

Document of

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Report No: PAD5568

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF SDR 112.80 MILLION  
(US\$150 MILLION EQUIVALENT)

TO THE

UNITED NATIONS CHILDREN'S FUND (UNICEF)

(FOR THE BENEFIT OF THE REPUBLIC OF YEMEN)

FOR AN

Emergency Social Protection Enhancement and COVID-19 Response Project - Third  
Additional Financing (AF3)

May 31, 2024

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

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2024)

Currency Unit =

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0.75 SDR = US\$1

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US\$ 1 = SDR 0.75

FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
APA	Alternative Procurement Arrangements
CBA	Cost Benefit Analysis
CERC	Contingency Emergency Response Component
CfN	Cash for Nutrition
CfW	Cash for Work
COVID-19	Coronavirus disease of 2019
CT	Cash Transfers
ECA	Entry Criteria for Access
ESF	Environmental and Social Framework
ESCP	Environmental and Social Commitment Plan
ESMF	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
FM	Financial Management
FMFA	Financial Management Framework Agreement
FOREX	Foreign Exchange
FSP	Financial Service Providers
GBV	Gender-Based Violence
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
OIAI	Office of Internal Audit and Investigations (UNICEF)
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

RECA	Remaining Engaged during Conflict Allocation
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan
SFD	Social Fund for Development
SIA	Social Impact Assessment
SMED	Small and Micro Enterprises Development
SMEPS	Small and Micro Enterprise Promotion Services Agency
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
VSLAs	Village Savings and Loan Associations
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 - Third Additional Financing

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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-2026		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					Latest ISR
	06-Apr-2021	16-Nov-2021	19-Jul-2022	14-Sep-2022	12-Apr-2023	10-Dec-2023
Progress towards achievement of PDO	S	S	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S	S	S
Overall ESS Performance	MS	S	S	S	S	S
Overall Risk	H	H	H	H	H	H
Financial Management	S	MS	MS	MS	MS	MS
Project Management	S	S	S	S	S	S
Procurement	S	S	S	S	S	S
Monitoring and Evaluation	S	S	S	S	S	S



**BASIC INFORMATION – ADDITIONAL FINANCING (Emergency Social Protection Enhancement and COVID-19 Response Project - Third Additional Financing - P181468)**

Project ID P181468	Project Name Emergency Social Protection Enhancement and COVID-19 Response Project - Third Additional Financing	Additional Financing Type Restructuring, Scale Up	Urgent Need or Capacity Constraints Yes
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 13-Jun-2024	
Projected Date of Full Disbursement 31-Dec-2026	Bank/IFC Collaboration 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 checked="" 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 type="checkbox"/> Contingent Emergency Response Component (CERC)	

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				%



IDA	710.90	579.50	111.24	<div style="width: 84%; height: 15px; background-color: #4CAF50;"></div>	84 %
Grants				<div style="width: 0%; height: 15px; background-color: #9E9E9E;"></div>	%

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Emergency Social Protection Enhancement and COVID-19 Response Project - Third Additional Financing - P181468)**

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

**SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	710.90	600.00	1,310.90
<b>Total Financing</b>	710.90	150.00	860.90
<b>of which IBRD/IDA</b>	710.90	150.00	860.90
<b>Financing Gap</b>	0.00	450.00	450.00

**DETAILS - Additional Financing**

**World Bank Group Financing**

International Development Association (IDA)	150.00
IDA Grant	150.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
<b>Yemen, Republic of</b>	0.00	150.00	0.00	0.00	150.00
National Performance-Based Allocations (PBA)	0.00	100.00	0.00	0.00	100.00
Crisis Response Window (CRW)	0.00	50.00	0.00	0.00	50.00
<b>Total</b>	<b>0.00</b>	<b>150.00</b>	<b>0.00</b>	<b>0.00</b>	<b>150.00</b>



## 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 paragraph 22 of the Bank Directive 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. If the waiver is granted by the Board, the approval of any subsequent financing by the RVP within the envelope of up to US\$600 million under the AF3 as appraised will rely on such waiver subject to the confirmation that the conditions and grounds for granting this waiver still exist at the time of approval of such subsequent financing. This confirmation will be provided through the Project documentation prepared by the Task Team for RVP approval in accordance with standard ADM procedures. On this basis, the RVP will remain responsible for approving the subsequent financings upon ascertaining that the conditions and grounds for relying on this waiver have been met.

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.



**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	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

Poverty and Equity

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
Enagnon Ernest Eric Adda	Financial Management Specialist (ADM Responsible)		EMNGU
Amer Abdulwahab Ali Al-Ghorbany	Environmental Specialist (ADM Responsible)		SMNEN
Gina Cosentino	Social Specialist (ADM Responsible)		SMNSO
Ahmed Abdelaziz Faragallah Abdelnaby	Team Member		EFNFI
Andrianirina Michel Eric Ranjeva	Team Member		WFACS
Daria Goldstein	Counsel		LEGAM
Ebrahim Mohammed Yahya Al-Harazi	Team Member		ECRMN
Emeran Serge M. Menang Evouna	Team Member		SMNEN
Ghada Ahmed Waheed Ismail	Team Member		EMNF1
Jeremy Mark Tomlinson	Team Member		SMNSO
Juul Pinxten	Team Member		HMNSP
Marie Agnes Ndour Huchard	Team Member		HMNSP
Maya El-Azzazi	Team Member		HMNSP
Omar Mohammed Ahmed Al-Aqel	Team Member		EMNF1
Randa G. El-Rashidi	Team Member		HSASP
Wael Ahmed Elshabrawy	Team Member		EMNGU

### Extended Team

Name	Title	Organization	Location
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## 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\$710.9 million equivalent grant out of Yemen’s International Development Association (IDA) 19 Performance-Based Allocation (PBA), was approved on December 17, 2020, for the original grants; March 30, 2022, for the first Additional Financing (AF); and March 24, 2023, for the Second Additional Financing (AF2) respectively, and largely builds on the design of the predecessor operation – the Emergency Crisis Response Project (ECRP). The project builds resilience of poor households by providing immediate support to food insecure households through unconditional cash transfers (UCTs) and by investing in 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 for the benefit of Yemen 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 targets food-insecure households and focuses on interventions that are most effective at addressing food insecurity in areas highly vulnerable to climate change shocks.** The project was conceived during the Coronavirus 19 (COVID-19) outbreak, and while it addresses the effects of the protracted conflict, it sought to address the effects of the pandemic on poor and vulnerable households. The project also relies heavily on the support of local institutions/implementing partners (IPs), such as SFD and PWP, with a demonstrated delivery record, neutrality, operational ability, and mandate to work across the country. Given continued short-term food security needs, much of the project funds are used to provide UCTs to vulnerable households, including Social Welfare Fund (SWF) beneficiaries that are most at risk of malnutrition. For vulnerable people that can 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. 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 Project continues to make strong progress against a highly volatile political and security backdrop.** The last implementation status and results report (ISR) (November 2023) rated Overall Implementation Progress



and Progress towards achievement of the PDO satisfactory. The project's performance is satisfactory for environmental and social (E&S), moderately satisfactory for financial management (owing to the fragile and high-risk of operating in a conflict-affected country), and satisfactory for procurement. Overall disbursements under the project currently stand at US\$579.50 million out of the total Grant amount of US\$710.90 million (84 percent disbursement). Of this amount, US\$460.67 million out of US\$478 million was disbursed under Component 1 (UCTs) and Component 3.1 (Project Support, Management, Evaluation, and Administration); while US\$118.83 million out of US\$232.90 million was disbursed under Component 2 (Geo-Focused support to reduce food insecurity and malnutrition) and Component 3.2 (Project Support, Management, Evaluation, and Administration).

5. **Fiduciary Compliance.** The ongoing project is complying with all fiduciary requirements under the Financial Management Framework Agreement (FMFA). Interim Financial Reports (IFRs) are received from UNICEF and UNDP 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, UNICEF has implemented seven payment cycles (PC) since project effectiveness. Several work-related incidents have been reported to the Bank. Incidents include motorcycle or vehicle road accidents while staff are performing their duties, threats towards project staff during implementation, and incidents involving cash recipients and project workers, among others. UNICEF and SFD have a robust mechanism in place by which all incidents are systematically reported, investigated, and followed up to ensure a satisfactory resolution in line with the project's Environmental and Social Commitment Plan (ESCP). The project also has a functional and accessible Grievance Mechanism (GM) which collects, analyses, and resolves complaints throughout implementation. Under Component 2: Geo-Focused support to reduce food insecurity and malnutrition, UNDP and the IPs E&S performance has been satisfactory. Similarly, several incidents (mostly minor and moderate) were reported. These are mostly a result of failing to follow health and safety measures by project staff. No severe incidents have been recorded under this component.

7. **Component 1: Unconditional Cash Transfer (UCT). Under this component, which UNICEF implements, significant progress has been made with the completion of seven payment cycles to SWF beneficiaries.** Under Subcomponent 1.1: Cash Transfers, seven PC's have, on average, reached 1.43 million poor and vulnerable 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 the following top three categories - food (82 percent); repaying debts related to food, healthcare, and utilities (65 percent); and healthcare (28 percent).

8. Under Subcomponent 1.2: Digital Payment Pilot and Financial Literacy, preparatory analytical and operational activities carried out in 2023 have allowed for the successful implementation of digital payment options across eight districts in Yemen.<sup>1</sup> The World Bank completed an analytical assessment on the government-

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<sup>1</sup> Six districts were targeted, but two additional districts were added to ensure adequate representation of different contexts and to mitigate potential implementation challenges.



to-person (G2P) payments landscape and overall feasibility of implementing digital payments for the UCT<sup>2</sup>, the findings of which were leveraged by UNICEF in its assessment of digital payment options across three financial service providers (FSP). As of January 2024, 6,300 households successfully opened e-wallets and had access to benefits via their mobile phones within the first two days of the PC. During PC7, an additional 8,000 households registered for receipt of their benefits via e-wallets. Given the success of the pilot, additional expansion of digital payments is proposed with efforts focusing on developing behavioral change communications to raise financial literacy amongst UCT beneficiaries.

