systems Department” that continues to allow for bank-led e-payments. ¹²While demand for digital payments remains low, it is growing, and the existing regulatory framework supports the transformation; there have already been successful cases of digital payments in the development sector, as seen by a Foreign, Commonwealth, and Development Office (FCDO) financed pilot of digital payments under the Cash for Nutrition program implemented by SFD.

36. **As digital transformation relies on adequate digital financial literacy, beneficiaries wishing to shift to digital payments can be supported by behavioral change communication interventions (BCC) by SFD’s growing facilitation network of consultants.** Through its online training academy, SFD has qualified 5,000 consultants to strengthen support services to beneficiary households. These consultants can support beneficiaries in setting up digital payment accounts, ID acquisition, and can also be trained to deliver BCC on topics related to digital financial literacy¹³. With the introduction of digital payments, BCC modules may be used to raise financial literacy, foster a sustained switch to digital payments, and leverage broader benefits of financial inclusion amongst poor cash transfer beneficiaries.

37. **These and a host of additional supply and demand side issues are being assessed further by the World Bank and UNICEF.** An assessment of digital payments in Yemen is being developed by the Social Protection and Finance Competitiveness and Innovation teams through an Advisory Services and Analytics activity (P177631). UNICEF will develop detailed procedures, including eligibility and selection criteria for the selected pilot locations to satisfy a disbursement condition required for the launch of the pilot.

Component 2: Geo-Focused support to reduce food insecurity and malnutrition (implemented by UNDP, with SFD and PWP as IPs) (AF2 allocation US\$55.90 million).

38. **Component 2 will continue to finance geo-focused bundles of interventions that combine immediate and long-term relief to food insecurity and malnutrition by building relevant community assets as well as supporting local food production and distribution.** The component will be implemented by UNDP in partnership with SFD and its affiliated institution: the Small and Micro Enterprise Promotion Services Agency (SMEPS); the

¹¹ 2G capable phones can also be used for digital payments, this modality however is nascent and only offered via Sabafon – a major telecom company in Yemen that has been introducing digital banking services.

¹² For more details see Sana’a Center Economic Unit (2022) Challenges and prospects for electronic money and payment systems in Yemen.

¹³ The intervention could also potentially be scaled up further to cover topics on health, nutrition, education, and child protection, as much as the consultant network allows.



Yemen Loan Guarantee Program (YLG), as well as PWP. The geo-focused bundles will be augmented with interventions from other relevant Bank-financed operations as described below. UNDP will thus enter into new contractual subsidiary agreements with each of SFD, PWP, and SMEPs for the implementation of activities under AF2.

39. **The implementation of geo-focused bundles is based on a harmonized targeting approach.** The geo-focused interventions in the ongoing project, as well as other related projects that address food security and malnutrition, had been using a multiplicity of geo-targeting approaches. Going forward, these interventions are being bundled and targeted geographically using a common approach. The districts for geo-bundles are those that are the most food-insecure and have the highest incidences of malnutrition, selected via composite quantitative index of food insecurity (from the Integrated Food Security Phase Classification) and malnutrition subject to confirmation of agricultural potential (to ensure that all components of the interventions bundles are feasible). Productive investments (e.g., Subcomponent 2.4) are also incorporated in the geo-bundles based on an assessment of the productive potential within the target district or group of target districts (depending on the nature of investments). The implementation of bundles will also require some interoperability of the MIS across projects.

40. **In November 2022, UNDP introduced an administered program-level governance structure.** The governance structure which was established separates responsibilities for program-level decisions (e.g., selection of geo-bundle locations and the associated quantitative and qualitative criteria), monitoring and evaluation for creating an evidence base for the arguably enhanced impacts under the approach, and for local-level coordination including the optimization of community mobilization. A total of 31 districts have been prioritized to receive the bundling in the first phase, and an additional 30 have been identified for the following phase in 2024.

41. **A unified community mobilization approach, and the related investment in community structures, is at the core of enhancing the sustainability of the impact of the geo-bundles.** The multiple agencies responsible for the interventions included under the geo-bundling operate through potentially different /conflicting or duplicative community mobilization approaches. Under AF2, the project will aim to support a unified community mobilization approach, as agreed in the appropriate governance body of geo-bundling at the program level, to be deployed by the various collaborating agencies at geo-bundle locations. The preparation for implementation cemented the recognition that investment in lasting community structures, in line with what is customary in Yemen, will enhance the sustainability of impacts from geo-bundled interventions. This approach will build upon the “Tamkeen” community modality previously established by SFD.¹⁴ The Tamkeen community structures in many targeted subdistricts are able to be reactivated for the purpose of the coordinated community mobilization effort. In a lesser share of sub-districts, Tamkeen structures are not yet present and SFD will work to establish them as a basis for the unified geo-bundling community mobilization effort. Finally, where the nature of the geo-bundle offered does not warrant full community engagement approach, an abbreviated tailored participatory assessment approach will be deployed.

¹⁴Tamkeen is also known as the Empowerment for Local Development program and was established in 2009 by SFD in collaboration with the Ministry of Local Administration to set up and strengthen formal structures that facilitate participatory development planning and implementation at the community level. Tamkeen offers an opportunity for effective participatory planning processes at the community level and creates a platform to bridge the gap between communities and their local authorities.



42. The recent establishment of a geo-bundling governance structure has seen an appropriate deliberation, planning, coordination, and oversight platform created. Thus, funds will be made available through existing subcomponents to ensure the success of this new, cross-cutting activity – enhanced community mobilization for geo-bundling – IPs shall budget appropriately for it within their respective subcomponent allocations to ensure sufficient resources are available.

43. **The concept of ‘Continuum of Support – Geo-bundling’ is gaining traction with development partners and is giving rise to joint supervision at the program level.** Due to the associated coordination complexity the geo-bundles were initially defined over a set of World Bank financed projects with activities addressing food and nutrition security. However, the ambition has always been to attract other development partners to link their investments under this integrated approach for enhanced impacts. FCDO and the German Development Bank (KfW) have already committed to financing programs through SFD that will add to geo-bundles. However, for optimum results, the program-level interoperability across projects implementation entities will need to be enhanced. Key aspects of the evolving related efforts are the development of a program-level MIS linked to IP systems, joint supervision by World Bank projects (initially across ESPECRP and the Yemen Food Security Response and Resilience Project), and further extending the joint supervision to development partners (initially to FCDO, KfW, and the European Commission).

Sub-component 2.1: Cash for Nutrition (AF2 allocation US\$19 million)

44. **This sub-component will finance cash support and complementary services for households with mothers and children at risk of malnutrition in selected communities.** This sub-component will be implemented by UNDP with the support of SFD. The CfN program continues to play a critical role in saving lives, promoting healthy nutrition and hygiene practices, and increasing demand at treatment centers. The CfN will target pregnant/lactating women and or children under five and mothers with children with disabilities up to the age of 17 years in governorates to be identified through the geo-bundling targeting process. It will also support other (non-SWF) households in the selected communities where pregnant/lactating women or their children under five are malnourished.

45. This sub-component will finance CTs to beneficiary households (mothers are the recipients) for six months for all women who meet the criteria, and 12 months for mothers with children suffering from malnutrition¹⁵. It is expected to support about 45,000 additional families for up to 12 months.¹⁶ The sub-component will benefit an additional 48,000 females/mothers and around 63,000 children with cash for nutrition benefits. Sessions and home visits will continue to be delivered by trained women from the communities or community educators who will be paid by the project, generating temporary employment and building relevant skills for about 1,600 women. This subcomponent will be complemented by the maternal and child health and nutrition (MCH&N) services provided under the Bank-financed Yemen Emergency Human Capital Project (P176570), support to CfN beneficiaries to grow and prepare nutritious foods provided under the Yemen Food Security Response and Resilience Project, and parallel support to the CfN (women headed households and People with Disabilities

¹⁵ The nutrition and health education sessions will be accessible to all mothers with children, not only beneficiaries of CTs, and will include discussions on reproductive health, breastfeeding, personal hygiene, malnutrition, major epidemics including cholera, the establishment of literacy classes, as well as improving access to water.

¹⁶ Within each community, however, the program will operate for 18 months to support any new qualifying households that are identified as malnourished in periodic nutrition surveys which will be contingent on availability of resources.



(PWDs)) provided by FCDO. The sub-component will finance CTs, cash for nutrition services, trainings, consulting services, bank fees, and SFD operating costs.

Sub-component 2.2: Cash for Work (AF2 allocation US\$15.90 million)

46. **This sub-component will finance labor-intensive community subprojects.** It will continue to finance the cash for work (CfW) program implemented by UNDP with support from SFD under the project using a geo-focused bundle of interventions to increase impact. This sub-component will provide temporary employment opportunities to vulnerable populations from the selected communities to build valuable community assets, focusing on subprojects that contribute directly or indirectly to reducing food insecurity and malnutrition for the: (i) restoration and irrigation of agricultural land; (ii) access to water and sanitation;¹⁷ and (iii) and access to markets (e.g. road rehabilitation). Under geo-bundling, this will adopt on Tamkeen participatory community structures where available and involve coordination with other IPs to ensure a unified and streamlined community mobilization effort. Activities must be labor-intensive (i.e., with wage intensity of at least 50 percent of the total cost) and subprojects are identified and implemented by the selected communities in a participatory and demand-driven manner with a gender-sensitive focus.¹⁸ Community workers will be selected based on self-targeting and will be paid slightly below the prevailing market wage (to ensure that the neediest workers apply) in line with the best practices of ‘cash for work’ and public works programs. This will allocate the benefits to those most in need and will also control oversubscription. This sub-component is expected to provide wage employment to an additional 18,200 direct beneficiaries (vulnerable people) (including 5,460 females); and provide increased access to basic services to an additional 94,250 people. The intervention will be carried out in poor communities from districts with the highest levels of the distress index (a combination of the level and intensity of food insecurity, displacement, and need for assistance) and will benefit around 78,000 additional indirect beneficiaries with wage employment.

47. Geo-spatial mapping will be used to strengthen the transparency of monitoring and evaluation (M&E), environment and social monitoring, and beneficiary engagement. Payments to beneficiaries will be delivered through contracted banks for a fee. This subcomponent will finance the provision of labor and non-labor costs (e.g., construction materials) of sub-projects, financial intermediary fees, and SFD’s operating costs.

48. Guidance to community decisions on the subprojects will include forward-looking considerations for climate resilience. For example, road rehabilitation subprojects may be selected given the increased impact of climate change on roads through increased frequency and severity of weather conditions such as floods, storms, and heatwaves.

49. This sub-component will be tailored to ensure female participation of at least 30 percent and participation of disadvantaged and marginalized groups in the identification of community needs and will include the design of a gender-sensitive GM platform. Both subcomponents (2.1 and 2.2) will continue to require GM signboards, including information on the hotline and WhatsApp number, at subproject sites. They will also support additional tools (including technological solutions) and raise awareness for communities to take a more active role in the monitoring of subprojects, including compliance with the World Bank ESF.

¹⁷Women are the primary beneficiaries of the water harvesting schemes as these reduce time and effort in fetching water, a responsibility that normally falls on women and girls.

¹⁸ Over sixty percent of women contribute to agricultural labor although they face many constraints, including limited access to land, finance, markets, livelihood activities, and information about economic opportunities (FAO, 2018).



Sub-component 2.3: Community Assets (AF2 allocation US\$15 million)

50. **This sub-component will continue to finance community assets.** It will continue to be implemented by UNDP through PWP. It will finance community-identified subprojects to build community assets that contribute directly or indirectly to reducing food insecurity and malnutrition. These subprojects are implemented by private contractors as they are considered more complex. Due to their higher complexity, PWP subprojects are also less labor-intensive (35 percent) and can employ workers from outside the community (up to 50 percent). Under this subcomponent, AF2 is expected to provide approximately 9,880 direct beneficiaries with wage employment (including around 400 females), and 123,800 people with access to key services, and indirectly benefitting an additional 59,280 people. It will finance the costs of small-scale infrastructure through private contractors and community groups, as well as PWP's operating costs. Bank support to labor-intensive works implemented through PWP has been crucial for providing communities' access to basic infrastructure while preserving the capacity of key national institutions throughout the conflict, and together with SFD's CfW program, has been able to benefit 320 districts (out of 333) in the country.

51. **PWP will continue to expand its community contracting modality, which shall prevail as the predominant approach to building community assets within the context of Geo-Bundled interventions.**¹⁹ However, some interventions, such as the construction of new water harvesting reservoirs, concrete water irrigation channels, weirs, and small dams – which require a higher level of expertise, are more mechanized, involve skilled labor, and/or cannot be split into smaller packages – would be more suitable for local contractors, who shall be engaged based on the National Competitive Bidding method. Additionally, PWP will continue to expand upon the positive experience of the recently piloted female-only contractor community assets subprojects, as and where possible. This responds directly to community demand. Within the context of Geo-Bundling, PWP's community mobilization will complement SFD's efforts to strengthen and establish Tamkeen community structures to ensure a highly community-centered approach where possible.

52. **Similar to the ongoing project, PWP's approach continues to expand the focus on enabling communities to identify needs and gaps in local assets and to include vulnerable groups in all activities.** PWP will continue to employ local consultants, including women, to support participatory assessments of community assets. Consultants facilitate the setting up of community committees to identify needs and select priorities to be funded under the component. Information Technology tools (open street map) are used to map basic infrastructure and services available to communities. To support the capacity of local officials and communities, PWP local staff will facilitate the collaboration among these actors in the identification and planning of community needs. The tools will support subcomponents 2.1 and 2.2 as well as other projects and will be integrated within a coordinated approach to community mobilization as agreed within the recently established Geo-Bundling governance structure.

53. Guidance to community decisions on subprojects will include forward-looking consideration of climate resilience. For example, investment in water management solutions should utilize water-saving technologies, more efficient irrigation techniques and prioritize sustainable water sources.

¹⁹ PWP is currently revising its Community Contracting Manual under activities financed by International Labor Organization (ILO) outside the scope of this project. This includes specific approaches and procedures to enhance the participation for female contractors in local communities. Under ILO support, PWP will also deliver trainings on starting businesses, such a contracting firm, to women and provide financial support to women to initiate a "My First Business" start-up.



54. **Data collected through key community mobilization processes, such as participatory assessments, will be open-source and serve as a baseline for reconstruction and investments by other partners**, allowing the tracking of services and assets available to communities throughout Yemen, as well as the assessment of gaps and disparities across districts. In addition to gender targeting during the identification of community priorities, the community engagement approach will also seek to identify (through mapping of community groups) and include vulnerable groups in the identification process and the labor force recruited during the execution of subprojects. Quarterly TPM community surveys will monitor the level of beneficiary satisfaction with the identification and selection process as well as investment's benefits to local populations.

Sub-component 2.4: Economic opportunities and food market resilience (AF2 allocation US\$6 million).

55. **This subcomponent will bolster the role of Small and Micro Enterprises (SMEs) in contributing to food security and reducing malnutrition among the most vulnerable groups.** AF2 will scale up support for (a) creating more small and micro enterprises (SMEs) and enhancing the productivity and competitiveness of existing SMEs, supply-chain enablers, cooperatives, and associations engaged in the production, storage, and distribution of food and nutrition- and health-related services; (b) increasing support for the YLG partial guarantee program to help micro-finance institutions (MFIs) access funding for on-lending activities and improve access to finance for more SMEs operating in the nutrition and food sectors; (c) furthering financial inclusion through the creation of more Village Savings and Loan Associations (VSLAs) in rural areas outside the reach of MFIs. SFD/SMED and its subsidiaries (YLG and SMEPS) will support the implementation of the activities of this subcomponent, which will continue to finance grants, technical assistance, consulting services, and operating costs of YLG, SFD/SMED, and SMEPS. The subcomponent adopts a market systems development approach, prioritizing effectiveness, impact, and sustainability of impact for the poor and disadvantaged while reinforcing market-based mechanisms. Guidance to SMEs will emphasize climate resilience practices such as the use of drought-resistant plants or planning supply chains with the increasing likelihood of severe weather conditions temporarily affecting supply chains or in a lasting manner. Additional support under the subcomponent will include:

a) *Fostering new SMEs and providing support to existing SMEs, cooperatives, and associations involved in the production, storage, and distribution of food and nutrition- and health-related services (US\$3.5 million, implemented through SMEPS).* The additional activities under AF2 include (i) entrepreneurship training and support schemes to create 270 new revenue-generating activities in target sectors²⁰ among the most vulnerable populations (US\$2 million); (ii) providing technical assistance and grants to 600 conflict-affected SMEs and small-scale producers in target sectors and selected geographical areas (US\$1.5 million). At least 30 percent of SMEs will be owned or run by women.

b) *Indirect support to enhance SMEs' access to finance by increasing the ability of MFIs to lend (US\$1 million, implemented by YLG).* AF2 will increase the capitalized amount by US\$940,000, bringing the total to US\$4.84 million. The allocation will enable a further 730 SMEs to gain access to finance by facilitating access of selected MFIs to the YLG guarantee fund. The eligible SMEs would be those engaged in food production, processing, distribution, or related supply-chain support activities and the treatment and

²⁰Target sectors include the production and processing of food (including in horticulture, livestock, poultry, and fisheries subsectors), the facilitation of food distribution (e.g., transport and logistics service providers and other value-addition activities), and the treatment and prevention of malnutrition (nutrition and health-related services).



prevention of malnutrition (nutrition and health-related services). One additional MFI would be selected in AF2 to access the YLG guarantee fund, bringing the total number of MFIs to access the YLG portfolio guarantee scheme to six. An enhanced eligibility and selection criteria will be outlined in the Project Operations Manual (POM) based on the 'continuum of support' approach and geo-focused bundles of interventions and MFIs' ability to reach and service SMEs in the targeted sectors and communities.

c) *Furthering financial inclusion in the most vulnerable rural communities (US\$1.5 million, implemented through SFD/SMED).* AF2 will help establish an additional 185 self-managed and self-capitalized VSLAs. The allocation includes providing all necessary training and technical assistance as outlined in the POMs, complemented by financial literacy and education. This activity will facilitate the creation of 555 new SMEs and bring the total number of VSLAs created through the project to 715 serving 17,875 members. Moreover, the activity will help unlock financial resources for entrepreneurs and facilitate access to credit in underserved and out-of-reach rural communities where MFIs are not operating.

Component 3: Project Support, Management, Evaluation, and Administration (AF2 allocation US\$16.60 million).

56. Component 3 will finance the costs of project management, monitoring, evaluation, and capacity building of national institutions. It will include two sub-components: Sub-component 3.1 for Component 1, administered by UNICEF (US\$9 million); and Sub-component 3.2 for Component 2, administered by UNDP (US\$7.60 million). This component will finance the following activities and associated costs: direct and indirect costs of recipient agencies (UNICEF and UNDP); Third Party Monitoring under each Component; capacity building for SFD, PWP, and SWF; project evaluations as well as costs of implementing ESF requirements under the project.

Component 4: Contingent Emergency Response (CERC) (AF2 allocation US\$0 million).

57. In the event of an eligible crisis or emergency³⁴, the project will contribute to providing immediate and effective response to said crisis or emergency. This component would draw from uncommitted funds under the project from other components to cover the emergency response. To facilitate a rapid response, in case the CERC is activated, the restructuring of the project is deferred to within three months after the CERC is activated.

58. **Project Beneficiaries.** Similar to the ongoing project, AF2 will be implemented on a country-wide level and will cover all 333 districts in Yemen. The UCT program will aim to provide cash support for two payment cycles to a targeted 1.5 million households (about 9.35 million people) from the SWF beneficiary list, who were identified prior to the conflict based on a combination of poverty-targeting (using a PMT) and categorical targeting (elderly, female-headed households, orphans, and people with disabilities). Component 2 is expected to benefit an additional 33,355 people with wage employment opportunities, 218,050 people with access to basic services, support 2,155 MSMEs, and provide 17,645 people with access to improved sanitation services to reduce water-borne diseases.

D. Institutional and Implementation Arrangements

59. **The project continues to be implemented consistently with the World Bank's strategic priority to invest in the capacity of local institutions of Yemen.** Due to the prolonged conflict, the implementation agency roles are assumed by UN agencies - UNICEF and UNDP, while activities are carried out by local IPs – SFD, PWP, and SMEPS based on contractual arrangements with UN agencies. The institutional and implementation



arrangements in place under the ongoing project will remain unchanged and will be replicated under the proposed AF2. The UCT program (Component 1) will continue to be implemented by UNICEF with support from SFD in the implementation of various activities and functions. Under Component 1 (UCT), UNICEF will prepare/update the POM prior to the launch of each PC. The POM will be agreed to by the World Bank. Similarly, under Component 2, UNDP will update the existing POM under the ongoing project to incorporate revisions under the AF2. The POM will be agreed to by the World Bank and will be due for submission within two months of the effective date as reflected in the Financing Agreement with UNDP.

60. **Component 2, geo-focused bundles of interventions, is implemented by UNDP with SFD and PWP supporting the implementation of various activities.** As the geo-focused bundles are not defined over the ESPECRP activities only, but over a broader set of IDA financed projects, these entities participate in a broader governance structure tasked to progress geo-bundling at the program level. UNDP serves as the secretariat of the governance structure, and it involves distinct bodies for program level technical cooperation, M&E, and local bodies harmonizing community mobilization and overall local implementation of the bundles across the participating entities.

61. **Third-Party Monitoring (TPM) services, procured by UNICEF and UNDP respectively, play a leading role in verifying project implementation results.** With limited access inside the conflict affected country and without the World Bank's presence on the ground, the role of TPM is critical in verifying project results, assessing implementation quality, and collecting beneficiary feedback. The TPM services under the ongoing project have to date, been providing robust support towards the quality of project implementation and supervision. However, there are associated risks and there is room for further enhancing the role and governance of the TPM function. The World Bank is thus taking a number of steps to further improve and enhance the use of TPM in Yemen, in consultation with UN partners. As a part of such efforts, the World Bank may hire its own Monitoring Agent to monitor project activities implemented by UNICEF and UNDP implementing partners and/or vendors to complement the monitoring activities of UNICEF and UNDP respectively. The ToRs of the Bank's Monitoring Agent will be determined in consultation with UNICEF and UNDP respectively to maximize monitoring results from overall scarce monitoring resources. Also, UNICEF and the World Bank will expand data-sharing arrangements grounded in strong data privacy and data protection arrangements. Enhanced data sharing will give rise to enhanced monitoring and analytical work supporting innovations in the program design.

62. **The AF2 will also enhance the engagement with, and capacity of SWF to support the implementation of UCT.** SWF was established in 1996 and implemented the UCT program from 2008 until it was discontinued in 2015 due to the conflict and lack of funding. UNICEF took over the program from SWF in 2017—as the World Bank is operating in Yemen under paragraph 3(b) of the Fragile, Conflict and Violence Policy—and preserved its main features, including the beneficiary list. As noted earlier, the partnership with SFD does not preclude the intent to ultimately hand over the UCT program back (as well as support the transition) to SWF, when conditions permit. UNICEF and SFD will work closely with and support SWF including on planning and preparedness activities to support each PC, as well as relevant meetings with UNICEF, SFD, and the World Bank. The project is expected to continue to contract SWF staff as short-term consultants to support field operations. The AF2 will enhance the engagement with, and capacity of the SWF to support the implementation of UCTs, particularly in the areas of field facilitation and collection of grievances. UNICEF has completed a capacity assessment of SWF and has developed a capacity-building plan jointly with SFD, which will be implemented under the AF2.²¹



63. **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 and UNDP will be responsible for implementing the project for the benefit of the Republic of Yemen. The project will apply Alternative Procurement Arrangements (APA) utilizing the procurement regulations, rules, policies and procedures of UNICEF and UNDP.

64. **Communication and outreach.** The AF2 will continue to undertake intense communication and outreach efforts to: (i) inform existing and potential beneficiaries (and the public at large) about the support programs, including any changes to benefits and benefit receipt locations; and (ii) encourage accountability and ensure beneficiaries understand how to access the available grievance mechanisms. Effective communication will improve access to information and encourage an open dialogue to ensure the active participation of various segments of the population. It also decreases the risk of social tensions and strengthens the acceptance and ownership of the project by all involved stakeholders, and therefore its sustainability. The World Bank will continue to work closely with UNDP and UNICEF, through close coordination of the IPs, to develop well-designed communications and outreach strategies that cover all project aspects, and include the identification of target groups, messaging, and communication channels.