9. **Component 2: Geo-Focused support to reduce food insecurity and malnutrition. Notable progress has been made under this UNDP-implemented component.** To date, 85,976 households, against a target of 106,500 have received cash assistance and have started benefiting from awareness sessions on nutrition (including 92,674 women [5,763 from the SWF], and 137,707 children). The project has also generated temporary employment and reached 53,596 direct beneficiaries out of a target of 155,208, including 12,519 women. As a result of the project's interventions, 773,171 people have accessed basic services, against a target of 1.12 million (386,586 women). The number of MSME's supported by the project with grants stands at 4,898 against a targeted 10,009; and the number of people provided with access to improved sanitation services to reduce water-borne diseases is 57,001 out of a target of 272,845. Under this component, and as envisaged in the design of the AF, the Bank and implementing entities have been operationalizing the geo-focused bundles of interventions approach, including the selection and allocation of funds across 18 governorates, 54 districts, and 87 subdistricts.

10. The project has played a key role in enhancing the capacities of SFD, PWP, and the Small and Micro Enterprise Promotion Services Agency (SMEPS) at the national level, and the delivery of project-supported interventions will not be affected from an institutional perspective when the project closes. It is also important to note that the project's activities heavily rely on regular IDA replenishments. Therefore, the long-term financial sustainability of these activities needs to be addressed within the country's post-conflict fiscal consolidation.

### C. Rationale for Additional Financing

11. The conflict in Yemen, now in its tenth year, continues to make Yemen one of the poorest and most food-insecure countries in the world, with extreme levels of multi-dimensional deprivations. Widespread conflict, severe economic decline, food insecurity, frequent flooding, drought exacerbated by climate change, and the 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 price increases, fewer people can meet their basic needs, and many are dependent on humanitarian assistance. Funding from the donor community has seen a pronounced decline since the beginning of 2022.<sup>3</sup> The aftermath of Russia's invasion of Ukraine, which has exacerbated global food shortages, has impacted many households in Yemen as food and fuel prices 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 needed some form of humanitarian assistance

<sup>2</sup> Completed in June 2023 under a financial and private sector ASA (P177631).

<sup>3</sup> By August 2023, the Humanitarian Response Plan had seen only 31.2 percent of the USD 4.34 billion needed in funding, resulting in drastic and concerning cuts to aid, impacting the most vulnerable in Yemen, reliefweb (September 2023) <https://reliefweb.int/report/yemen/joint-statement-yemen-humanitarian-situation-and-funding-gap-enar>



in 2023<sup>4</sup>. Of those, 11.1 million are children. The food insecurity crisis will be further exacerbated by the World Food Programme (WFP) decision in December 2023 to pause their General Food Assistance program, which will impact 9.5 million people in northern Yemen. Further, the recent Red Sea conflict, will likely have ramifications on supply chains and food security.

12. Approximately 17.3 million people are estimated to face acute food insecurity due primarily to affordability rather than availability. Malnutrition figures remain among the highest in the world, with around 1.3 million pregnant or breastfeeding women, and 2.2 million children under five requiring treatments for acute malnutrition.<sup>5</sup> One in two children has no access to safe drinking water. Furthermore, an estimated 4.5 million people are internally displaced. The Yemen Joint Monitoring Report<sup>6</sup> models that 2.5 million people in Yemen are at risk of further deterioration of food insecurity status to an emergency level (December 2023). Another challenge for Yemen is the influx of migrants from the Horn of Africa.<sup>7</sup> The country's limited resources and capacity are stretched to accommodate the needs of both the local population and incoming migrants. This has led to increased competition for jobs, housing, and public services, which is further exacerbating social tensions. Adding to chronic poverty and acute conflict conditions, natural disasters are testing the coping capacity of Yemen's vulnerable population. The 2023 rainy season, which started in mid-March, severely affected communities across Yemen, causing multiple fatalities and injuries and affected thousands of households. The frequency of climate-related shocks has increased, with Cyclone Tej's devastation in October 2023 being the most severe catastrophe. 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 healthcare.

13. The proposed expanded project scope is designed to support activities that Yemen will need to tackle during the ongoing crisis, with an aim to accommodate both available and future financing over the immediate- and short-term. This proposed "Framework Approach" is designed and appraised within an overall envelope of US\$600 million. Initial available IDA financing of US\$150 million will be utilized out of Yemen's combined Performance Based IDA and Remaining Engaged during Conflict Allocation (RECA) allocation and Crisis Response Window (CRW) and will be allocated to Component 1 (and Component 3.1) which UNICEF implements for the benefit of Yemen, with the support of SFD. Authorization is also being sought from the Board for the remaining amount and up to US\$350 million<sup>8</sup> of IDA financing for the Project. Any subsequent phases of IDA financing to the project within the Board-authorized envelope will be approved by the Regional Vice President (RVP) and notified to the Board. This authorization will be valid for the duration of the project. Approval of any subsequent phase by the RVP assumes broad continuity of the operating environment at the time of Board approval and continuous capacity of UNICEF and UNDP to implement the Project in such environment. This framework approach will provide a platform for donor coordination and improved flexibility and efficiency in responding to the country's needs.

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<sup>4</sup> Humanitarian Need Overview: Yemen, OCHA, January 2023.

<sup>5</sup> World Food Programme (WFP), November 2023

<sup>6</sup> The JMR is produced by a core development team consisting of members from ACAPS, FAO, UNICEF, WFP, WHO, and the World Bank.

<sup>7</sup> 2023 saw over 90,000 migrants arriving in Yemen, UNOCHA, 2023

<sup>8</sup> US\$100 million is expected to be mobilized through donor financing.





14. The "Framework Approach" introduced through AF3 simplifies the process of moving from available financing (US\$150 million) to the target financing of US\$600 million without requiring changes to the project design, rendering processing more efficient. Project components are designed to achieve results within the available financing and can easily absorb additional resources as they become available. This approach allows for sustaining activities while introducing innovations and presents an opportunity to strengthen strategic partnerships with donor partners in Yemen. It allows for the efficient absorption of resources from both IDA and partners, with a funding ceiling of up to US\$600 million for activities planned from 2024-26. Around US\$500 million of IDA financing is expected to be available during the three-year period, including the US\$150 million committed through AF3. It is also anticipated that US\$100 million out of the US\$600 million will be mobilized through strengthening strategic partnerships with donors. The Bank's Yemen Resilience, Recovery and Reconstruction Trust Fund (Yemen Fund), plays a critical role in facilitating this financing under the framework.

15. Any further expansion in project scope (or an increase in IDA financing beyond the US\$500 million) would entail approval by the Board of Executive Directors of an AF and/or restructuring to scale up the project. Furthermore, should mobilization of anticipated resources prove more difficult than anticipated, efforts to identify additional resources will be intensified, or, alternatively, the project will be restructured. The US\$600 million is considered sufficient to sustain the program at a reasonable level of ambition and would sustain the expansion of the geo-focused support to reduce food insecurity and malnutrition.

16. The initial financing through AF3 will prioritize the continuation of UCTs to poor and vulnerable households while Component 2 (Geo-Focused support to reduce food insecurity and malnutrition) implemented by UNDP, will be financed under subsequent AFs as the ongoing grants have available balances until the end of calendar year 2024. AF3 will thus continue to provide immediate relief and increase resilience to food insecurity and malnutrition in the face of multifaceted shocks facing the population today. AF3 also proposes to facilitate a transition to affordable and sustainable solutions in Social Protection, Community Driven Development and Small and Micro Enterprise promotion.

17. Yemen is facing a shortage of resources for development and humanitarian activities, making it unaffordable to maintain IDA financing at previous levels of the project. Design changes are needed, particularly for the UCT program. While the UCT program benefits 29 percent of households in Yemen, it lacks sufficient benefits as it only covers a small portion of the cost of the basic food basket and uses an outdated beneficiary list. The project design will be aligned with available resources indicated in the 2024-2026 financing framework. This will involve resolving the trade-off between coverage and benefit amount and addressing the benefit adequacy by targeting the most vulnerable households, incorporating shock-responsive features, and improving coordination with other social protection and food security-focused humanitarian programs.

18. While there is limited donor interest in regular CT financing, some donors are amenable to providing co-financing toward incorporating shock-responsive features into these programs. AF3 has thus introduced a new subcomponent 1.3 - "Microwork for Youth," which aims to provide income-generating opportunities for youth in UCT beneficiary households. Although initially a small-scale activity, it is expected to provide valuable insights for future youth programming, which can be scaled up provided a political settlement is reached. Microwork, which connects Yemeni youth to job-equivalent earning opportunities on digital platforms beyond the country's borders, is a cutting-edge approach to development in an increasingly digital world, tailored to the low-skill realities of Yemen and overcoming constraints related to domestic job creation in conflict-affected areas.



19. **The proposed expanded project is aligned with the World Bank Group’s (WBG) global, regional, and country strategic objectives.** The project is aligned with the World Bank’s mission to end extreme poverty and boost prosperity on a livable planet. The project also contributes to the WBG’s Middle East and North Africa (MENA) Strategy’s 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 support for basic service delivery and human capital preservation. Furthermore, the project is aligned with the WBG Gender Strategy (FY16-23) and contributes to its strategic objective 3 of removing barriers to women’s ownership and control of assets. 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. Finally, the Project is aligned with the World Bank’s Fragility, Conflict and Violence (FCV) Strategy for 2020-2025, particularly pillars 2 (Remaining Engaged during Crises and Active Conflicts) and 3 (Helping Countries Transition out of Fragility).

20. **The project meets the criteria under which IDA can directly finance third parties within the IDA20 RECA priorities<sup>9</sup>.** Specifically, on the criteria of *demonstrated value added by IDA*, the project will continue to deliver support to vulnerable populations affected by food insecurity because of the 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. The UCT component will continue providing poverty CTs to vulnerable households. On the criteria pertaining to *strengthening local systems*, the 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 goal of working directly with credible institutions, such as SFD and PWP, as IDA recipients and preserving their programs and systems that are critical for supporting current needs and post-conflict recovery. In addition to the engagement of SFD and PWP, through the project, the Bank also convenes and advocates with other donors of these critical institutions to mobilize 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.