65. **The AF2 will continue to strengthen the monitoring and evaluation (M&E) of project interventions.** UNICEF and UNDP will be responsible for M&E activities, working in close coordination with SFD and PWP for their respective components. The MIS for Component 1 will build on the existing MIS and data protection system developed by UNICEF, which collects real-time information on payments and grievances. Rich post-PC TPM data collected from a representative sample of beneficiaries will continue to inform the implementation and future design of the UCT program. UNICEF and the World Bank will also conduct a joint analysis of the socio-economic situation of SWF beneficiaries. Using resources from the Multi-Donor Trust Fund for Yemen, the Bank will conduct a process and impact evaluation of the geo-focused bundles to inform the design and implementation of future phases of the bundles. The objective of the impact evaluation is to measure the short and medium-term impacts of geo-focused bundles on food insecurity and malnutrition, both overall, as well as relative to the impacts of individual interventions supported under the parent project.²²

66. Relevant data will be collected at baseline (before interventions begin), one year after, and two years after. Monitoring of Component 2 will be facilitated by UNDP's new MIS, which is inter-operable with the MIS of the IPs. The MIS collects real-time monitoring data on beneficiaries and payments, allows for the geo-mapping of bundles, and includes a dynamic dashboard to help track and manage project activities. The MIS will also include data collected through the quarterly TPM field surveys and the continuous Remote Verification and Monitoring system, which will collect beneficiary feedback through phone calls and SMSs. Findings of the beneficiary feedback will be analyzed to identify challenges in addressing beneficiary satisfaction and implementing results-oriented and timebound action plans to address these findings.

²² To measure the overall impact of the bundles, food insecurity and malnutrition in communities supported by these bundles will be compared to those in communities in the same target district that were randomly selected out of support because of insufficient funding for all communities in the target districts. To measure the relative impact of the bundles, the relative comparison group will be communities receiving the standard support under the parent project.



E. Corporate Commitments

Climate Co-Benefits

67. **Yemen is highly exposed to climate change impacts, which exacerbate the country's macroeconomic, disaster, and food security vulnerabilities.** Due to the ongoing multiple crises, Yemen has very limited capacity to deal with the impacts of climate change. The level of economic vulnerability to climate change is extremely high. In addition, the mean annual temperature in Yemen is expected to increase by 1.2^o C to 3.3^o C on average by 2060, increasing risk for urban heat island and drought. Desertification, drought, and water stress are expected to increase annually by three to five percent and affect agricultural and food production and the overall availability of arable land, making it more difficult for vulnerable households to access adequate nutrition. As rainfall has decreased in frequency in recent years, harvests have become shorter, yielding less food, and compromising the ability of the rural population to farm and pastor. Regular flash floods and heavy rainfall have also compounded hardships in urban and rural areas. Rainfall intensity and associated flooding are projected to increase due to climate change, especially in coastal cities, due to exposure to storm surges, flash floods, and epidemiological hazards.

68. **Climate change has triggered the strongest alterations in water temperature in the Indian Ocean in 60 years.** Yemen is one of the key desert locust breeding grounds. Warmer seas create more extreme rainfall as well as stronger and more frequent cyclones, providing ideal conditions for locusts to hatch, breed, and disperse widely. Locust swarms had a devastating impact on agricultural production and incomes in the south of the country in 2020. Also, torrential rains lashed parts of Yemen in July 2022, triggering massive flooding, damaging infrastructure and dwellings, crops, and causing deaths. Water shortages, combined with unpredictable heavy rainfall have damaged the already deficient critical infrastructure contributing to increased vulnerabilities for the rural population. Climate change has also increased the risk of displacement and migration in Yemen, which can further strain social protection systems.

69. **While Yemen's pressing needs require short-term immediate interventions, these needs also reflect longer-term developmental issues which must be immediately addressed to strengthen resilience and break the cycle of heightened vulnerabilities.** It is thus essential to build medium- to long-term resilience, as reflected in the World Bank's GCRF. Maintaining a focus on longer-term priorities is critical to avoid setbacks on development objectives and to achieve the World Bank's Twin Goals of eliminating extreme poverty and promoting shared prosperity in Yemen.

70. **The proposed AF2 will continue to incorporate climate adaptation and mitigation strategies across the various components. Component 1-UCTs to a targeted 1.5 million of Yemen's poorest households, will help these households cope with adverse climate impacts, both in the short and longer terms.** Most households benefitting from cash support under the project already bear the brunt of adverse climate impacts, many of which are climate-vulnerable groups (especially those residing in the Socotra Islands). This is also particularly true for rural households affected by land degradation, water supply stress, reduced incomes and livelihood opportunities, and increased prices of food and water. CTs provide short-term relief to households affected by such climate stresses and help build their long-term resilience against similar environmental shocks, be it in the form of outbreaks or climate hazards. Among the short-term resilience benefits of these CTs that will increase long-term resilience, particularly for children and women in beneficiary households, are access to health services



and adequate nutrition. Cash transfers also enable households to access a wider variety of food in case their subsistence crop or normal staple is affected by climate shocks.

71. **CTs also provide resources for beneficiaries to access health services that might otherwise fall short, for instance, for chronic conditions, allowing beneficiaries to improve their foundational health, treat, contain and cure their ailments, thus increasing their resilience to future shocks.** They would also unlock health savings in the future, as ailments are cured or see their severity decreased, and unlock future financial resources that would otherwise have been committed to maintaining health, boosting resilience further. These CTs, combined with health and nutrition services, will make children more resilient, as they ensure adequate nutrition and medical services to forestall malnutrition, which is known to cause irreparable damage to health, cognitive abilities, and economic prospects in the long run. Activities under this component also have the potential to reduce the pressure to engage in negative coping mechanisms that weaken long-term adaptive capacity to climate change, and other risks, such as food and water insecurity. The project will also enhance national systems to strengthen shock responsiveness, including climate-related shocks in the long term.

72. **Through the interventions under Component 2 (cash for work, and community assets subcomponents), labor-intensive works will help build resilience to, and reduce the impact of climate-related shocks.** Cash-for-work programs can contribute to improved natural resource management, including climate change adaptation outcomes, by generating employment in resilience-building public works including road rehabilitation, water conservation, watershed management, improvement of rural irrigation infrastructure, and community disaster preparedness. Yemen is one of the most water-scarce countries in the world and is increasingly affected by the risks associated with climate change. Communities, particularly the poorest ones, in rural areas, are at risk of recurrent floods, droughts, and deterioration of their natural resources. Climate change can have a significant impact on roads, including damaging roads and connectivity due to extreme weather conditions, such as floods and heat waves. Cash-for-work activities will thus focus on activities that increase the productive capacity of communities and households in an inclusive manner that builds resilience and reduces the impact of climate-related shocks. AF2 will leverage the experience of the ongoing project and the ECRP and will seek to expand community activities to build community resilience to shocks by eliciting existing knowledge in communities on how to mitigate these risks through construction techniques and resource management to support the mechanisms adopted by communities to cope with recurring disasters – floods, droughts, and climate-induced locust infestation. This sub-component will also scale up the use of solar power using a demand-driven approach to maximize and more systematically support livelihood activities with targeted trainings on both sustainable agricultural practices and installing solar powered water pumps to support food security and support street lighting for roads.

73. **Similarly, under subcomponent 2.4 (economic opportunities and food market resilience), SMEs supported by the project will derive climate co-benefits from the activities.** SMEs accessing finance through MFIs (through the portfolio guarantees) will invest a share of loans into the provision of solar energy²³, as electricity is one of the major constraints faced by Yemeni firms to carry out their productive activities, and the targeted MFI will be provided with IT equipment to reduce their operating expenses given the absence of public electricity and the high cost of private suppliers. Targeted SMEs involved in food production are likely to reduce

²³ Solar energy is largely used among farmers for solar pumps due to high costs and shortage of fuel.



their water consumption by 42 percent²⁴, and their fuel consumption by 70 percent as a result of the technical assistance and new production inputs supported by the project. This subcomponent will thus help mitigate the environmental footprint of targeted SMEs.

74. **Approximately 80 percent of consumed food in Yemen is imported, while local agricultural production** accounts for only 20 percent of overall food availability. This low productivity has a high climate interdependence given that Yemen is one of the most water-scarce countries in the world. Climate change is already significantly impacting ecosystems, agriculture, and economic activities in Yemen. It is also causing increased periods of drought, unpredictable rainfall, and floods while limiting the growth of sustainable, diversified, and resilient rural livelihoods in Yemen. Food-related SMEs receiving support to increase their productivity will therefore result in increased food security and higher resilience towards climate risks, while efficiency gains are expected to reduce these firms' climate impact. Therefore, any productivity gains will translate into better use of a scarce resource, as well as in stronger mitigation and adaptation strategies. The direct (small input grants and capacity building to increase productivity) and indirect (enabling access to finance) support to food-related SMEs thus translate into a positive climate impact. Further, support to SMEs will result in the ability to access alternative and renewable energy (solar, wind, small grid provision, importation, manufacturing, financing, installation, repair, pay-as-you-go technology, etc.).

Gender

75. **While the conflict has exacerbated exclusion and inequality for vulnerable groups in general, women and girls are deeply disadvantaged in all dimensions of life.** In the 2021 Global Gender Gap Report, Yemen ranked 155 out of 156 countries in terms of performance in women's economic participation and opportunity, educational attainment, health and survival, and political empowerment. Alongside receding opportunities for women to participate in the economy, education attainment is remarkably low. Less than half of girls are enrolled in secondary school, while female illiteracy rates are high. Less than half of births are attended by a skilled health worker, and maternal mortality rates remain the second highest in the region. Gender-based violence (GBV) is both commonplace in domestic and public and has increased amidst the backdrop of fragility and conflict, as have child marriages. While men face a higher direct burden of war through fighting and battle deaths, women are disproportionately affected by the indirect and often lasting effects of conflict.²⁵ Further, amongst an estimated four and a half million persons with disabilities in Yemen, women and girls with disabilities face compounded challenges in accessing care, limited social interaction, poor/limited mobility, and high GBV risk.

76. **Similar to the ongoing project, the proposed AF2 will continue to ensure that gender sensitive interventions are mainstreamed across the project components.** Specifically, under Component 1 (UCT), the project will continue to strengthen direct communication with female beneficiaries by establishing female led networks to facilitate the dissemination of information about the project. The project also ensures that female beneficiaries are able to collect cash benefits by including female cashiers, female screening officers and organizing male/female segregated queues during PCs. The project also utilizes a functional Grievance Mechanism which acts as a channel for reporting issues such as gender and sexual exploitation and abuse/sexual harassment (SEA/SH) related issues. The UCT targets 1.5 million beneficiary households, of which 720,000 are

²⁴ By supporting SMEs in the agriculture sector with solar pumps, fuel consumption is reduced while drip irrigation reduces water consumption. In addition to solar energy supported by the YLG interventions, the program will also contribute to decreased water consumption by adopting technologies such as hydroponic farming and irrigation networks.

²⁵ 2011 World Development Report (World Bank 2010), Buvinic et al. (2012), Justino 2018.



female-headed households. Similarly, under Component 2's -cash for nutrition subcomponent, households with mothers and children at risk of malnutrition in selected communities are targeted with cash support for a duration of six-12 months. Under the cash-for-work subcomponent (subcomponent 2.2), subprojects which are identified and implemented by the selected communities have a gender-sensitive focus²⁶. Participation of disadvantaged and marginalized groups in the identification of community needs includes the design of a gender-sensitive GM platform. Female-headed households and women, in general, will be encouraged to work on subprojects (under sub-components 2.1 and 2.2) and those selected will be accommodated to the extent possible.²⁷ Similarly, under the community assets sub-component, gender targeting will take place during the identification of community priorities.

77. Under the economic opportunities and food market resilience subcomponent, the results of gender commitments achieved to date, have been promising. An average of 18 percent of the supported SMEs are female-led enterprises. However, results varied, with SMEPS and its implemented activities achieving the highest rate. The YLG activities achieved a lower rate of seven percent of the 1,483 SMEs it supported until October 2022. Further, while 48 percent of the SMED VSLA program beneficiaries were females, the agency was still preparing to train VSLA members on income generation and enterprising activities. Hence, the number of SMEs to be established through the VSLA activities is expected to improve the gender-related targets under the project. Additionally, to address the issue, YLG, SMED, and SMEPS will coordinate effectively and use the complementarities and synergies to improve the targeting of female-led SMEs.

78. Drawing on the lessons learned, SME support in the AF2 design has been refined to accommodate a higher level of support for productive economic inclusion for women. The proposed AF2 will support 1,000 conflict-affected small-scale livestock producers and farmers, prioritizing female-headed households. Women predominantly run these types of income-generation activities in Yemen's rural communities. In addition to enhancing food production at the household level, the project will support beneficiaries to increase productivity, product diversification, access to markets, and incomes. Additionally, the AF2 design addresses specific market failures, including the lack of access to finance in rural communities and market coordination and linkages through a more holistic approach by supporting activities and value chain participants from conception or production to delivery to final consumers in markets. These interventions, in turn, will enhance the effectiveness of gender commitments by facilitating rural commercial activities and strengthening the sustainability and resilience of the broader rural communities where women are more involved in production. Finally, while the other activities of this subcomponent will continue to increase gender-related targets, bringing them to the anticipated levels, this activity will contribute to boosting the figures and bridging any gaps.

Citizen Engagement

79. The project's delivery systems across its various components integrate systems, processes, and procedures to engage with project beneficiaries. These features are critical to ensure greater transparency, program effectiveness and efficiency, and accountability. Similar to the ongoing project, the AF2 will support (i) robust communication and outreach efforts to the targeted populations and beneficiaries in line with the

²⁶ Over sixty percent of women contribute to agricultural labor although they face many constraints, including limited access to land, finance, markets, livelihood activities, and information about economic opportunities (FAO, 2018).

²⁷ For example, by allowing flexible hours of on-site work, providing on-site childcare (this will also hire a caregiver from the community), having the subproject at the community level and at a location close to the villagers, and by consulting women on the types of subprojects they can participate in.



Stakeholder Engagement Plan (SEP) with an emphasis on vulnerable groups, (ii) continued strengthening of the projects GM systems, to ensure timely resolution and response rates, including a survivor centered accountability and response protocol to addresses SEA/SH issues; and (iii) embedded monitoring of beneficiary satisfaction levels through TPM services. Each PC under the UCT component is followed by a post-benefit distribution survey on a stratified representative sample of beneficiaries. Beneficiary feedback through the survey is a primary driver of continued operational enhancements for the UCT program. Further, the efforts to deliver enhanced community mobilization alongside the roll-out of geo-bundling (described under Component 2) will lead to more robust citizen participation in and ownership over the development processes affecting their areas. The project will also explore community monitoring possibilities to strengthen project accountability and feedback mechanisms. Finally, community subprojects will continue to reflect community consultations and active community participation to ensure voice and accountability.

III. KEY RISKS

80. **As in the ongoing project, and consistent with the overall operating environment of Yemen, the project's overall risk rating continues to be High.** The main risk categories which are rated high or substantial include: political and governance, macroeconomic, institutional capacity for implementation and sustainability, fiduciary, environment and social, and stakeholder. Similar to the ongoing project, mitigation measures are built into the project design, and will be based on joint monitoring with UNDP and UNICEF of the risk matrices developed by these agencies. The Bank will continue carrying out implementation support missions two times a year, as well as virtual progress review meetings as needed, to review project implementation progress.

81. **Political and governance risk is High.** These specifically include security risks and the risk of political interference in project activities. The security risks are associated with the ongoing conflict and include, but are not limited to, threat of physical violence for individuals involved in the implementation of the project such as payment agents, beneficiaries (at payment and work sites or while traveling to payment locations), contractors and their workers, and the risk of forced expropriation of cash transfer/wage funds from beneficiaries and payment agents. The risks of political interference are associated with attempts by the Houthi movement, as well as the Internally Recognized Government (IRG) and the Southern Transitional Council (STC), to interfere with the implementation of the UCT program.

82. These risks are being mitigated by the Recipient UN agencies and IPs through a series of measures, including but not limited to: (a) establishing clear mechanisms to identify security threats to the project and to communicate changes in threat levels to the various parties involved in project implementation; and (b) establishing communication and facilitation arrangements that enlist the support of all relevant political and community actors at the national, governorate, and local levels to promote safe and politically neutral implementation of the project. UNICEF and SFD established clear controls to engage with the Houthi movement regularly and proactively, IRG, and STC to avoid political interference and to ensure the success of payment cycles. At the country-wide and governorate level, these arrangements include regular interactions between relevant political actors, UNDP, UNICEF, and the IPs, project leadership, and liaison officers, while at the local level, facilitation groups are formed comprised of local community leaders and village councils to raise the awareness and acceptance of project activities, diffuse potential tensions, and foster a general acceptance of the project. The project is also engaging local social workers and consultants for facilitation functions – which allows adaptation of project activities to the shifting security situation on the ground based on local knowledge.



83. **Macroeconomic risk is High.** The recent intensification of turmoil makes Yemen’s economic prospects dim. Weak external financing coupled with the effects of the pandemic are expected to constrain an expansion of production. A continuation of the hostilities is predicted to trigger additional demand- and supply-side shocks, and to further drain consumers and business confidence, thus negatively impacting both consumption and investment. On the other hand, the successful organization of a public foreign exchange auction system, since November 2021, by the Central Bank of Yemen (Aden), has contributed to relieving pressure on the exchange rate and demonstrated renewed efforts toward macroeconomic stabilization. In this context, GDP growth should be stagnant – albeit slightly positive – through 2023, also reflecting overall improved global economic conditions. Growth prospects will continue to depend on the improvements of the political and security context.

84. **Institutional capacity for implementation and sustainability is Substantial.** A key risk to current implementation arrangements is the intermittently reoccurring pressure from parties to the conflict towards the local IP agencies, SFD and PWP, to alter their operations. World Bank management, in collaboration with other development partners, continues to monitor efforts to resolve any pressures without affecting the status of SFD and PWP in the implementation of World Bank projects.

85. **Environment and social risk is High.** The environment and social risk of the AF2 continues to be high similar to the original financing and AF. The project will apply the World Bank’s ESF which will mitigate these risks. E&S instruments and documents which were prepared under the original financing and AF, will be updated based on the implementing experiences under the ongoing project to reflect the additional activities under the proposed AF2.

86. **Environment risk is Substantial.** Activities under Component 1 (UCT) will not involve any construction activities that would cause negative environmental impacts. Component 2 (Geo-Focused Support to Reduce Food Insecurity and Malnutrition) activities may result in risks to workers and community health and safety as well as to the environment if not managed adequately. Potential environmental impacts are expected to be reversible and generally of low magnitude. Based on the implementation experience under the ongoing project, there is a risk of incidents and injuries, particularly under the labor-intensive community subprojects. To mitigate these potential risks and impacts, the existing Environmental and Social Management Frameworks²⁸ (ESMF), including the OHS Frameworks and Toolkits and Security Management Plans will be updated and applied to AF2. The recipient UN agencies and IPs have established an E&S management system with adequate policies, procedures, capacity, and resources, focusing on OHS aspects. The UN agencies will continue to implement capacity building programs for staff, E&S consultants, and contractors.

87. **Social risk is High.** Based on the implementation experience under the ongoing project, the type of activities under this project will not involve acquisition of land and/or physical or economic displacement. Potential social risks under Component 1 are related to security, exclusion of poor and vulnerable households who are not included in the SWF list, reaching beneficiaries with limited or no physical mobility; grievances related to payments, potential gender, SEA/SH, and GBV risks at payment sites by service providers; and potential delays of payments due to security risks. These risks will continue to be mitigated through compliance with guidelines and the project ESMF, which will be further updated for AF2. Additionally, dissemination of the GM details at service provider locations and verification and reporting by the TPM agency will continue to be used to further minimize these risks.

²⁸ Prepared by UNICEF and UNDP for their respective components.



88. Social risks under Component 2 could be related to the CfW activities and the rehabilitation of the community asset interventions, including potential labor issues, and community health and safety. There may be potential needs for small parcels of land for the community asset development activities. These small land needs are expected to be met with community contributions, which is a common practice locally, including under the ongoing project. Other potential social risks could include elite capture of investments by powerful and/or better-connected beneficiaries thus excluding some segments of society (disadvantaged and marginalized groups) under the CfW and community assets interventions and potential exclusion of small food producers and fisheries with high incidence of malnutrition from economic opportunity support. These risks will continue to be mitigated through compliance with the project ESMF. The overall negative social impacts of the planned project activities are expected to be moderate or low, based on the implementation experience under the ongoing project. However, considering the overall country security situation, the project's social risk is considered Substantial.

89. **Fiduciary risk is High.** The overall fiduciary risk under the proposed AF2 is High. However, with the continued application of the proposed mitigation measures, the residual risk is deemed to be substantial. Some of the proposed mitigating measures for project risks are of a long-term nature due to the level of work required. Implementation of the mitigation measures will be reviewed, and the risks reassessed, as part of the continuous implementation support for the project. Tables 1 and 2 in Annex 1 outline the key Financial Management and Procurement risks respectively and their associated mitigated measures.

90. **Financial Management.** The nature of Component 1 (UCT) renders it high risk due to the delivery of cash to a targeted 1.5 million households every payment cycle, over a large geographical area, with several entities involved in implementation. The risk is further compounded due to the ongoing conflict and the volatile political situation in addition to the contracting of SFD by UNICEF to undertake implementation functions related to the UCT program. These factors thus pose significant fiduciary challenges and increase the risk of errors and leakages. The project design, however, includes internal controls and accountability mechanisms to mitigate key fiduciary risks and ensure the full amount of eligible cash benefits is delivered to the eligible beneficiaries on time. These mechanisms include: (i) analysis and control of the database of beneficiaries and list of payments; (ii) independent financial service providers with transparent procedures and robust accounting and internal control practices; (iii) defined FM arrangements for transfer of funds and required financial reports for payment; (iv) use of TPM; and (v) a robust GM and leveraging social media to analyze community perception and feedback on a real-time basis, and identify red flags for fraud to complement the GM.

91. **Procurement.** The procurement risk is rated 'High' due to the potential risk of delay in implementation/supply as a result of the security situation in Yemen; in addition to the limited competition, unavailability of service delivery, and the nature of project activities which may be affected by the situation on the ground in conflict and post-conflict zones. The residual procurement risk, however, after applying the mitigation measures, is considered 'Substantial'. This is discussed in detail in Annex 1.

92. **Stakeholder risk is Substantial.** Stakeholder risk is deemed substantial given the complex country environment and the presence of multiple political actors and factions who could impact the achievement of the project development objective by potentially delaying or halting implementation. This risk, however, will be mitigated through the continuous dialogue between the recipient agencies, communities, and the various government entities, both at the local and national levels.

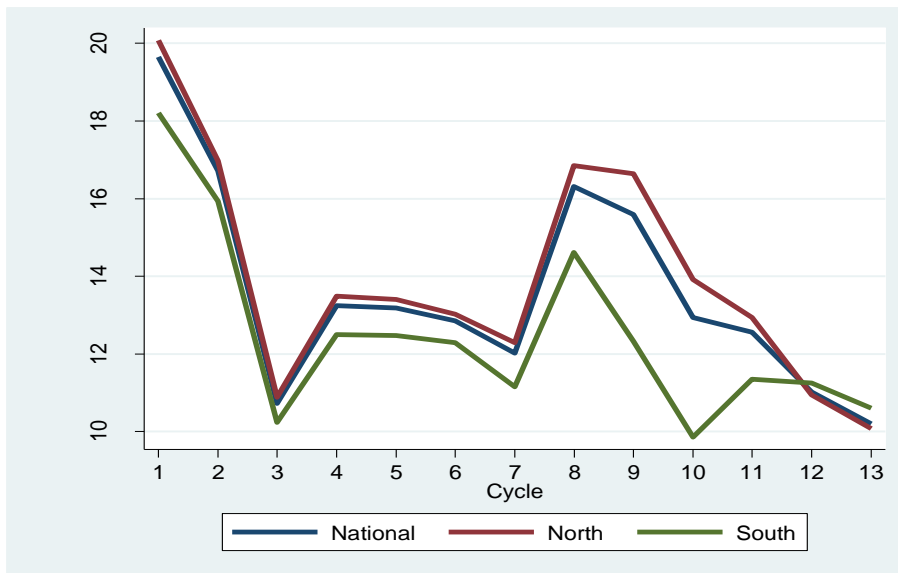


IV. APPRAISAL SUMMARY

A. Economic and Technical Analysis

93. **The UCT program will continue to have a significant mitigating effect on food insecurity and extreme poverty in Yemen.** The program will continue to target the 1.5 million households in the SWF beneficiary list, representing more than 9.35 million people or about 29 percent of the population. The households in this list were selected based on objective indicators of poverty and vulnerability pre-conflict. Although years of conflict have pushed more people into poverty, SWF beneficiaries are likely to remain among the poorest in the country. An earlier impact evaluation of the CT program indicated that regular CTs helped mitigate the impact of conflict on child nutritional status in Yemen (Ecker, Maystadt and Guo, 2019). World Bank estimates using the 2014 Household Budget Survey data showed that the CT program could reduce extreme poverty (US\$1.90 poverty line) by 3.6 percentage points (from 52.8 percent to 49.2 percent), the extreme poverty gap by 2.4 percentage points, and the severity of extreme poverty by 1.6 percentage points. These impacts are likely significantly lower, following a rapid decline of the Yemeni rial that saw the transfer values as a share of minimum food expenditure basket decline from 18-20 percent in 2017 to just over 10-11 percent in 2022 (Figure 1). Beneficiaries surveyed in the last PC, per the TPM results from PC13, 44 percent of respondents who were only ‘satisfied’ responded they would be ‘highly satisfied’ if they received larger payments. Despite reduced adequacy, it is clear that the removal of the program would place some 29 percent of the population in Yemen in even greater distress than they are already.