## II. DESCRIPTION OF ADDITIONAL FINANCING

21. 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 AF3. The operation also follows Condensed Procedures provided for in paragraph 56 of Section III of 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 Republic of Yemen is deemed by the Bank to be in urgent need of assistance because of conflict; and experiences capacity constraints because of fragility or specific vulnerabilities. The

<sup>9</sup> World Bank, IDA19 Deputies Report, Annex 3, pg. 102.



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, climate related shocks, along with the effects of Russia’s invasion of Ukraine, and more recently, the conflict in the Middle East, which have all led to a situation of severe economic distress.

22. **Proposed Changes.** AF3 will introduce the following revisions to the project: (i) Component 1 (UCTs) will introduce a new subcomponent to pilot microwork for youth activities (Subcomponent 1.3 – ‘Microwork for Youth Pilot’). The planned activity aims to provide digital upskilling training to low-income Yemeni youth and link them to microwork opportunities (see Annex 2); (ii) Subcomponent 1.2 will be renamed as follows: Digital Payment, Financial Literacy, and UCT Design Enhancement; (iii) new PDO level indicators are introduced to further enhance project monitoring, while new intermediate results indicators will be introduced to measure the impact of subcomponent 1.3 as well as revisions across results indicators for all project components to reflect additional funds; and (iv) once additional financing for Component 2 is available, the project will finance capacity building of local IPs and the informal community structures being established or strengthened under the geobundling approach<sup>10</sup>.

23. **Implementation Arrangements.** The proposed expanded project will continue to be implemented by UNICEF and UNDP under the FMFA. Like the ongoing project, UNICEF and UNDP will enter into contractual agreements and grant provisions with SFD and PWP to support implementation of project activities. In a context of increasing restrictions and interferences affecting the operational space for effective aid delivery in Houthi-controlled areas, Entry Criteria for Access (ECA)<sup>11</sup> will be introduced and incorporated into the Project Operations Manual (POM) to ensure close monitoring of the local conditions under the project and responsive implementation adjustments.

#### A. Project Development Objective (PDO)

24. 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”*.

#### B. PDO Level Indicators

25. The PDO will be monitored through the same PDO-level outcome indicators as the ongoing project. Indicator targets will be increased, and two new PDO-level indicators will be added. Revisions and additions will

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<sup>10</sup> By implementing several capacity-building and citizen engagement initiatives, the project's current community participatory mechanisms—the Tamkeen community governance structures at the village and sub-district levels—will be gradually improved. The goal is to increase social cohesion, local transparency and accountability, and resilience to conflict within the community and the project.

<sup>11</sup> Criteria related to female mobility, data collection, targeting, procurement, and independence of local IPs together with detailed implementation arrangements will be developed as part of the POM that will be updated by UNICEF no later than six months after Effectiveness Date (PC2 of the AF3, as described in the Agreed Minutes of Negotiations).



also be introduced to intermediate-level indicators to enhance the results framework as well as measure new activities under the project.

### C. Project Components and Costs

26. Project components will largely follow those of the ongoing project. Components will be increased to reflect the proposed US\$600 million under the Framework Approach. Annex 4 provides details of project cost simulations. A detailed description of project components is presented below.

#### **Component 1: Unconditional Cash Transfers** [*Total: US\$442.5 million / Initial Financing: US\$140 million (IDA)*]

27. **Under the proposed AF3, Component 1 will aim to finance two PCs in 2024 (with the initial available financing).** 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 most beneficiaries were verified by UNICEF upon assuming the CT program in 2017, under the IDA-funded ECRP. The beneficiary list continues to be the baseline beneficiary list. To date, the project has typically reached 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.

28. Component 1 will continue to finance the UCT related delivery costs and costs associated with the digital payments, financial literacy and UCT design enhancement, and microwork for youth 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, costs of implementing field facilitation and outreach activities, and grievance collection and redressal; and SFD’s operating costs. During the upcoming implementation period, partners sustaining the UCT program in consultation with the authorities and other stakeholders, will work toward redesigning the UCT program, to align it with realistic and sustainable financing going forward, and to navigate the program towards the best practices of international safety net CTs.

29. During the 2024-26 framework period, plans for retargeting beneficiaries will be developed and, conditional on successful stakeholder engagement, will be implemented to correspond to available financing with targeted provision of adequate social protection to the most vulnerable households. Critical dimensions of the expected UCT design changes include (i) development of roadmap to identify the technical methodology for retargeting as well as the processes required to ensure leveraging political and social factors required to enable this work; (ii) aligning the coverage–benefit amount trade-off with realistic and sustainable financing towards the program, (iii) adding shock-responsive features, (iv) revising the beneficiary list to better prioritize households in highest need and vulnerable areas, and (v) improving interoperability with large food security and social protection humanitarian programs operating in Yemen.

30. AF3 will continue efforts implemented under AF2 to advance the digitization of UCT payments gradually, allocating resources for continued expansion while adjusting the implementation design to allow for further learning. With ID ownership and digital financial literacy being the largest hurdles to overcome in a transition to digital payment modalities, AF3 will continue to include incentives in addition to the UCT base benefit while



leveraging UNICEF, SFD and Financial Service Providers (FSPs) in raising digital financial literacy amongst UCT beneficiaries in pilot districts and beyond.

*Subcomponent 1.1: Unconditional Cash Transfers [Total: US\$395.70 million / Initial Financing: US\$131.50 million]*

31. **This subcomponent finances the continued delivery of targeted UCT benefits to vulnerable beneficiary households.** Prolonged IDA financing towards poverty targeted national coverage of the UCT program benefiting some 29 percent of the population, is a development imperative, while intensified efforts improve the sustainability and benefit adequacy of the program based on broader collaboration between development partners. Under the Framework Approach, the project will aim to continue the delivery of two-three PCs each year from 2024 until 2026.

32. **The project 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 GM awareness. The latest TPM report indicated that the project continues to be successfully delivered and highlighted some key findings, including that almost all (98 percent) surveyed beneficiaries were either highly satisfied or satisfied with the project<sup>12</sup>. 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 of home outreach service and only 29 percent of beneficiaries were aware about calculation of the benefit amount under the FOREX strategy. These are recurring issues that UNICEF and SFD have been working to resolve. TPM findings also indicated high levels of satisfaction of GM services among beneficiaries: 98 percent of beneficiaries were highly satisfied or satisfied. To further improve awareness and functioning of the GM, SFD has expanded the size of the case management team and increased efforts to boost awareness of the GM channels available to beneficiaries.

*Sub-component 1.2: Digital Payment, Financial Literacy and UCT Enhancement [Total: US\$37.3 million / Initial Financing: US\$8.00 million]*

33. **This subcomponent will continue to finance and evaluate a gradual transition toward digital payments, including support for acquisition of national IDs, boosting financial literacy, and developing a roadmap to enhance UCT design.** The economic rationale for offering digital payment options for UCT beneficiaries, as outlined briefly in the economic analysis section as well as in the AF2 Project Paper (PAD5311), provides a solid foundation to continue expanding digital payment options. Furthermore, as indicated in World Bank and UNICEF reports<sup>13</sup>, TPM reports from PC5 and PC6, and pre-pilot preparatory activities in eight districts conducted by UNICEF and SFD, there is ample beneficiary demand and adequate institutional capacity to expand digital payment options for beneficiaries. In the pre-pilot preparatory activities, over 40 percent of UCT beneficiaries in pilot districts expressed interest to switch to digital payments. Accordingly, the proposed expansion in AF3 will cover 26 additional districts in PC8 and PC9, to allow for additional learning ahead of more extensive e-wallet

<sup>12</sup> TPM TOR and methodology remain sound and acceptable to the Bank. Given the high-risk environment in Yemen, UNICEF is also conducting additional spot checks on TPM results to confirm reliability of findings.

<sup>13</sup> Feasibility for digital payments under the UCT has been documented in a World Bank FCI and SPJ report “Digital payments G2P Payment Landscape Assessment” (June 2023) and reflected in a UNICEF report “Digital Payment Solutions for UCT recipients in Yemen” (September 2023) as part of a disbursement condition for the digital payments pilot.



opening between 2025 and 2026. In 2024, development of financial literacy materials and supporting the acquisition of national IDs for UCT beneficiaries will enable a more rapid expansion in subsequent years. The latter activity will also include registration to enable adjustments to the beneficiary list.

34. **The gradual expansion of digital payments in 2024 will evaluate multiple alternative delivery models, and the optimal model will then be used for a rapid expansion between 2025 and 2026.** The expansion is driven by incentive payments to encourage beneficiaries to switch to digital payments. By doing so, implementation costs are reduced, service quality and fiduciary controls are enhanced, and digital transformation in Yemen can be accelerated. The incentive payments aim to address the issue of affordability and encourage voluntary switching. Essentially, the incentive payment must be high enough to compensate for the costs that households incur when switching to digital payments. To achieve this, the expansion of the pilot program will consider different factors, such as the possession of national ID and SIM cards and will offer incentive amounts accordingly. The pilot expansion will also assess total incentive amounts and variations in how often the incentives are delivered. Key challenges and mitigation measures related to the expansion of digital payments, including support to ID provision, and building financial literacy, are detailed in Annex 1.

35. Under this activity, a targeting approach and an operational pathway will be rolled out with the aim of updating the beneficiary list. This will be evaluated in the first half of 2024. Adjusted targeting, whichever method is chosen, would eventually lead to a nationwide registration activity, which would also support the provision of national IDs and opening of e-wallets, as described above.

*Sub-component 1.3: Microwork for Youth Pilot [Total: US\$9.5 million / Initial Financing: US\$0.50 million (IDA)]*

36. **Subcomponent 1.3, newly added to AF3, will target youth from UCT beneficiary households.** The total allocation for implementing this sub-component is approximately US\$9.5 million over a three-year period under the Framework Approach. It is envisaged that future financing for this sub-component will be covered through trust funded resources by mobilizing donor funding. Under AF3, the allocation for subcomponent 1.3 is US\$500,000 and will be financed out of the IDA Grant.

37. The pilot will target two districts (Attawahi and Al Mualla) in Aden where UCT, Cash+, and digital payments are being offered through the project. These districts are selected based on the presence of other program activities, which facilitates access and lowers costs. The microwork pilot will leverage ongoing interventions and capacities from UCT digital payment, cash+, and youth with disabilities to target and implement the skilling and microwork interventions. This sub-component serves as both an adaptive response to the high youth unemployment rate<sup>14</sup> and an innovative solution to the economic limitations imposed by the country's fragility and the ongoing conflict. By connecting Yemeni youth to global microwork opportunities, employment opportunities are decentralized, ensuring income generation is not solely reliant on a local private sector with limited employment opportunities.

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<sup>14</sup> Youth unemployment rate stood at 25 percent in 2022 for the 15–24-year-old bracket according to the International Labor Organization (International Labor Organization (ILO)) data.



38. This sub-component will finance the implementation of digital skills training for microwork employment, designed as a productive inclusion (PI) program. Specifically, activities will include (i) youth profiling and a market assessment for microwork opportunities, (ii) developing a tailored training program on the minimum requirements of digital literacy skills, advanced IT skills, distribution of devices to implementing agencies (no ownership by beneficiaries); and access to training centers, (iii) mapping employers, identifying microwork opportunities, and connecting beneficiary youth, and (iv) designing and implementing a monitoring and evaluation program to assess implementation and measure the impact of the program on employment and earnings. This sub-component aims to provide training to a targeted 7,000 beneficiaries, between the ages of 18-35, while ensuring that 50 percent of these beneficiaries are female. It is expected that at least 3,500 individuals will be offered income-generating activities. Beneficiaries will be selected through a mixed approach with specific eligibility and selection criteria (e.g., to be a UCT beneficiary, which will keep the pilot focused on vulnerable and low skilled beneficiaries) (see Annex 2).

**Component 2: Geo-Focused support to reduce food insecurity and malnutrition (implemented by UNDP, with SFD and PWP as IPs).** *[Total: US\$100.7 million/ Initial Financing: US\$0]*

39. Component 2 is envisaged to receive additional funding upon availability of IDA resources in the form of subsequent AFs to the project under the Framework Approach. Brief descriptions as well as anticipated targets are presented below.

*Sub-component 2.1: Cash for Nutrition (CfN) (SFD) [Total: US\$19.70 million/ Initial Financing: US\$0]*

40. **This sub-component, implemented by SFD, will continue to finance cash support and complementary services for households with mothers and children at risk of malnutrition in selected communities.** The CfN subcomponent will continue targeting pregnant/lactating women, children under five, and mothers with children with disabilities up to the age of 17 in governorates to be identified through the geo-bundling targeting process. It will also support non-SWF households in the selected communities where pregnant/lactating women or their children under five are malnourished.

41. This sub-component will finance CTs to beneficiary households (mothers are the recipients) for six months for all women who meet the criteria, and for 12 months for mothers with children suffering from malnutrition. It will benefit an additional 25,943 beneficiary households (of which 1,600 are SWF beneficiaries), including 27,500 females and 38,500 children. 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. Activities 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), including support to grow and prepare nutritious foods (provided under the Food Security Response and Resilience Project) (FSRSP), and parallel support to the CfN (women headed households and People with Disabilities (PWDs)) (provided by the Foreign, Commonwealth and Development Office) (FCDO). The sub-component will finance CTs, cash for nutrition services, trainings, consulting services, bank fees, and SFD's operating costs.

*Sub-component 2.2: Cash for Work (SFD) [Total: US\$26.30 million/ Initial Financing: US\$0]*



42. **This sub-component will finance labor-intensive community subprojects.** It will continue to finance the cash for work (CfW) program implemented by SFD using a geo-focused bundle of interventions to increase impact. It 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;<sup>15</sup> and (iii) access to markets (e.g. road rehabilitation). Under geo-bundling, Tamkeen participatory community structures will be adopted where available and will involve IP coordination to ensure a unified and streamlined community mobilization effort. Activities must be labor-intensive (i.e., with a wage intensity of at least 50 percent of the total cost), and subprojects must be identified and implemented by the selected communities in a participatory and demand-driven manner with a gender-sensitive focus.<sup>16</sup> Community workers will be selected based on self-targeting and will be paid slightly below the prevailing market wage (to ensure that only the neediest workers apply and manage oversubscription) in line with the best practices of CfW and public works programs. This sub-component is expected to create employment for an additional 67,432 workers. It is expected to benefit an additional 326,330 households with access to services, (of which 50 percent are females). 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).

43. **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.

44. **Guidance for 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.

45. **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 (2.2 and 2.3) 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's Environment and Social Framework (ESF).

*Sub-component 2.3: Community Assets (PWP) [Total: US\$26.30 million/ Initial Financing: US\$0]*

46. **This sub-component will continue financing community-identified subprojects that improve small-scale infrastructure and access to services (community assets) and will be implemented by PWP.** This subcomponent

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<sup>15</sup>Women 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.

<sup>16</sup>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 (Food and Agriculture Organization (FAO), 2018).





will continue to rely primarily on private contractors for implementation due to the nature of the financed interventions, which are frequently technically complex and require more mechanized and skilled labor (e.g., construction of new water harvesting reservoirs, concrete water irrigation channels, weirs, and small dams). The interventions are therefore less labor intensive (35 percent) and can employ workers from outside of the community (up to 50 percent). As the project mainstreams geo-focused bundling of Component 2 interventions under the expanded project, PWP will continue to build upon and extend recent success in utilizing a “community contracting” modality for subproject implementation, entailing enhanced participation by community members, as well as strengthening the inclusion of vulnerable groups and women across community assets interventions more broadly. Finally, PWP will evaluate options for extending the menu of subprojects offered to better respond to (i) climate adaptation and resilience needs at the local level, as well as (ii) local development priorities identified within community investment plans (if available). Together, these features support the broader commitment of the project to invest more explicitly in community resilience under geo-focused bundling, which shall occur through a unified, well-coordinated approach involving Component 2’s IPs.

47. Until AF becomes available to support this subcomponent, activities will be financed by remaining resources available under the AF and AF2. Upon availability of additional resources, this subcomponent is expected to benefit an additional 17,322 direct beneficiaries of wage employment (including 520 females), 103,932 indirect beneficiaries, increased access to basic services for a further 130,330 people, 47,969 cubic meters of water schemes constructed or rehabilitated, 1,663 hectares of agricultural land rehabilitated, and 104 km of roads improved.

*Sub-component 2.4: Economic opportunities and food market resilience [Total: US\$28.40 million/ Initial Financing: US\$0]*

48. **This subcomponent, which will continue to be implemented by SFD and its subsidiaries (Small and Micro Enterprise Development (SMED), and Yemen Loan Guarantee Program (YLG)) and SMEPS, aims to bolster small and medium enterprises (SMEs) that enhance local food security and nutrition in selected geographic areas.** The subcomponent will finance grants for entrepreneurs and businesses presenting innovative, feasible ideas addressing market failures to enhance rural commerce and market linkages. This subcomponent supports SMEs by leveraging and bolstering market-based mechanisms to guarantee long-term sustainability. Additional support under this subcomponent will include:

- a) **Fostering new SMEs and providing support to existing enterprises, food cooperatives, and business associations involved in food production, storage, distribution, and nutrition- and health-related services.** (US\$16.2 million, implemented through SMEPS). The additional activities include (i) entrepreneurship training and support scheme to create 670 new revenue-generating activities, including grants and TA; (ii) provide TA and matching grants to 500 existing conflict-affected SMEs, including five business incubators, 10 food cooperatives, and 10 lead firms in target sectors to enhance market linkages, connect producers with consumers, and facilitate value chain development; (iii) provide direct technical and financial support to enhance the resilience of 2,950 small-scale farmers, and support the formation of 20 producer groups for value addition, joint marketing, resource-sharing, and produce aggregation; and (iv) provide financial and technical support to 20 business associations in the target sectors directly and through the Yemen private sector cluster. At least 30 percent of SMEs



will be owned or run by women, and around 9,675 new seasonal and permanent wage employment will be created by the supported SMEs.

- b) **Enhance SMEs' access to finance through indirect support by boosting Micro-Finance Institutions (MFIs) lending capabilities (implemented by YLG) with a budget of US\$5.4 million.** This activity aims to facilitate sustainable recovery and growth of conflict-affected SMEs by implementing a partial guaranteed scheme with MFIs, encouraging them to extend credit to SMEs with guarantee coverage of 70 percent for male-led SME loans and 90 percent for female-led loans. The additional funding will increase the capitalized amount by US\$5 million, totaling US\$9.84 million. The new capitalization will enable YLG to guarantee an additional 3,700 loans for SMEs, expanding the scope of female-led SMEs to cover all income-generating activities. Two additional MFIs will access the YLG portfolio guarantee scheme. At least 30 percent of SMEs will be female led.
- c) **Fostering financial inclusion in rural communities and empowering women and IDPs through startup grants and TA (US\$6.8 million, implemented through SMED).** The activity will continue to support the establishment of Village Savings and Loan Associations (VSLAs) to promote financial inclusion and rural enterprise development including the creation of 500 self-managed VSLAs through capacity building and training. A revolving loan fund will be created for VSLAs to provide interest-free loans for startup businesses in rural communities. These activities will benefit an additional 11,000 beneficiaries, support the establishment of 3,500 SMEs, and generate 7,000 job opportunities. The initiative will also empower female entrepreneurs and IDPs through startup grants and TA (including entrepreneurship, vocational, and business management training for 1,000 individuals, creating 300 new SMEs and income-generating activities)<sup>17</sup>. The initiative will generate 900 job opportunities and enhance the employability and income-generating opportunities of 700 individuals who received entrepreneurship and skills training.

**Component 3: Project Support, Management, Evaluation, and Administration** [Total: US\$56.7 million/ Initial Financing: US\$10]

49. Component 3 will continue to 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; and Sub-component 3.2 for Component 2, administered by UNDP. This component will finance the following activities and associated costs: direct and indirect costs of recipient agencies (UNICEF and UNDP); TPM costs under each component; capacity building for SFD, PWP, and SWF; project evaluations; as well the costs of implementing ESF requirements. Initial financing of US\$10 million will be allocated to subcomponent 3.1.