Figure 1. UCT transfer value as a share of the minimum expenditure basket



94. **The AF2 component toward opening up digital payment options for beneficiaries interested to switch forms an important departure from the status quo, where beneficiaries receive transfers on specific payment days throughout the year.** The advantages of digital payments are manifold and, even in the highly volatile and challenging context of Yemen, the ability to render payments digitally is fast evolving. Digital delivery of UCT payments can reduce payment errors, instill regularity in administration, further boost service quality while also



opening up potential to receive multiple payments into one channel. For beneficiaries, offering a choice to receive their payments in cash or via digital payments could yield several benefits. First, beneficiaries opting to use digital payments could forego travel and payment waiting times – reducing opportunity costs. Average waiting times at payment sites for 90 percent of beneficiaries are less than an hour, the remaining 10 percent wait between one to three hours whilst travel time comprises 40 minutes on average for most. The latest TPM report, however, suggests improving the process could improve raise satisfaction with the project: 60 percent of beneficiaries who were satisfied with the project (44 percent out of the total) noted their satisfaction with the program would be higher if there was a faster and smoother payment process, this could be realized via a gradual switch to digital payments. Second, an e-wallet created for the UCT pilot could later on be used for additional benefit payments and generate efficiency gains in delivering payments across a harmonized process. More broadly, the use of digital payments may boost financial inclusion amongst beneficiaries, particularly if flexible accounts can be created and used generally. The value of pursuing this choice is limited by a constrained environment due to many factors including a very fragile context, limited financial literacy, low propensity to save and limited supply side capacity for transactions to be handled electronically, with continuous conflicts across the country.

95. **The continued implementation of cash-for-nutrition and labor-intensive works programs are also expected to have significant positive effects.** An impact evaluation of the cash-for-nutrition program (Kurdi et al. 2019) shows that the program reduced the number of children reported to have been diagnosed with malnutrition by ten percentage points (nine percentage points for severe malnutrition). The evaluation also found significant impacts on anthropometric measures of child nutritional status among the poorest children, improved dietary diversity, improved knowledge on diet, nutrition, and sanitation issues, and on some indicators of women’s empowerment. An earlier impact evaluation of SFD’s CfW program shows positive impacts on the total number of days worked (by 50), average wages earned, workforce shifts away from the lowest-paid sectors, and the probability of female employment (Christian et al., 2013). The evaluation also found significant impacts on food consumption, debt repayment, and the ownership of durable goods, as well as significant improvement in access to water among communities where the CfW subproject was related to water availability. Cost-benefit analysis of the CfW program shows a favorable cost-benefit ratio compared to other similar programs globally.

96. **The implementation of geo-focused bundles of interventions under Component 2 will likely increase impact.** By combining CfN, labor-intensive works, and support to SMEs (as well as complementary interventions from other Bank projects) in areas with high incidence of food insecurity and malnutrition, the AF2 is expected to have a larger more sustained impact.

B. Financial Management (FM)

97. **FM Arrangements:** The project will build on the existing FM arrangements in place under the ongoing project, while adopting mitigation measures agreed upon with the World Bank throughout project implementation.

98. **Accounting and financial reporting:** Both UNICEF and UNDP will: (i) maintain an FM system, including records and accounts, adequate to reflect the transactions related to the activities, in accordance with the requirements of the UN Financial Regulations; (ii) maintain a separate ledger account (Grant Control Account) in their books to record the financial transactions of this project; (iii) prepare, on a quarterly basis, Interim Financial Reports (IFRs), in accordance with accounting standards established pursuant to the UN Financial Regulations



and in the format agreed with the Bank adequate to reflect the expenditures related to the project. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter.

99. **Internal controls:** Both UNICEF and UNDP apply the Harmonized Approach to Cash Transfers Framework (HACT) approach which requires assessment of local IPs, regular spot-checks, and audits (of IPs receiving funds above a certain threshold). To ensure adequate controls are applied over the use of funds, both recipient agencies will ensure the following:

- a) The finance team located in the field is comprised of sufficiently qualified staff to review and properly maintain or cause to be maintained all original supporting documents of the project. The finance team will also ensure that proper controls are in place over the use of funds and that payments are made for eligible expenditures with consideration to economy and efficiency.
- b) The compliance team, or its equivalent, of both recipient agencies will assist their respective finance teams to ensure arrangements are in place for funds to reach the legitimate beneficiaries.
- c) The finance teams of both agencies will ensure that proper measures are in place to prevent double-dipping of activities.
- d) Adequate financial and technical reviews are conducted regularly by the TPM agencies and recipients' finance and/or Monitoring and Evaluation (M&E) teams.
- e) In case of payments to individuals, the recipients will ensure mobile banking, financial service provider, or other methods are used that can provide necessary assurance that funds reached the intended beneficiaries.
- f) The recipients will ensure that IFRs are properly reviewed and approved before submission to the Bank. In addition, IFR-reported expenditures will not include advances other than those previously agreed with the Bank and disclosed in the IFR.

100. **Flow of funds:** The project will utilize the IFR method for the flow of funds to the two recipient agencies. The form and substance of the IFR report currently used under the ongoing project are acceptable and will be used under AF2. For this project, UNICEF will continue to use the flow of fund modality currently applied for Component 1 (Unconditional Cash Transfers). UNDP will use the Direct Implementation modality to the extent possible, to mitigate any risk associated with advances to IPs, by which funds will flow from the Bank to UNDP and then to the ultimate beneficiaries/recipients avoiding passing through intermediary accounts.

101. **Use of advances to IPs under the project will be limited.** In cases where advances are used, the recipient agencies will ensure adequate controls are in place, such as: (i) the advances should not exceed certain thresholds; (ii) no new advances are released to the Yemen partners unless previous advances are fully settled (in cases of partial settlement, additional funds can be provided within the limit of the partial settlements made); (iii) the recipient agencies will maintain (or cause to be maintained) all supporting documents for expenditures incurred under the project in line with HACT guidelines; and (iv) all advances have proper audit trails. Both recipient agencies will exert all efforts to ensure that funds reach the ultimate beneficiaries with sufficient evidence provided.

102. Projects managed by UN agencies follow the UN monthly announced foreign exchange rate for their records. UNDP monitors the performance of the commercial banks used to house and deliver projects' funds to ensure that the projects are receiving the most favorable rates. UN agencies disburse in US\$ and the IPs obtain market rates based on market rates of daily market transactions through the Yemeni Association for Money



Exchangers. IPs follow the UNDP Guidance Note for Implementing Partners on exchange rates and ensure that the commercial banks they contract are applying those rates.

103. In cases where payment is made by an IP such as SFD, the amount is transferred from the UNDP to SFD in USD and then SFD converts the amount when the payment is made using the market rates for the north and the south as per the UNDP Foreign Exchange Guidance Note for Implementing Partners. In case the IP is a government entity at the decentralized level, the amount is transferred from the UN agency to the governorate office in YR as per the market rates following the UNDP Guidance Note and conversion is done by the UN agency.

104. **FOREX (FX):** UNICEF and UNDP implement the FOREX Strategy agreed with all UN agencies (reflected in the UNDP Guidance Note) that follows published market rates by the Currency Traders Association for both the north and the south respectively, tightening the controls over FOREX transactions. Under the UCT component, UNICEF will adhere to the Enhanced Cash Transfer FX Mechanism that was agreed upon with the Bank in November 2022.

105. **Audit:** The project will be subject to the audit arrangements applicable to UNDP and UNICEF as set out in the FMFA. Both recipient agencies will make the audited financial statements and accompanying reports available to the World Bank. They will retain, and cause their IPs to retain, all records evidencing all expenditures in respect of which withdrawals of proceeds were made.

106. **Implementation Support Plan:** The Bank will carry out bi-annual implementation support reviews of project activities.

C. Procurement

107. Similar to the ongoing AF, UNICEF and UNDP will follow their own procurement procedures as Alternative Procurement Arrangements (APA) found acceptable to the Bank under other agreements and allowed by the Procurement Framework Policy Section III. F. A detailed description of procurement arrangements under the project is presented in Annex 1.

108. The APA is considered a fit-for-purpose arrangement for the following reasons:

- (a) UNICEF and UNDP have a strong presence on the ground and have proven that they are well equipped to work in conflict and post-conflict areas in Yemen and have the capacity to reach out to the most affected beneficiaries.
- (b) The procurement activities proposed under this project are within the mandate of UNICEF and UNDP. Those agencies have in place fast-track procedures for countries in emergencies such as Yemen where there is a dedicated country Emergency Support Team to ensure that the required technical and operational support is provided in a timely manner.
- (c) UNICEF and UNDP have preparedness and mobilization mechanisms in place, which enable optimal emergency procurement.
- (d) UNICEF and UNDP's procurement arrangements provide reasonable assurance that World Bank financing will be used for the intended purpose.



D. Legal Operational Policies

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

E. Environmental and Social

109. **Environmental.** Similar to the ongoing project, the AF2 project activities, if not managed adequately, may result in risks to workers and community health and safety, as well as to the environment. Activities financed under Component 2 may cause negative impacts, particularly Cash for Work activities for temporary employment opportunities to vulnerable populations, community asset activities to support building small community infrastructure and economic opportunities, and food market resilience which will finance MSMEs through SMED, SMEPS, and the YLG to provide more sustainable economic opportunities. Environmental and Social Commitment Plans (ESCPs), and SEPs have been prepared and agreed upon by the Bank and recipient agencies. These documents which were prepared under the ongoing project, were revised and disclosed by the recipient agencies prior to appraisal. Revisions included lessons from implementation experience of the ongoing project.

110. As assessed under the ongoing project, the environmental risks and impacts are expected to be site-specific, reversible, and generally of low magnitude, and can be mitigated following appropriate measures. Based on the implementation experience of the ongoing project, there is a risk of security threats and road safety incidents which may occur under the AF2, particularly under the UCT component. Potential OHS risks are also anticipated if adequate measures are not implemented as the project under the cash-for-work program will provide temporary work opportunities to a large number of local community members who are unskilled, largely illiterate, and with little or no knowledge or experience in applying OHS measures.

111. **Social.** Similar to the ongoing project, AF2 will have numerous social benefits for the targeted communities and vulnerable populations. The types of interventions under the project are not expected to result in physical or economic displacement. Nonetheless, there may be instances where land may be needed for community infrastructure development, these potential land needs will be minimal and are expected to be met through community contributions, a common practice in the local area, also accepted and practiced under the parent project and AF.

112. Potential adverse social impacts and risks could include possible labor issues, community health and safety risks, possible fraud, and exclusion of marginalized groups in payments under Cash Transfer Component, possible elite capture of investments by powerful and/or better-connected beneficiaries under the CfW and community assets interventions. Planning requirements and implementing arrangements to address these potential adverse social impacts and risks are described in the existing ESMFs of the AF. These ESMFs will be further updated and applied under AF2.

113. The project applies condensed procedures and the special consideration for Projects in Situations of Urgent Need of Assistance or Capacity Constraints (paragraph 12 of the Bank Policy for IPF). As such, while the updated Stakeholder Engagement Plan (SEP) and ESCP were disclosed at project appraisal, all other ESF



instruments, including the ESMF, will be updated and applied under AF2, within two months of project effectiveness.

114. **Gender and Gender Based Violence (GBV).** The proposed AF2 will continue to ensure that gender-sensitive interventions are mainstreamed across all project components creating pathways for employment and participation in society and playing a key role in building resilience to shocks, improving livelihoods and mitigating social constraints. Specific gender commitments are incorporated into the project components. A GBV Risk Assessment was conducted under the parent project and based on which a GBV action plan which was developed to address the potential risks of SEA/SH. This action plan will be further updated for implementation under AF2.

115. **Grievance Mechanism (GM).** UNICEF and UNDP will continue to have overall responsibility of managing and handling complaints related to the project, with support from SFD (under Component 1). The call center established by UNICEF, now managed by SFD, will continue to function under AF2. SFD and PWP will also continue to utilize their GM systems to register complaints received and report to UNICEF and UNDP. Under the ongoing project, UNICEF/UNDP and SFD/PWP have agreed on a mechanism for reporting timeline and distribution of responsibilities to have better control and management of complaints. This mechanism will continue to operate under AF2.

116. AF2 will continue to utilize the enhanced integrated GM system based on the experience and systems developed under the ECRP and operated under the ongoing project. Under this system, SFD and PWP, under Component 2, have utilized a wide variety of communication methods for soliciting grievances, including complaint boxes, toll-free phone calls, SMS, WhatsApp, Telegram, Fax, Online Forms, emails, letters, in-person office visits or through face-to-face interactions with project staff. The TPM call center facility will continue to operate under AF2. Under Component 1, SFD with oversight from UNICEF, will continue to operate the dedicated GM system, comprising a call center with multiple lines with toll-free access to mobile and landline phones.

117. To mitigate potential risks and impacts, the implementing agencies have developed ESMFs in line with the World Bank ESF. The ESMFs include provisions to (i) identify potential environmental impacts of project interventions, (ii) assess potential environmental and social impacts, and (iii) mitigate risks and impacts appropriately, including OHS risks. Under the AF2, the implementing agencies will update the ESMFs based on implementation experience of the original financing and AF to reflect any changes under the AF2. Furthermore, subprojects will be screened against environmental and social criteria that will be included in the ESMFs, and subsequent site-specific environmental assessment instruments will be prepared as needed during implementation and prior to implementation of any physical activities.

118. As part of the ongoing project, UNDP, UNICEF, SFD and PWP have established E&S management systems with adequate policies, procedures, capacity, and resources, focusing on OHS. Under the proposed AF2, the UN agencies will continue to implement capacity building programs targeting different groups and identified areas, including capacity building of relevant staff and providers involved in project implementation on ESMF and OHS Framework, as well as capacity building program for project managers, supervisors, consultants, and contractors on OHS tools and their application in the field.



V. WORLD BANK GRIEVANCE REDRESS

119. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

**VI SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

VII DETAILED CHANGE(S)**COMPONENTS**

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Unconditional Cash Transfers	334.00	Revised	Unconditional Cash Transfers	468.50
Geo-focused Bundles to Reduce Food Insecurity and Malnutrition	137.60	Revised	Geo-focused Bundles to Reduce Food Insecurity and Malnutrition	193.50
Project Management, Monitoring, Evaluation and Capacity Building of National Institutions	32.30	Revised	Project Management, Monitoring, Evaluation and Capacity Building of National Institutions	48.90



CERC	0.00	No Change	CERC	0.00
TOTAL	503.90			710.90

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-D7620	Effective	30-Dec-2022	31-Dec-2024	31-Dec-2026	30-Apr-2027
IDA-D7630	Effective	30-Dec-2022	31-Dec-2024	31-Dec-2026	30-Apr-2027
IDA-E0060	Effective	31-Dec-2024	31-Dec-2024	31-Dec-2026	30-Apr-2027
IDA-E0070	Effective	31-Dec-2024	31-Dec-2024	31-Dec-2026	30-Apr-2027

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2021	30,971,649.27	30,971,649.27
2022	272,170,518.71	303,142,167.98
2023	105,834,175.42	408,976,343.40
2024	50,000,000.00	458,976,343.40
2025	116,953,656.60	575,930,000.00
2026	99,970,000.00	675,900,000.00
2027	35,000,000.00	710,900,000.00
2028	0.00	710,900,000.00
2029	0.00	710,900,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● High	● High
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate



Institutional Capacity for Implementation and Sustainability	● Moderate	● Substantial
Fiduciary	● High	● High
Environment and Social	● High	● High
Stakeholders	● Substantial	● Substantial
Other		
Overall	● High	● High

LEGAL COVENANTS – Emergency Social Protection Enhancement and COVID-19 Response Project AF2 (P180358)

Sections and Description

UNDP. Schedule 2. Section I. L. 1. No later than three (3) months after the Effective Date, the Recipient shall update and thereafter maintain throughout its Respective Parts of Project implementation, Third-Party Monitoring Agent(s) (TPMAs), on the terms of reference satisfactory to the Association, to be financed out of the proceeds of the Financing as set forth in the table under Section IV.A. of Schedule 2 to the Financing Agreement, to carry out TPM of Project implementation. For each selection of a TPMA, the TORs, request for proposals or equivalent document, report on the evaluation of proposals and the draft contract shall be timely shared by the Recipient for the Association’s review prior to their finalization. The Association will have seven (7) working days to provide any comments for the Recipient’s consideration, thereafter the Association and the Recipient will discuss the process to be followed.

UNDP. Schedule 2. Section I. L. 2. Each monitoring report prepared by the TPMA(s) shall cover a period of three (3) months. The Recipient shall, after its review, and no later than ten (10) working days after its receipt, make available such monitoring report to the Association.

UNICEF. Schedule 2. Section I. G. 2. Each monitoring report prepared by the Third-Party Monitoring Agent(s) shall cover one Cash Transfer payment cycle. The Recipient shall after its review, and no later than 15 days after its receipt, make available such monitoring report to the Association.

UNDP. Schedule 2. Section I. L. 5. The Recipient shall, through the SFD, PWP and SMEPs, as the case may be, maintain the Grievance Mechanism, under terms and structure satisfactory to the Association.

UNDP. Schedule 2. Section I. M. 1. The Recipient shall not later than four (4) months after the Effective Date update and furnish to the Association the Annual Work Plan and Budget for the calendar year 2023, and thereafter not later than January 31 of each year, prepare and furnish to the Association an Annual Work Plan and Budget containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts, sources of financing and eligible costs.

UNICEF. Schedule 2. Section I. H. 1. The Recipient shall prepare and furnish to the Association, not later than each January 31, an Annual Work Plan and Budget containing all activities proposed to be included in its Respective Parts of the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts, sources of financing and eligible costs.

UNDP. Schedule 2. Section II. A. 1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester, or with such



frequency as the Association and the Recipient shall agree in writing. The Recipient shall ensure that each Project Report contains an update on the implementation of the activities under the Procurement Plan.

UNICEF. Schedule 2. Section II.A.1 The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester, or with such frequency as the Association and the Recipient shall agree in writing. The Recipient shall ensure that each Project Report contains an update on the implementation of the activities under the Procurement Plan.

Conditions

Type	Financing source	Description
Disbursement	IBRD/IDA	<p>UNICEF. Schedule 2. Section IV B. (a) no withdrawal shall be made for payments made for expenditures prior to the signature date of the Financing Agreement; (b) under Category (1)(d) for payments for the Digital Payment Pilot under Part 1.2 of the Project, unless and until the Recipient has conducted an assessment to inform the design of the Digital Payment Pilot and updated the POM with a relevant section on the Digital Payment Pilot, including inter alia, an action plan, eligibility criteria for Digital Payment Beneficiaries, in form and substance satisfactory to the Association. under Category (3), for Emergency Expenditures, under Part 4 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:</p> <p>(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (3); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and</p> <p>(ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.</p> <p>(d) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association’s knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.</p>
Effectiveness	IBRD/IDA	<p>UNDP. The Financing Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the Recipient has</p>



		updated and submitted the Project Operations Manual under terms satisfactory to the Association.
Type Disbursement	Financing source IBRD/IDA	<p>Description</p> <p>UNDP. Schedule 2. Section IV. B. 1. no withdrawal shall be made:</p> <p>for payments made for expenditures prior to the date of the Financing Agreement;</p> <p>(b) for payments under Categories (1)(a), 1(b), 1(c) and (1)(d)(i), unless and until the Recipient has prepared, disclosed and adopted site-specific environmental and social management plans and environmental and social assessment plans, in accordance with the ESCP dated March 2, 2023;</p> <p>(b) under Category (3), for Emergency Expenditures, under Part 4 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:</p> <p>(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (3); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and</p> <p>(ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.</p> <p>(c) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.</p>



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Yemen, Republic of

Emergency Social Protection Enhancement and COVID-19 Response Project AF2

Project Development Objective(s)

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.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Provision of Cash Transfers			
Beneficiaries of social safety net programs (CRI, Number)		0.00	1,500,000.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: End target date revised in line with new closing date.</i>		
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		0.00	1,500,000.00



Indicator Name	PBC	Baseline	End Target
Action: This indicator has been Revised			
	Rationale: End target date revised in line with new closing date.		
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	720,000.00
Household members (Number)		0.00	9,350,000.00
Action: This indicator has been Revised			
	Rationale: End target date revised in line with new closing date.		
Number of beneficiary households benefitting from the cash for nutrition program (Number)		0.00	106,500.00
Action: This indicator has been Revised			
	Rationale: End target date revised in line with new closing date; target increased by 72,300 households.		
Number of beneficiary households (Social Welfare Fund) (Number)		0.00	9,300.00
Action: This indicator has been Revised			
	Rationale: End target date revised in line with new closing date; target increased by 4,338 households.		
Number of beneficiaries (female) (Number)		0.00	111,600.00
Action: This indicator has been Revised			
	Rationale: End target date revised in line with new closing date; target increased by 76,920 beneficiaries.		
Number of beneficiaries (children) (Number)		0.00	153,000.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>		Rationale: <i>End target date revised in line with new closing date; target increased by 107,690 children.</i>	
Provision of temporary employment			
Number of direct beneficiaries of wage employment (Number)		0.00	155,208.00
<i>Action: This indicator has been Revised</i>		Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 54,539,beneficiaries.</i>	
Number of beneficiaries (female) (Number)		0.00	33,710.00
<i>Action: This indicator has been Revised</i>		Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 12,701,beneficiaries.</i>	
Number of beneficiaries (IDPs) (Number)		0.00	22,281.00
<i>Action: This indicator has been Revised</i>		Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 6,545 beneficiaries.</i>	
Increased access to basic services and economic opportunities to vulnerable populations			
Number of people with increased access to basic services. (Number)		0.00	1,122,880.00
<i>Action: This indicator has been Revised</i>		Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 339,092 beneficiaries.</i>	
Of which, female (Number)		0.00	528,397.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>	Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 169546 beneficiaries.</i>		
Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project (Number)		0.00	10,009.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 3,810 MSMEs.</i>		
Number of female led SMEs supported by the project (Number)		0.00	2,778.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 1,143 MSMEs.</i>		
People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change (Number)		0.00	272,845.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>End target date revised in line with new closing date. Target indicator increased by 35,000 beneficiaries.</i>		
Strengthening the capacity of national institutions			
UCT program implementation functions fully transferred to SFD (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>	Rationale: <i>End target date revised in line with new closing date.</i>		



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Unconditional Cash Transfers			
Beneficiaries of social safety net programs (CRI, Number)		0.00	1,500,000.00
<i>Action: This indicator has been Revised</i>			
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		0.00	1,500,000.00
<i>Action: This indicator has been Revised</i>			
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	720,000.00
<i>Action: This indicator has been Revised</i>			
Number of districts where beneficiaries can receive unconditional cash transfers digitally (Number)		0.00	6.00
<i>Action: This indicator is New</i>	<i>Rationale: This indicator will measure the newly added sub-component of districts where beneficiaries can receive their cash benefits digitally.</i>		
Component 2: Geo-focused Support to Reduce Food Insecurity and Malnutrition			
Number of female beneficiaries of wage employment (cash for nutrition) (Number)		0.00	3,920.00
<i>Action: This indicator has been Revised</i>			
Number of indirect beneficiaries of wage employment (cash for nutrition) (Number)		0.00	23,520.00