**Component 4: Contingent Emergency Response (CERC)** [Total: US\$0 million/ Initial Financing: US\$0 million]

50. In the event of an eligible crisis or emergency<sup>34</sup>, the project will contribute to providing an immediate and effective response to said crisis or emergency. This component would draw from uncommitted funds under the

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<sup>17</sup> The focus is on IDPs and women-led startups in activities related to enhanced food security and nutrition, particularly sustainable agribusinesses, small-scale food processing, production, distribution, and related services in priority sectors.



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.

51. **Project Beneficiaries.** In line with the project, AF3 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 per year to a targeted 1.5 million households (about 9.35 million people) from the SWF beneficiary list. Under the Framework Approach, and starting in 2025, Component 2 is expected to benefit an additional 25,943 households with cash for nutrition support, 67,432 direct beneficiaries of wage employment, 326,330 people with access to basic services, support to 9,000 MSMEs, and provide 60,000 people with access to improved sanitation services to reduce water-borne diseases.

#### **D. Institutional and Implementation Arrangements**

52. **Implementation arrangements will follow those under the ongoing project.** UNICEF will enter into a new subsidiary agreement with SFD for the support to implementation of various program functions, and UNDP will enter into new subsidiary agreements with SFD, PWP and SMEPs upon availability of AF. Under Component 1, as the IDA Grant recipient for the benefit 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 (QISS); (iv) reporting and external communication; (v) management and procurement of FSPs to implement CTs; 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 AF3. 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. The project will also continue to provide capacity building to SWF staff.

53. Component 2 and subcomponent 3.2 will be managed by UNDP's main office in Sana'a under the leadership of the Resident Representative and will be supported by two sub-offices in Aden and Hodeida and a project office in Mukalla, in addition to several hubs in various governorates. The regional hubs are staffed with hub coordinators, Monitoring and Evaluation (M&E) officers, and support staff, and the support is extended to cover all governorates. UNDP's regional hub in Jordan will provide advisory support. National and international field-based staff will support implementation and monitoring under the leadership of a project manager. UNICEF and UNDP will, as applicable, update the existing POMs for their respective components to reflect additional financing and activities, and the POMs will be amended during project implementation as needed with the prior approval of the Bank. Detailed implementation arrangements are covered in the Project Appraisal Document (PAD) of the parent project (P173582).

54. **Entry Criteria for Access (ECA).** The operating environment has deteriorated over the past two years in Houthi-controlled areas. The three main challenges that have been increasingly reported by the UN agencies and international non-governmental organizations include restrictions on the mobility of female implementation personnel without a male guardian, interference in procurement, and restrictions on data collection and assessments. To preserve the operational space while continuing to support and protect the people of Yemen,



the Bank will identify actionable risk-based measures, including through project-specific ECA under AF3. The proposed approach considers and leverages the local variations in the scale and scope of restrictions and emphasizes the principle of project- and area-specific responses. Criteria related to female mobility, data collection, targeting, procurement, and independence of local IPs together with the detailed implementation arrangements will be developed as part of the POM prior to the implementation of the second PC under AF3.

#### **E. Corporate Commitments**

55. The proposed AF3 incorporates the required corporate commitments including climate adaptation, gender, and citizen engagement. These are outlined in detail in Annex 5 of this document.

56. **The ongoing project has achieved notable outcomes and made significant efforts in addressing climate change adaptation.** These efforts have been recorded in narrative progress reports that were submitted to the Bank and have been highlighted and promoted through UNDP's communication and visibility plan. Prominent stories showcase interventions which have contributed to climate change adaptation and mitigation such as investing in water storage and irrigation systems to mitigate the effects of droughts, floods, desertification, and water scarcity. The project also focuses on restoring agricultural lands to improve food production and sustainable livelihoods for farmers. The project has also supported rural households with smart, low-cost and environment friendly and durable solutions that combat chronic water shortages. These solutions include cash and training to rural households to build their own rainwater harvesting cisterns (which are environmentally friendly by design) next to their homes. Households are also taught how to filter the water to ensure it is safe for cooking and drinking without the need for fuel to pump water. These cisterns help reduce the burden on humanitarian efforts and improve sanitation and hygiene for these communities while also preventing disease epidemics with safe access to clean water. The project will continue to support these activities.

57. **The proposed expanded project will continue to incorporate climate mitigation strategies across all its key activities. The provision of UCTs to a targeted 1.5 million (US\$150 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 these households are climate-vulnerable groups, such as those residing in the Socotra Islands where UCT beneficiaries often cannot be reached at all due to extreme weather. This is also 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 of disease 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. CTs also enable households to access a wider variety of food in case their subsistence crop or normal staple is affected by climate shocks.

58. **Gender. The proposed AF3 will continue efforts to ensure that gender sensitive interventions are mainstreamed under the project.** 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 will facilitate that female beneficiaries can collect cash benefits by including female cashiers, and female screening officers. The project also utilizes a functional GM to address



incidents of SEA/SH for reporting sensitive issues such as sexual exploitation and abuse/sexual harassment (SEA/SH). The UCT targets 1.5 million beneficiary households, of which 720,000 are female-headed households.

59. **Citizen Engagement.** The project's delivery systems integrate 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 AF3 will support (i) robust communication and outreach efforts to the targeted populations and beneficiaries in line with the Stakeholder Engagement Plan (SEP) with an emphasis on vulnerable groups, (ii) continued strengthening of the projects' GM systems, to ensure timely resolution and response, including a survivor centered accountability and response protocol to address SEA/SH issues; and (iii) embedded monitoring of beneficiary satisfaction levels through TPM services.

### III. KEY RISKS

60. **Consistent with the overall operating environment of Yemen, the project's overall risk rating continues to be High.** The main risk categories rated High or Substantial include political and governance, macroeconomic, institutional capacity for implementation and sustainability; fiduciary; environment and social, and stakeholder. Mitigation measures will continue to be applied to the project and will be based on joint monitoring with UNICEF and UNDP of the risk matrices developed for the project. The recent conflict in the Red Sea further elevates the various types of risks discussed below. The Bank will continue conducting implementation support missions in a mutually agreed location (Jordan or Egypt) two times a year, as well as virtual progress reviews as needed to review and follow up on implementation progress.

61. **Political and Governance (High).** Political and governance risks continue to be high, and risks identified and referenced in the AF2 Project Paper apply to the proposed AF3. Under the ongoing project, there has been a significantly increased risk related to security and political interference in project activities. The security risks are associated with the ongoing conflict and include, but are not limited to, the 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 CTs from beneficiaries and payment agents. The risks of political interference are associated with attempts by the Houthi movement to interfere with project implementation. The recent military escalations in the Red Sea increase the risks that could potentially constrain the project's operations.

62. These risks are being mitigated by the Recipient UN agencies and IPs through a series of measures, including: (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, UNDP, and the IPs have established clear mechanisms to engage with the Houthi movement<sup>18</sup>, the International Recognized Government (IRG), and the Southern Transitional Council regularly and proactively, to avoid political interference and to ensure the success of payment cycles.

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<sup>18</sup> No IDA funds are transferred to the Houthi movement.



63. At the country-wide and governorate level, these arrangements include regular interactions between relevant political actors, UNICEF, UNDP 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 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. UNICEF and UNDP project management actively participate in UN-wide coordination to prevent or mitigate the operational consequences of potential consequences related to military escalation in the Red Sea.

64. **Macroeconomic (High).** The recent intensification of turmoil makes Yemen’s economic prospects dim. Weak external financing coupled with the economic aftermath of Russia’s invasion of Ukraine along with the conflict in the Middle East, including the recent escalations in the Red Sea are expected to constrain an expansion of production and could slow the flow of international humanitarian and development aid into the country. A continuation of the hostilities is predicted to trigger additional demand- and supply-side shocks, and further drain consumers and business confidence, thus negatively impacting both consumption and investment. These events may affect Yemen’s financial systems with further downward pressure on outputs and could limit the availability of hard currencies. The neutrality of the UN renders it immune from restrictions and mitigates the likely impacts, but additional measures have been prepared by the implementing agencies to support hard currency liquidity for the project as may be needed.

65. **Institutional Capacity for Implementation and Sustainability (High).** The institutional capacity for implementation and sustainability risk is being raised from Substantial to High given recent developments of political interference. A key risk to current implementation arrangements is the intermittently recurring pressure from parties (as outlined in paragraph 76 above) to the conflict towards one of the local IPs -SFD - to alter its operations. World Bank management, in collaboration with other development partners, continues to monitor efforts to resolve any pressures without affecting the status of SFD in the implementation of World Bank projects.

66. **Fiduciary (High).** Like the ongoing project, the overall fiduciary risk is deemed High as outlined in the following paragraphs.

67. **Financial Management (High).** The nature of Component 1 (UCT) renders it high risk due to the delivery of cash to a targeted 1.5 million households every PC, over a large geographical area, with several entities involved in implementation. The mitigating measures that are applied to the ongoing project are still valid and will apply to AF3. The environment of fragility, low capacity, and possible interferences with IP management all contribute to the risk. These risks are mitigated by measures incorporated into the project design: (i) relying on the FMFA and UN agencies Financial Regulations and Rules assessed as being adequate, (ii) prioritizing direct payments (where feasible) modality for cash flow transfers to the IP in accordance with the Harmonized Approach to Cash Transfers Framework (HACT) procedures, (iii) limiting advances transferred to IPs to the amount necessary to ensure the continuity of their operations, (iv) contracting/engaging qualified FSPs with capacity to deliver financial services that demonstrate sound internal controls, to report the use of funds, among others. These and other detailed FM risks are provided in Table 1 of Annex 3 and will be reflected in the updated POM by no later than three months of the Effective Date.



68. **Procurement (High).** The overall procurement risk is rated 'High' due to the potential risk of delay in delivery/implementation due to the volatile security situation in Yemen. In addition, there are risks associated with the potential interference of government entities, limited competition 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 procurement risk section (paragraph 24 of the AF2 Project Paper) are the expected risks that are still valid under AF3. The residual risk after applying the mitigation measures is considered Substantial.