Indicator Name	PBC	Baseline	End Target
Action: This indicator has been Revised			
Number of direct beneficiaries of wage employment (cash for work) (Number)		0.00	77,500.00
Action: This indicator has been Revised			
Number of beneficiaries (female) (Number)		0.00	23,310.00
Action: This indicator has been Revised			
Number of indirect beneficiaries of wage employment (family members of direct beneficiaries) (cash for work) (Number)		0.00	372,312.00
Action: This indicator has been Revised			
Number of people with increased access to basic services (cash for work) (Number)		0.00	452,750.00
Action: This indicator has been Revised			
Cubic meters of water schemes constructed/rehabilitated (cash for work) (Cubic Meter(m3))		0.00	46,066.00
Action: This indicator has been Revised			
Area of agriculture land and terraces rehabilitated (cash for work) (Hectare(Ha))		0.00	2,477.00
Action: This indicator has been Revised			
Length of roads improved (cash for work) (Kilometers)		0.00	209.00
Action: This indicator has been Revised			



Indicator Name	PBC	Baseline	End Target
Number of direct beneficiaries of wage employment (community assets) (Number)		0.00	51,993.00
<i>Action: This indicator has been Revised</i>			
Number of female beneficiaries (Number)		0.00	2,167.00
<i>Action: This indicator has been Revised</i>			
Number of indirect beneficiaries of wage employment (community assets) (Number)		0.00	311,958.00
<i>Action: This indicator has been Revised</i>			
Number of people with increased access to basic services (community assets) (Number)		0.00	670,130.00
<i>Action: This indicator has been Revised</i>			
Cubic meters of water schemes constructed/rehabilitated (community assets) (Cubic Meter(m3))		0.00	147,402.00
<i>Action: This indicator has been Revised</i>			
Area of agriculture land rehabilitated (community assets) (Hectare(Ha))		0.00	5,012.00
<i>Action: This indicator has been Revised</i>			
Length of roads improved (community assets) (Kilometers)		0.00	163.00
<i>Action: This indicator has been Revised</i>			
Number of MFIs to access the new YLG portfolio guarantee scheme (economic opportunities and food market resilience)		0.00	6.00



Indicator Name	PBC	Baseline	End Target
(Number)			
<i>Action: This indicator has been Revised</i>			
Number of SME loans guaranteed by the new capitalization to the YLG (economic opportunities and food market resilience) (Number)		0.00	3,754.00
<i>Action: This indicator has been Revised</i>			
Number of Village Saving and Loans Associations (economic opportunities and food market resilience) (Number)		0.00	715.00
<i>Action: This indicator has been Revised</i>			
SMEs receiving TA and grants that produce and facilitate food distribution (economic opportunities and food market resilience) (Number)		0.00	6,255.00
<i>Action: This indicator has been Revised</i>			
Business associations supported in the target sectors directly through grants and TA (economic opportunities and food market resilience) (Number)		0.00	50.00
<i>Action: This indicator has been Revised</i>			
Number of new seasonal and permanent wage employment supported (economic opportunities and food market resilience) (Number)		0.00	21,595.00
<i>Action: This indicator has been Revised</i>			
Component 3: Project Management, Monitoring, Evaluation and Capacity Building of National Inst't			



Indicator Name	PBC	Baseline	End Target
Surveyed beneficiaries who report receiving the right benefit amount (UNICEF) (Percentage)		0.00	98.00
Action: This indicator has been Revised			
Grievances received, addressed and responded to within a timeline that has been specified and publicly communicated by the project (UNICEF) (Percentage)		0.00	100.00
Action: This indicator has been Revised			
Surveyed beneficiaries who express satisfaction (UNICEF) (Percentage)		0.00	100.00
Action: This indicator has been Revised			
Surveyed beneficiaries who report receiving the right payment amount (UNDP) (Percentage)		0.00	98.00
Action: This indicator has been Revised			
Grievances received, addressed and responded to within a timeline that has been specified and publicly communicated by the project (UNDP) (Percentage)		0.00	90.00
Action: This indicator has been Revised			
Surveyed beneficiaries who express satisfaction with project interventions (UNDP) (Percentage)		0.00	80.00
Action: This indicator has been Revised			
Capacity building action plan for SFD adopted and implemented (Yes/No)		No	Yes
Action: This indicator has been Revised			



Indicator Name	PBC	Baseline	End Target
Capacity building action plan for PWP adopted and implemented (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>			
Positive impact of geo-focused bundles on food security and malnutrition sustained one year after interventions end in target communities (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>			

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Every six months.	Administrative data and progress reports.	Payment data replicated by the payment agencies in the project's MIS, and reconciled by implementing agency following each payment cycle.	UNICEF/SFD
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)		Every six months	Administrative data and Progress Reports	Payment data replicated by the payment agencies in the project's MIS, and reconciled by implementing agency following each payment	UNICEF/SFD



				cycle.	
Beneficiaries of social safety net programs - Female		Every six months.	Administrative data and progress reports.	Payment data replicated by the payment agencies in the project's MIS, and reconciled by implementing agency following each payment cycle.	UNICEF/SFD
Household members		Every six months.	Administrative data and progress reports.	Data retrieved by implementing agency from the project's MIS upon replication and reconciliation of the payment data following each payment cycle.	UNICEF/SFD
Number of beneficiary households benefitting from the cash for nutrition program		Every six months.	Administrative data and progress reports.	Sub project data collection by IP and TPM.	UNDP/SFD
Number of beneficiary households (Social Welfare Fund)		Every six months.	Administrative data and progress reports.	Data collection by IPs and TPM.	UNDP/SFD
Number of beneficiaries (female)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD



Number of beneficiaries (children)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of direct beneficiaries of wage employment		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD/PWP
Number of beneficiaries (female)		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD/PWP
Number of beneficiaries (IDPs)		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD/PWP
Number of people with increased access to basic services.		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD/PWP
Of which, female		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD/PWP



Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNICEF/SFD
Number of female led SMEs supported by the project		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD
People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change		Every six months.	Administrative data and progress reports.	Administrative data and Progress Reports.	UNDP/SFD/PWP
UCT program implementation functions fully transferred to SFD		Every six months.	Administrative data, TPM and Progress Reports	Administrative data, TPM and Progress Reports	UNICEF, SFD

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs					
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)					



Beneficiaries of social safety net programs - Female					
Number of districts where beneficiaries can receive unconditional cash transfers digitally					
Number of female beneficiaries of wage employment (cash for nutrition)		Every single months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of indirect beneficiaries of wage employment (cash for nutrition)		Every six months.	Administrative data and progress reports.	Sub project collection by IP and TPM.	UNDP/SFD
Number of direct beneficiaries of wage employment (cash for work)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of beneficiaries (female)					
Number of indirect beneficiaries of wage employment (family members of direct beneficiaries) (cash for work)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of people with increased access to basic services (cash for work)		Every six months.	Administrative data and progress reports.	Sub project data collection by IP and TPM.	UNDP/SFD



Cubic meters of water schemes constructed/rehabilitated (cash for work)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Area of agriculture land and terraces rehabilitated (cash for work)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Length of roads improved (cash for work)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of direct beneficiaries of wage employment (community assets)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Number of female beneficiaries		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Number of indirect beneficiaries of wage employment (community assets)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Number of people with increased access to basic services (community assets)		Every six months.	Administrative data and	Subproject data collection by IP and	UNDP/PWP



			progress reports.	TPM.	
Cubic meters of water schemes constructed/rehabilitated (community assets)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Area of agriculture land rehabilitated (community assets)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Length of roads improved (community assets)		Every six months.	Administrative data and progress reports.	.Subproject data collection by IP and TPM.	UNDP/PWP
Number of MFIs to access the new YLG portfolio guarantee scheme (economic opportunities and food market resilience)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/SFD
Number of SME loans guaranteed by the new capitalization to the YLG (economic opportunities and food market resilience)					
Number of Village Saving and Loans Associations (economic opportunities and food market resilience)		Every six months.	Administrative data and progress reports.	Subproject data collection by IP and TPM.	UNDP/UNDP



SMEs receiving TA and grants that produce and facilitate food distribution (economic opportunities and food market resilience)		Every six months.	Administrative data and progress reports.	Data collection by IP and TPM.	UNDP/SFD
Business associations supported in the target sectors directly through grants and TA (economic opportunities and food market resilience)		Every six months.	Administrative data and progress reports.	Data collection by IPs and TPM	UNDP/SFD
Number of new seasonal and permanent wage employment supported (economic opportunities and food market resilience)		Every six months.	Administrative data and progress reports.	Subproject data collection by IPs and TPM.	UNDP/SFD
Surveyed beneficiaries who report receiving the right benefit amount (UNICEF)		Every six months.	TPM reports.	Surveys.	UNICEF/SFD
Grievances received, addressed and responded to within a timeline that has been specified and publicly communicated by the project (UNICEF)		Every three months.	TPM reports.	Surveys	UNICEF/SFD
Surveyed beneficiaries who express satisfaction (UNICEF)		Every six months.	TPM reports.	Surveys	UNICEF/SFD
Surveyed beneficiaries who report receiving the right payment amount (UNDP)		Every six months.	TPM Surveys.	Surveys, questionnaires and phone interviews.	UNICEF/SFD
Grievances received, addressed and responded to within a timeline that has been specified and publicly communicated by the project (UNDP)		Every six months.	Missions and progress reports.	Surveys by TPM agent.	UNDP/SFD/PWP



Surveyed beneficiaries who express satisfaction with project interventions (UNDP)		Every six months.	Surveys conducted by TPM agent.	Questionnaires and phone interviews.	UNDP/SFD/PWP
Capacity building action plan for SFD adopted and implemented		Every six months.	Progress Reports	Data collection by TPM.	UNDP/SFD
Capacity building action plan for PWP adopted and implemented		Every six months.	Progress Reports.	Data collection by TPM.	UNDP/PWP
Positive impact of geo-focused bundles on food security and malnutrition sustained one year after interventions end in target communities					



ANNEX 1: Implementation Arrangements and Support Plan

1. **Similar to the original financing and its AF, the proposed AF2 will continue being implemented by UNICEF and UNDP under the Financial Management Framework Agreement (FMFA), with support from SFD and PWP in the implementation of activities under the project.** 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 use part of the grant for project management, monitoring and evaluation costs under Component 3. UNICEF will enter into a subsidiary agreement with SFD for the partial implementation of Component 1, while UNDP will enter into subsidiary agreements with SFD, and SMEP (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 agreement by the World Bank.

2. As the IDA grant recipient, UNICEF will be responsible for the procurement of financial service providers, TPM, MIS, capacity building, quality support, reporting and external communications functions. SFD will be provided access to the MIS modules needed to perform its functions based on data management protocols developed by UNICEF in order to ensure data protection.

3. The World Bank has been working with and supporting SFD since its inception in 1996. The Bank and other donors have been supporting SFD through the conflict, allowing SFD to retain its operational capacity. SFD has established a strong delivery record and reputation as a capable, credible, and politically neutral country-wide institution that has functional presence/access to almost all districts in the country. SFD has been successfully able to navigate the complex political landscape, retaining its operational autonomy while liaising with multiple authorities. A 2019 institutional assessment of SFD carried out by the World Bank confirms the overall assessment and points to specific areas for improvement. A similar institutional assessment was conducted for PWP, an institution the Bank has been working with to deliver labor intensive infrastructure projects since the 1990s. These assessments, together with the UCT-specific readiness assessment of SFD, and in coordination with other donors, are being used to inform capacity building support to SFD and PWP. The Bank and UNICEF will also continue to provide direct capacity building support to these institutions, including through training courses (such as the recent trainings of SFD staff on M&E and communications) and seminars (e.g., cash transfers).

Implementation Support and Monitoring

4. Similar to the ongoing project, the World Bank will continue to monitor project progress through: (i) bi-annual implementation support missions; and (ii) progress review meetings with the implementation agencies and IPs as needed. The implementation agencies will also submit to the Bank bi-annual Interim Progress Reports, including reporting on E&S compliance. Further, the Bank will receive TPM monitoring reports from both agencies in accordance with their respective submission schedules as outlined in the Financing Agreements.



Fiduciary Arrangements

Financial Management

5. **FM Arrangements:** The project will build on the existing FM arrangements in place under the ongoing project, while adopting mitigation measures agreed upon with the World Bank throughout project implementation.