69. **Environment and Social (E&S) (High).** The environment and social risks continue to be high, in line with the ongoing project. The SEA/SH risk has been upgraded to High following a reassessment and considering the new project activities. The project will apply the World Bank's ESF which will mitigate E&S risks. E&S instruments and documents which were prepared under the ongoing project will be updated based on implementation experiences and proportional to risk and the principles of adaptive management.

70. **Environment risk is Substantial.** Activities under Component 1 (UCT) will not involve any construction activities causing negative environmental impacts. The implementation of this component is thus not expected to generate any environmental risks. However, based on the implementation experience of the ongoing project, there are potential natural disaster risks which may impact the project. Such risks include strong heat waves, heavy rains, and flooding. These may result in potential health and safety risks to project workers and beneficiaries at payment sites, prevent beneficiaries from reaching payment sites or sites for the implementation of project activities. The implementation of activities under Component 2 may result in risks to workers and community health and safety, and the environment, if not managed adequately. Such potential risks and impacts are expected to be site-specific, reversible, and generally of low magnitude and can be mitigated with appropriate measures. There are also occupational health and safety (OHS) risks particularly under the CfW and community assets subcomponents as the project will provide temporary work opportunities to many local community members who are unskilled, largely illiterate, and have little or no knowledge or experience in applying OHS measures.

71. **Social risk is High.** The activities under the expanded project scope will not involve the acquisition of land or physical and/or economic displacement. Potential social risks under Component 1 are related to community health and safety related to security/conflict and exposure to intimidation, harassment, and exploitation, including those related to SEA/SH, exclusion risks- especially for poor and vulnerable households who are not included in the SWF list, reaching beneficiaries with limited/no physical mobility; improper management of grievances, especially those related to payments; and potential delays of payments due to security risks. Social risks under Component 2 are related to the CfW activities and the rehabilitation of community assets interventions, such as loss of assets, labor influx (as 50 percent of labor hired by private contractors is from outside the target communities), and community health and safety interventions, such as injuries. There are several potential social risks, such as: (i) exclusion of malnutrition cases as well as outreach challenges by payment agents; (ii) 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 (iii) potential of excluding small food producers and fisheries with a high incidence of malnutrition from economic opportunity support.

72. To mitigate potential environmental and social risks and impacts associated with AF3, the ESMF and other instruments defined in the ESCP will be updated by UNICEF and UNDP for their respective components and applied



to AF3<sup>19</sup>. SFD and PWP have established an E&S management system with adequate policies, procedures, capacity, and resources and will continue to implement capacity building programs for their staff, E&S consultants, and contractors. 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. Natural hazard risks will be mitigated by monitoring and tracking weather conditions and developing response plans outlining specific actions to be taken in the event of a disaster.

73. **Stakeholder (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. The risk of such interference is increased considering the recent military escalations in the Red Sea. These risks will be mitigated through the continuous dialogue between the recipient agencies, communities, and various government entities, both at the local and national levels, with feedback channels to ensure meaningful dialogue and citizen engagement practices, and to ensure effective adaptive management.

#### IV. APPRAISAL SUMMARY

##### A. Economic and Financial (if applicable) Analysis

74. **Addressing the widespread food insecurity in Yemen is a primary development imperative; food security is a precondition for the effectiveness of other development interventions, including those supporting the acquisition and protection of human capital.** Since the onset of the conflict, the surge in the cost of basic essential food products has propelled food insecurity to the forefront of concerns in Yemen. Presently, over 17 million individuals are grappling with food insecurity.<sup>20</sup> Around 43 percent and 20 percent of households have inadequate or poor food consumption respectively; inadequate food consumption affects most rural households.<sup>21</sup> The Human Capital Index (HCI) underscores that a child born in 2020 is projected to be only 37 percent as productive in adulthood as they would have been with access to comprehensive healthcare and a complete education.<sup>22</sup>

75. **A large share of the Yemeni population has drained its asset depletion based coping mechanisms due to exposure to shocks during the protracted conflict, and households are now forced to turn to negative coping strategies.** In a recent survey, 19 percent of households reported putting a child below 15 years of age into work, and 33 percent of households withdrew a child from schooling in the last three months to alleviate financial pressures.<sup>23</sup> Furthermore, 19 percent of households resort to accepting high-risk employment and three percent of households report that female children were married to ease financial stress.

<sup>19</sup> The updated SEP and ESCP were disclosed by UNICEF on February 21, 2024 while the remaining instruments will be updated and disclosed by UNICEF within two months of project effectiveness.

<sup>20</sup> Al Akkaoui, Mohammad; Osman, Yasmine. *Yemen Economic Monitor: Peace on the Horizon? (English)*. Yemen Economic Monitor Washington, D.C.: World Bank Group.

<http://documents.worldbank.org/curated/en/099719410252322791/IDU06b11f8f302a66040bf0adce03971527d386c>

<sup>21</sup> "World Bank. 2023. Monitoring Food Insecurity and Vulnerability in Yemen: Results from the Yemen Mobile Phone Monitoring Survey - Round II. © Washington, DC: World Bank. <http://hdl.handle.net/10986/40266> License: CC BY-NC 3.0 IGO."

<sup>22</sup> Yemen: Human Capital Index (2020)

<sup>23</sup> Yemen Economic Monitor. Fall 2023. The World Bank. Washington DC.





76. **As unaffordability of food is a primary cause of food insecurity, which co-opts these negative coping mechanisms, social protection programs financed via AF3 are crucial to supporting poor and vulnerable Yemenis.** The continued financing of ESPECRP along the 2024-26 framework presented in this AF contributes to alleviating food insecurity via targeted CT programs, cash for work and combined community driven and small and micro enterprise support interventions to support permanent improvements in livelihoods. **These are proven interventions that can address food insecurity and protect human capital.**

77. **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).** TPM reports confirm that UCTs represent a significant contribution to the budget of beneficiary HHs and are primarily used to buy food and medicine as well as to pay off debts. The cash-for-nutrition and labor-intensive work 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 (9 percentage points for severe malnutrition). 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 improvements in access to water among communities where the CfW subproject was related to water availability. Further details on the interventions sustained via this AF are detailed in the economic analyses of the project documents for the parent project (P173582), AF (P177020) and AF2 (P180358).

78. **As the volume of international aid and development financing has not been enough to meet the needs of the population in Yemen, the project strives to maximize the impact of its interventions.** While the current scope of the UCT program is not sustainable, the framework approach attempts to compensate for diminishing benefit funding with revamped program design, improved matching between household level needs and beneficiary status and high impact top-ups to prioritize shock-affected beneficiary households. As of November 2023, only 35 percent of the food security related US\$2.2 billion needs recognized in the 2023 Humanitarian Response Plan are funded, and the bulk of that financing is in the form of in-kind benefits. The project, in coordination with the Bank-financed Food Security Project, continues to maximize available resources in tackling food insecurity through geo-focused bundles of community driven and MSME support activities that attempt to create sustained improvements in food security via harmonized interventions spanning from ones addressing acute needs to those supporting permanent improvements in livelihoods. These combined interventions are allocated to sub-districts with a high incidence of food insecurity and malnutrition, and their efficacy will be evaluated via a randomized control trial (RCT), with baseline data to be collected in early 2024.

79. **The project is exploring ways to improve the efficiency and effectiveness of the UCT program by adjusting the beneficiary list.** In 2024, UNICEF and SFD will develop plans for revised targeting, initiate update of the beneficiary list leading to nationwide registration activities to facilitate the opening of e-wallets in 2025 and 2026 as well as to update the beneficiary list. This will allow for increased efficiency and effectiveness by reaching the poorest households in Yemen. Due to the dynamic nature of poverty in Yemen, the current beneficiary list does not capture households formed since the beginning of the conflict. Despite potential political sensitivities, it has become a priority to explore feasible options to improve the targeting of the program, including various targeting methods and combinations, such as universal approaches, categorical targeting based on age and other



demographic characteristics, poverty targeting using PMT, targeting using a community score card approach, and geographical targeting using recent data and remote sensing technology.

80. **A cost benefit analysis (CBA) was conducted for the newly added microwork for youth pilot subcomponent based on assumptions and resulted in an average Economic Rate of Return (ERR) of 17 percent.** The CBA focuses on assessing the ERR of the training activity by comparing expected beneficiary earnings that are attributable to the program to the three-year component budget of US\$8.55 million or US\$2.85 million per year on average. This budget comprises both the training/microwork placement and the M&E components. (i.e., full package of services for microwork activation). This analysis incorporates a decay rate of 10 percent, which estimates the gradual reduction in the project's impact over time<sup>4</sup>. The benefit projection considers a total of 7,000 beneficiaries within the target demographic of poor and vulnerable youth in households benefiting from the UCT program. Eligible youth should possess a minimum proficiency in numeracy and literacy skills. The assumed annual wage is approximately US\$556 calculated by averaging the Yemeni monthly minimum local wage of US\$154 (equivalent to US\$0.37 per hour) with the average earning in a comparable country: Zambia. The average hourly earning in Zambia for youth aged 20-29, is ZMW19, translating to approximately US\$0.7. The calculation considers an estimated 20 hours per week spent on micro tasking in developing countries,<sup>5</sup> providing a basis for annual estimation. In recognition of the program's broader social impact, the CBA includes a social dimension value standing at 20 percent, quantifying positive societal contributions beyond economic returns. This could encompass improvements in social well-being, community development, empowerment of marginalized groups, or any other positive social changes attributed to the program. This highlights the program's contribution beyond the economic aspects and allows for a more comprehensive assessment of its effectiveness. The primary focus of the program is to increase the employment rate of beneficiaries. It is assumed that this increase is equal to 23.75 percentage points with: (i) half of the trained beneficiaries benefitting from guaranteed microwork opportunities (estimated at 80ppt for caution) and the remaining half expected to secure opportunities on their own (estimated at 5 ppt based on international experience); and; (ii) a decay rate of 25 percent is applied to the first half, and a decay rate of 50 percent is applied to the second half. The resulting average economic rate of return, given these assumptions, stands at 17 percent.

## B. Technical

81. The core technical design of the project remains unchanged under this AF. The project will continue to deliver a national poverty targeted cash transfer program and geo-focused bundles of community driven and micro and small enterprise support interventions to achieve sustained improvement in food security at the selected localities. The "Framework Approach" accommodates modernization of the UCT program (also forced by sustainability issues) along with improved targeting, shock responsiveness, and digital benefit delivery dimensions. The design of the operation considers lessons learned from previous operations in Yemen as well as other conflict affected countries. A technical risk that is considered under the newly applied "Framework Approach" is the need to scale down the project should AF to fill the financing gap not become available in subsequent years.

## C. Fiduciary

82. **Financial Management.** The project will build on the existing FM arrangements in place under the ongoing project while adopting mitigation measures throughout project implementation. The FM arrangement



follows the Financial Management Framework Agreement (FMFA) and recipients UN agencies' financial rules and regulations.

83. **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, every quarter, Interim Financial Reports (IFRs), in accordance with accounting standards established pursuant to the UN Financial Regulations and in the format agreed with the Bank and annexed to the DFIL. The IFR will include (i) donor statement by activity (uncertified), (ii) the use of funds by project component, (iii) a Designated Account reconciliation statement, (iv) cash flow forecast for the next six months, and (v) the amount of SDR/USD exchange rate fluctuation gain or loss. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter.

84. **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). Internal controls are detailed in Annex 3 of this document.

85. **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 project are acceptable and will be used under AF3. UNICEF will continue to use the flow of funds modality currently applied for Component 1 (UCT), which includes advance, and will prioritize, as possible, the direct payment modality to IPs. UNDP will use the Direct Implementation modality to the extent feasible to mitigate any risk associated with advances to IPs, through which funds will flow from the Bank to UNDP and then to the ultimate beneficiaries/recipients, avoiding passing through intermediary accounts.

86. The Grant proceeds will be transferred from IDA to UNICEF's and UNDP's official bank accounts based on written notices of withdrawal submitted to the Bank by the designated official(s). Subsequently, UNICEF and UNDP will submit notices of Withdrawal Application (WA) at least every six months. Each notice of WA will cover an amount representing a projection of expenditures for six months, up to the project's closing date, reconciling against amounts previously withdrawn against the project.

87. **The use of advances to IPs under the project will be limited to the amount necessary to implement activities without disruption.** 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 pre-agreed thresholds in line with HACT procedures; (ii) no new advances are released to the IPs unless previous advances are fully or partially justified in line with the HACT procedures (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 shall have proper audit trails. Both recipient agencies will exert all efforts to ensure that funds reach the ultimate eligible beneficiaries with sufficient evidence provided.

88. Projects managed by UN agencies follow the UN monthly announced foreign exchange rate for their records. UNDP monitors the performance of the commercial banks that house and deliver projects' funds to ensure that the projects receive the most favorable rates. UN agencies disburse in US\$, and the IPs obtain market



rates based on the 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.

89. In cases where payment is made by an IP such as SFD, the amount is transferred from the UNDP to SFD in US\$, 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.

90. **FOREX (FX):** UNDP implements the FOREX Strategy agreed upon with select 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.

91. Under the UCT component, UNICEF and the WB developed a FX strategy in 2021 to establish the benefit amount in USD for conversion to YER and make payments to beneficiaries based on applicable exchange rates in the north and south of Yemen accordingly. The FX strategy was last revised in 2022 and will be subject to future revisions by UNICEF and the Bank to respond to the market dynamics as they evolve. The FSPs provide bank guarantees, receive the amount in USD from the project, and convert it to YER as per the FX strategy to initiate the PC.

92. **Audit.** The Single Audit Principle is applied, meaning no separate audit of Bank-financed operations is undertaken. The project will be subject to the audit arrangements applicable to UNDP and UNICEF in line with the FMFA. Both recipient agencies will make the audited financial statements and accompanying reports available to the World Bank. They will retain (or cause to retain) all records evidencing all expenditures in respect of which withdrawals of proceeds were made.

93. **Procurement.** The proposed AF will apply Alternative Procurement Arrangements (APA) utilizing the procurement regulations, rules, policies, and procedures of UNICEF and UNDP. Utilizing the APA through UNICEF and UNDP is considered a fit-for-purpose arrangement for several reasons (which are discussed in the Project Paper of AF2). The Bank's procurement oversight of the APA under this project has not raised major procurement implementation concerns. UNICEF's and UNDP's experience along with their capacity, field presence and social protection mandate, make them the most suitable partners for the World Bank to implement the project.

94. AF3 will finance contracting institutional /commercial service providers for the provision of UCT related services. The project will also finance procuring quality implementation support services and help with the provision of Telecommunication Value Added Services (VAS) to provide SMS services to UCT households. AF3 will add a new sub-component to support digital microwork opportunities for young people living in UCT families.

95. Under AF3, UNICEF and UNDP will extend their respective contracts with the TPMA after evaluating its performance. If a new TMP contract is sought, the TOR, names, and summary of the qualifications of the selected firm will be shared with the Bank for review and approval. If project implementation support activities require access to primary project monitoring and third-party monitoring data collected by and/or received by UNICEF or UNDP (including through their IPs and their TMPAs), then any primary data access will be mutually made available. The necessary arrangements will be agreed upon and reflected in the POM. Should the sharing of such



data require data protection and data privacy measures, these measures will be reflected in a separate understanding. Further procurement details and arrangements are outlined in Annex 3.

**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**

96. **As part of the ongoing project, UNICEF, UNDP, SFD and PWP have established E&S management systems with adequate policies, procedures, capacity, and resources.** Under the proposed AF3, the agencies will continue to implement capacity building programs targeting different groups and identified areas, including the capacity building of relevant staff and providers involved in project implementation on ESMF, LMP, SMP, SEA/SH Mitigation, and Response Action Plan, as well as capacity building programs for project managers, supervisors, consultants, and contractors on OHS tools and their application in the field.

97. **Environmental.** The implementation of UCT activities under AF3 are not expected to have environmental impacts. However, there are potential risks related to natural hazards such as heat waves, heavy rains, and floods, which may impact project implementation. The occurrence of such events might result in potential health and safety risks to project workers as well as beneficiaries at payment sites or it may prevent beneficiaries from reaching payment sites. To mitigate these risks, UNICEF will update the existing ESMF including mitigation measures to monitor weather conditions and develop response plans to further mitigate safety risks of beneficiaries and project workers. The implementation of subcomponent 1.3 is not expected to result in substantial environmental impacts. The only environmental risk related to this sub-component is the procurement and distribution of tablets. Improper disposal of tablets, including batteries, could result in e-waste.

98. To mitigate this risk under Component 1, the ESMF will provide measures for the proper management of tablets, including instructions on safety, preventing misuse, and proper disposal, and ensure inclusive access and prevention of exploitation, including those from vulnerable groups. Activities under Component 2 may result in risks associated with workers and community health and safety as well as to the environment, if not managed adequately. Potential risks include OHS risks which might be generated particularly under labor-intensive community subprojects as these provide temporary work opportunities to many local community members who are unskilled, largely illiterate, and have little or no knowledge or experience in applying OHS measures. Furthermore, impacts might be associated with the generation of solid wastes that result from the minor construction and rehabilitation activities under this component. Nonetheless, such risks and impacts are expected to be site-specific, reversible, and generally of low magnitude that can be mitigated following appropriate measures. To mitigate potential risks and impacts, the ESMF of the parent project, will be updated and applied to the AF.



99. **Social.** While the types of interventions under the UCT component are not expected to result in physical and/or economic displacement, there are several potential social risks and impacts. These could include possible community health and safety risks (including broader conflict and community conflict and SEA/SH risks), potential fraud and corruption, and the exclusion of marginalized groups such as the elderly, women, internally displaced persons (IDPs), ethnic minorities, and persons with disabilities. A lack of meaningful and regular stakeholder engagement given the broader country context of insecurity could also be a key risk if not properly managed, as well as ensuring grievances, including those related to SEA/SH are properly managed, recorded and resolved in line with the service agreements in the SEP and SEA/SH Action Plan. Labor risks including lack of timely payments and fraud/corruption in payments are also a risk, as well as risks related to women project workers who may experience harassment and barriers to travel to project sites. Planning requirements and implementing arrangements to address potential adverse social impacts and risks will be reflected in the revised ESMF, SEP, SMP, SEA/SH Action and Labor Management Procedures (LMP). The SEP for Component 2 under the ongoing project will be updated by UNDP within two months of the Effective Date of subsequent financing (once IDA funds are available for this component). Stakeholder consultations will thus be conducted in all targeted villages and for all sub-projects to allow communities to identify subproject priorities, safeguard compliance including OHS, environment, gender and SEA and GM accessibility.

100. **Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH).** A GBV Risk Assessment was conducted by the Bank under the ongoing project and was reassessed for AF3. A SEA/SH Prevention and Response Action Plan was developed to address the potential risks of SEA/SH but there are significant gaps to fully complete and implement it. It remains Substantial risk under AF3.

101. **Grievance Mechanism (GM).** UNICEF and UNDP will continue to have the overall responsibility of managing and handling complaints related to the project, with support from the IPs. The call center established by UNICEF, now managed by SFD, will continue to function under AF3. SFD and PWP will also continue to utilize their GM systems to register complaints received and report them to UNICEF and UNDP. Under the ongoing project, UNICEF/UNDP and SFD/PWP have agreed on a mechanism for reporting timelines and the distribution of responsibilities to have better control and management of complaints. This mechanism will continue to operate under AF3.

102. AF3 will continue to utilize the enhanced integrated GM system based on the experience and systems developed under the ongoing project. Under this system, for Component 1, SFD with oversight from UNICEF, will continue to operate the dedicated GM system, comprising a call center with multiple lines and toll-free access to mobile, and landline phones and (collection of grievances by field deployed staff using a mobile app with online and offline capability connected to the MIS. SFD and PWP, under Component 2, have also 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 face-to-face interactions with project staff. The TPM call center facility will continue to operate under AF3.