6. **Accounting and financial reporting:** Both UNICEF and UNDP will: (i) maintain an FM system, including records and accounts, adequate to reflect the transactions related to the activities, in accordance with the requirements of the UN Financial Regulations; (ii) maintain a separate ledger account (Grant Control Account) in their books to record the financial transactions of this project; (iii) prepare, on a quarterly basis, Interim Financial Reports (IFRs), in accordance with accounting standards established pursuant to the UN Financial Regulations and in the format agreed with the Bank adequate to reflect the expenditures related to the project. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter.

7. **Internal controls:** Both UNICEF and UNDP apply the HACT approach which requires assessment of the Yemen Partners, regular spot-checks and audits (of Yemen Partners receiving funds above a certain threshold). To ensure adequate controls are applied over the use of funds, both recipient agencies will ensure the following:

- a) The finance team located in the field is comprised of sufficiently qualified staff to review and properly maintain (and cause to be maintained) all original supporting documents of the project. The finance team will also ensure that proper controls are in place over the use of funds and that payments are made for eligible expenditures with consideration to economy and efficiency.
- b) The compliance team, or its equivalent, of both recipient agencies will assist their respective finance teams to ensure arrangements are in place for funds to reach the legitimate beneficiaries.
- c) The finance teams of both recipients will ensure that proper measures are in place to prevent double-dipping of activities.
- d) Adequate financial and technical reviews are conducted regularly by the TPM agencies and recipients' finance and/or Monitoring and Evaluation (M&E) teams.
- e) In case of payments to individuals, the recipients will ensure mobile banking (where feasible), financial service providers or other methods are used that can provide a high level of assurance that funds reached the intended beneficiaries.
- f) The recipients will ensure that IFRs are properly reviewed and approved before submission to the Bank. In addition, IFR reported expenditures will not include advances other than those previously agreed with the Bank and disclosed in the IFR.

UNICEF:

- a) UNICEF ensures that the list of end beneficiaries is accurate, updated in a timely manner, and provided to the TPMs for sample reviews.
- b) UNICEF and the participating financial service providers will retain all relevant records evidencing all expenditures made from the Grant proceeds.
- c) UNICEF will ensure that each beneficiary will receive a printed receipt of the distributed amount indicating the: (i) payment date, (ii) beneficiary name, (iii) name of the intermediary, and (iv) the



exchange rate and in YER.

UNDP:

- a) UNDP finance and the Oversight and Support team (OST) teams will ensure that, arrangements are in place for funds to reach the legitimate beneficiaries and ensure that proper measures are in place to prevent double-dipping of activities.
- b) UNDP will ensure that the list of cash for works beneficiaries is accurate, timely updated and provided to the TPMs for sample reviews.

8. **Flow of funds:** The project will utilize the IFR method for the flow of funds to the two recipient agencies. The form and substance of the IFR report currently used under the ongoing project are acceptable and will be utilized under the AF2. Under Component 1, UNICEF will continue to use the flow of fund modality currently applied for Component 1 (Unconditional Cash Transfers). UNDP will use the Direct Implementation modality to the extent possible, to mitigate any risk associated with advances to IPs, by which funds will flow from the Bank to UNDP and then to the ultimate beneficiaries/recipients avoiding passing through intermediary accounts.

9. Both recipient agencies will exert all efforts to ensure that funds reach the ultimate beneficiaries with sufficient evidence provided.

10. UN agencies follow the UN monthly announced foreign exchange rate for recording purpose in their accounting system. UNDP monitors the performance of the commercial banks used to house and deliver projects' funds to ensure that the projects are receiving the most favorable rates.

11. UN agencies disburse in US\$ and the IPs obtain market rates based on market rates of daily market transactions through the Yemeni association for money exchangers. Implementing Partners follow the UNDP Guidance Note for Implementing Partners on exchange rates and ensure that the commercial banks they are contracting apply those rates.

12. In case the payment is made by the Implementing Partner such as SFD, the amount is transferred from the UNDP to the SFD in USD and the SFD converts the amount when the payment is made using the market rates for the north and the south as per the UNDP Guidance Note agreed with the Bank. In case the IP is a government entity at the decentralized level, the amount is transferred from the UN agency to the governorate office in YR as per the market rates following the UNDP Guidance Note and conversion is done by the UN agency.

13. Under Component 1 (UCT), the PC modality is as follows:

- a) Eight to nine days prior to the PC launch date, UNICEF will transfer the USD amount to the financial service providers based on the estimated needs in the north and the south.
- b) One week before the start of each PC, the rates at which the financial service providers will convert the USD amounts into YER for distribution to beneficiaries in the north and the south will be set equal to the previous day Currency Traders Association (CTA) rates in the north and the south.



- c) UNICEF will disburse US dollars to the financial service providers based on the SFD signed contracts with financial service providers²⁹. The disbursement will be based on the service providers provision of bank guarantee(s) to UNICEF in YER at the amount of eight percent higher than the amount calculated and the previous day closing exchange rate from the date of issuing bank guarantee(s) for the north referenced at <https://t.me/s/NewsExchange>. The guarantee(s) will be provided from UNICEF preapproved guarantor bank(s) from the north.
- d) The financial service providers will convert the USD amounts to YER for distribution to beneficiaries as per the contract terms and conditions and final payment list.
- e) If YER amount remains undisbursed at the end of the PC, the project funds should be returned to UNICEF account in USD at the exchange rate pegged at the start of the PC.
- f) Financial service providers are contracted through a competitive bidding process by UNICEF and the selected financial service providers will provide a detailed breakdown of operating costs (transaction fees), and explicitly separate the exchange conversion (FX) from any operational costs, including management of liquidity.
- g) UNICEF and SFD monitor each PC on a real time basis through the MIS and a daily progress report from the financial service providers is received by the project in addition to a final consolidated report after the PC is over.

14. **FOREX:** UNICEF and UNDP Implement the FOREX Strategy agreed with all UN agencies (reflected in the UNDP Foreign Exchange Guidance Note for Implementing Partners) that follows published market rates by the Currency Traders Association for both the north and the south respectively tightens the controls over FOREX transactions. For UNICEF and regarding the UCT Program in Yemen, UNICEF will adhere to the Enhanced Cash Transfer FX Mechanism which was agreed with the Bank in November 2022.

15. **Audit:** The project will be subject to the audit arrangements applicable to UNDP and UNICEF as per the FMFA. Both recipients will make the audited financial statements and accompanying reports available to the WB. They will retain (or cause to retain) all records evidencing all expenditures in respect of which withdrawals of proceeds were made.

Procurement

16. Similar to the ongoing project, the proposed AF2 will apply Alternative Procurement Arrangements (APA) utilizing the procurement regulations, rules, policies and procedures of UNICEF and UNDP. The main activities supported involve unconditional cash transfers (UCTs), cash for nutrition, cash for work, community assets and economic opportunities, and food market resilience under components 1 and 2. The proposed AF will procure a number of consultancy services and technical assistance to support project implementation including conducting participatory assessments of community assets and needs.

17. The Project, through the IPs supporting the UN agencies, SFD and PWP, will finance the costs of subprojects (that will be identified based on community needs and priorities) through contractors and

²⁹ This modality will only be applicable to the first PC under AF2. Thereafter, UNICEF will directly contract the financial service providers.



community members. The IPs[1] will carry out quotations for procurement and direct procurement following arrangements outlined in the POM that are consistent with UNDP[2] and UNICEF procedures. The IPs performance has been deemed satisfactory under the ongoing project (as well as under the Emergency Crisis Response Project which closed in March 2022) (P159053). No issues were recorded during the spot checks and audit activities conducted thus far.

18. Under Component 1, the project will finance the procurement of consultancy services including payment agency fees to deliver cash transfer benefits to beneficiaries, field facilitation and communication, operation of a grievance mechanism, and field monitoring. Component 2 will finance labor intensive community subprojects delivered by private contractors, through financing the costs of subprojects. Additionally, this component will provide support to Small and Micro Enterprises (SMEs), through financing grants, technical assistance, consulting services and operating costs from Small and Micro Enterprises Development (SMED) and Small and Micro Enterprise Promotion Services Agency (SMEPS). The component will include the procurement of civil works for small works to be implemented by local contractors or community contracting; goods and construction materials and related tools, that can be procured locally through local shopping, for sub-projects, and relevant consultancy services and technical assistances.

19. Component 3 will finance the costs of evaluation and capacity building of national institutions, communication services, audit activities, impact assessments and evaluations, consultancy costs for capacity building and contracting of Third-Party Monitoring agencies.

20. UNICEF and UNDP will prepare the Procurement Plans for the first 12 months of project implementation by negotiation; the Project Procurement Strategy for Development (PPSD) maybe deferred to implementation since this is an emergency operation. UNICEF and UNDP will monitor and report to the World Bank on progress to implement the procurement plans as approved by the World Bank to verify the completion of the procurement activities as part of the verification of the project's outputs.

21. The TPM agencies under the ongoing project were selected under UN- Long-Term Agreements (LTAs) and the UN agencies will continue using the current TPMs. In case of a need to hire a new TPMA, for each selection, the TOR or equivalent document, the names and summary of qualifications of the candidate entity(ies) recommended shall be shared by the recipient agencies for the Bank's review and approval. Third-Party Monitoring (TPM) services, procured by UNICEF and UNDP under the ongoing project, played a critical role in verifying project implementation results. With limited access inside the conflict-affected country and without World Bank footprint or missions in Yemen, the role of TPM is critical in verifying project results, assessing implementation quality, and collecting beneficiary feedback. The TPM services have been providing robust support towards the feasibility and quality of project implementation and supervision. Overall, the TPM performance and reporting standards have been adequate, and reporting is done in a timely manner. Report provided to the World Bank through the recipient agencies are comprehensive and detailed.

22. UNDP and UNICEF will be responsible for: (a) preparing and updating the Procurement Plans, (b) implementing the Procurement Plans as agreed with the World Bank, (c) providing procurement implementation progress as part of the project's bi-annual progress reports, (d) ensuring prescreening of

[1] Both SFD and PWP have detailed rules and regulations of all relevant procurement policies and procedures, which were assessed and accepted by UNDP.

[2] In the case where they are not consistent, the policies and procedures of UNDP and UNICEF will prevail.



companies/individuals before awarding any contract financed by the project against the World Bank’s lists of sanctioned or temporarily suspended companies (this includes ensuring that the Yemen Partners have procedures in place for such screening).

23. **IPs.** The implementation arrangements under the ongoing project will continue on this AF2. As the project is implemented by the UN agencies with support from SFD and PWP, the procurement procedures of these entities have been assessed and found acceptable to UNDP and UNICEF.

24. **The overall procurement risk is rated ‘High’** due to the potential risk of delay in implementation/supply because of the security situation in Yemen; in addition to the limited competition, unavailability of service delivery in Yemen, and the nature of project activities that might be affected by the situation on the ground in conflict and post-conflict zones. The residual procurement risk after applying the mitigation measures is considered ‘Substantial’.

Table 1: Procurement Risks

Risk Category	Procurement	Risk Assessment: Substantial
Risk description	<ul style="list-style-type: none"> ● Low market response and delays due to unexpected events such as break out of clashes. ● Difficulties with logistics, mainly importation, local transportation, and distribution arising from road closures and the need to obtain many security clearances from several political parties. ● Undue political interference that may evolve from engaging local implementing partner(s) and insufficient oversight from UN Agencies. ● Contractors’ low capacity to implement the project at community levels ● Fuel shortages/price increase that may lead to interrupted access to projects sites and/or temporary suspension of projects. ● Unfamiliarity of some local communities with the procedures of community contracting 	
Mitigating measures	<ul style="list-style-type: none"> ● The PPSD will outline the procurement approaches and what fits for purpose under this project. ● Recipient agencies to carry out advance coordination with the various political parties in Yemen to ensure smooth implementation/delivery. ● Recipient agencies to report frequently on progress of Procurement Plan implementation, supplemented by regular direct contact between the Bank team and the agencies to review the status of activities. ● The Bank will review and agree upon the Procurement Plans and their updates; in the case of hiring a new TPMA, the Bank will review the related TOR and summary of qualifications of the recommended candidate or entity prior to finalizing and signing the contract; and review TPMA reports and take actions as needed. ● IPs to build the procurement capacity of local contractors at community level. ● IPs under Component 2 to develop a formula to compensate contractors for losses incurred as a result of fuel shortages/price increase. ● IPs to provide the needed trainings for local communities on community contracting. 	