103. To mitigate potential risks and impacts, UNICEF and UNDP have updated, cleared, and disclosed their respective Environmental and Social Commitment Plans (ESCPs). UNICEF has also updated, cleared, and disclosed the SEP. Other instruments will be updated within two months of the project's Effective Date. Given that the proposed AF3 applies paragraph 12 of Section III of the IPF Policy 'Projects in Situations of Urgent Need of Assistance or Capacity Constraints', UNICEF will update the ESMF, LMP, SMP and SEA/SH Prevention and Response



Action Plan for Component 1 within two months of the Effective Date of AF3, and prior to any implementation of activities. Similarly, UNDP will update the ESMF, LMP, SMP and SEA/SH Prevention and Response Action Plan within two months of the Effective Date of additional financing once it becomes available for Component 2.

## F. Paris Alignment

104. **The project is aligned with the goals of the Paris Agreement on both mitigation and adaptation.** The proposed project is in line with Yemen's Intended Nationally Determined Contribution (INDC)<sup>24</sup> and its mitigation and adaptation efforts and is therefore consistent with Yemen's strategies on climate change. Yemen's INDC and subsequent submissions to the United Nations Framework Convention on Climate Change (UNFCCC) focus on adaptation by building resilience and adapting to the impacts of climate change. The mitigation pillar of Yemen's INDC outlines efforts to reduce greenhouse gas emissions and includes measures to improve energy efficiency, promote renewable energy sources, and enhance sustainable land use practices. Yemen also recognizes the importance of capacity building to effectively implement climate change actions. This pillar focuses on strengthening institutional and technical capacities, enhancing knowledge and skills, and promoting technology transfer and innovation. The project's PDO and key components are all consistent with these pillars and contribute to their achievement as outlined in the following paragraphs.

105. **Assessment and reduction of adaptation risks:** The main climate and disaster risks for Yemen are drought, flash floods, coastal hazards, earthquakes, and landslides. These climate-related risks are considered unlikely to have a material impact on the achievement of the PDO. The Project design takes into consideration these expected climate impacts by directly including adaptation measures within the design of the systems, and by increasing the capacity to deal with such events and support the vulnerable population. By digitalizing UCTs, the operation minimizes the risk of disruption in delivering UCTs in extreme weather events which may make certain locations physically inaccessible. UCT system also incorporate shock-responsive features to respond in times of extreme climate events. Rehabilitation and construction of civil works will be exposed to climate risks, but the operation incorporate climate resilient design standards/techniques to reduce residual risk to a low level. Supporting SMEs through entrepreneurship activities will be at a low risk from climate hazards. Adaptation measures will be incorporated in SME business plans and trainings to ensure implementation of SME activities minimize disruptions caused by climate risks.

106. **Assessment and Reduction of Mitigation Risks:** The project has a low risk of preventing Yemen's transition to low-carbon development pathways, given its support for activities that have a negligible impact on greenhouse gas (GHG) emissions, and universally aligned activities such as unconditional cash transfers, social protection, and community development. Low-mitigation risks are associated with minor civil works under the project, which will be reduced by including energy and environmental efficiency requirements. The incorporation of technically feasible and economically viable low GHG emissions measures to improve energy performance in the design of the expected civil works, reduce the risks associated with the low-carbon transition and those of lock in carbon. Therefore, the operation can be considered aligned with mitigation.

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<sup>24</sup>In 2015, Yemen submitted its Intended Nationally Determined Contribution (INDC) to the UNFCCC in 2015, First Biennial Update Report in 2017, and Third National Communication (TNC) in 2018. In 2021, the IRG Ministry of Water and the Environment tasked its Climate Change Unit to draft an action plan for an updated national adaptation program, which is expected to be released in 2023.



## V. WORLD BANK GRIEVANCE REDRESS

107. **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 GMs 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	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
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	468.50	Revised	Unconditional Cash Transfers	911.10
Geo-focused Bundles to Reduce Food Insecurity and Malnutrition	193.50	Revised	Geo-focused Bundles to Reduce Food Insecurity and Malnutrition	294.20
Project Management, Monitoring, Evaluation and	48.90	Revised	Project Management, Monitoring, Evaluation	105.60



Capacity Building of National Institutions			and Capacity Building of National Institutions	
CERC	0.00		CERC	0.00
<b>TOTAL</b>	<b>710.90</b>			<b>1,310.90</b>

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2021	41,295,332.35	41,295,332.35
2022	272,170,518.71	313,465,851.06
2023	131,573,057.63	445,038,908.69
2024	227,608,079.98	672,646,988.67
2025	160,000,000.00	832,646,988.67
2026	200,000,000.00	1,032,646,988.67
2027	0.00	1,032,646,988.67
2028	0.00	1,032,646,988.67
2029	0.00	1,032,646,988.67

**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	● High
Fiduciary	● High	● High
Environment and Social	● High	● High
Stakeholders	● Substantial	● Substantial
Other		



Overall	● High	● High
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**LEGAL COVENANTS – Emergency Social Protection Enhancement and COVID-19 Response Project - Third Additional Financing (P181468)**

**Sections and Description**

Schedule 2. Section I. A. 2. The Recipient shall maintain, throughout the life of the Project, the Project Management Unit (“PMU”) based in the Recipient’s office in the Republic of Yemen which shall be responsible for day-to-day management and implementation of its Respective Parts of the Project, including the staffing of core functions, including the technical, fiduciary (i.e., procurement and financial management) aspects of its Respective Parts of the Project, and coordination of all field activities, as detailed in the Project Operations Manual.

Schedule 2. Section I. A. 5. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:

- (a) a manual (“CERC Manual”), consistent with the Recipient’s standard operational arrangements for emergency preparedness and response, is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
- (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
- (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without prior agreement with the Association.

Schedule 2. Section I. D. 1. To facilitate the carrying out of Part 1.1(a), Part 1.2 and Part 1.3 of the Project, the Recipient shall, consistent with its policies and procedures, not later than three (3) months after the Effective Date, enter into contractual arrangements with SFD (“SFD Subsidiary Agreement”), under terms and conditions satisfactory to the Association.

Schedule 2. Section I. A. 2. 7, 8. 7. The Recipient shall ensure that:

- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and



(b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.

Schedule 2. Section I. C. 1. The Recipient shall update within three (3) months after the Effective Date, and thereafter carry out its Respective Parts of the Project, as well as ensure that Yemen Partner carries out its activities under the Project, in accordance with the POM, satisfactory to the Association, setting forth rules, methods, guidelines, and procedures for the carrying out of the Project,

Schedule 2. Section I. H. 1. The Recipient shall maintain throughout its Respective Parts of Project implementation, TPM(s), 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 the Project implementation. Names and summary of the qualifications of the candidate entity(ies) recommended for the arrangements of the TPM(s) will be shared with the Association prior to the award of such arrangements. The Association shall have five (5) business days to raise any concerns with the Recipient regarding the candidate entities.

2. Each monitoring report prepared by the TPM(s) shall cover one UCT PC. The Recipient shall after its review, and no later than 15 days after its receipt, make available such monitoring report to the Association.

3. The Recipient, shall hire Payment Agency(ies) and thereafter maintain them, as applicable, throughout Project implementation of its Respective Parts of the Project, on the terms of reference satisfactory to the Association and as further detailed in the POM, 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.

4. The Recipient shall, and as applicable through SFD, maintain the Grievance Mechanism, under terms and structure satisfactory to the Association.

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.

Schedule 2. Section II. B. 1. The Recipient shall prepare periodic financial statements in accordance with its Financial Regulations and Rules and accounting standards acceptable to the Association. The financial statements will be submitted to the Association in accordance with the provisions of Section II. Financial Reports and Audits of the Disbursement and Financial Information Letter referred to in Section IV.

Schedule 2. Section I. I.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.

**Conditions**

Type	Financing source	Description
Disbursement	IBRD/IDA	Notwithstanding the provisions of Part A, no withdrawal shall be made: (a) for payments made for expenditures prior to the Signature Date of the Financing Agreement;



- (b) under Category (1)(e) for payments for the Microwork for Youth Pilot under Part 1.3 of the Project, unless and until the Recipient has conducted an assessment to inform the design of the Microwork for Youth Pilot and updated the POM in line with Section I.C (e) of Schedule 2 with a relevant section on the Microwork for Youth Pilot, including inter alia, an action plan, eligibility criteria for selected youth from Cash Transfer Beneficiaries, in form and substance satisfactory to the Association;
- (c) 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:
  - (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
  - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
- (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.

## VIII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY: Yemen, Republic of

Emergency Social Protection Enhancement and COVID-19 Response Project - Third Additional Financing

#### 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
<b>Provision of Cash Transfers</b>			
Beneficiaries of social safety net programs (CRI, Number)		0.00	1,500,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		0.00	1,500,000.00
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	720,000.00
Household members (Number)		0.00	9,350,000.00
Number of beneficiary households benefitting from the cash for nutrition program (Number)		0.00	132,443.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 106,500.00 to 132,443 reflecting additional fund allocations under AF3 framework approach.</b>		



Indicator Name	PBC	Baseline	End Target
Number of beneficiary households (Social Welfare Fund) (Number)		0.00	10,900.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 5,721 to 10,900 reflecting additional fund allocations under AF3 framework approach.</b>		
Number of beneficiaries (female) (Number)		0.00	139,100.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 111,600 to 139,100 reflecting additional fund allocations under AF3 framework approach.</b>		
Number of beneficiaries (children) (Number)		0.00	191,500.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 153,000 to 191,500 reflecting additional fund allocations under AF3 framework approach.</b>		
Unconditional cash transfer payment cycles delivered to poor and vulnerable households per calendar year (Number)		3.00	3.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>The indicator will measure the number of payment cycles delivered to UCT beneficiaries per calendar year. 2 (2024); 3 (2025, 2026)</b>		
Subset of shock affected UCT beneficiary households receive cash benefit top-up for two consecutive cycles (Yes/No)		No	Yes
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>This indicator will measure whether UCT beneficiary households receive CT top ups in the event of a natural or climate related shock.</b>		



Indicator Name	PBC	Baseline	End Target
<b>Provision of temporary employment</b>			
Number of direct beneficiaries of wage employment (Number)		0.00	222,640.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Target is increased from 155,208 to 222,640 reflecting additional funding under AF3 framework approach.</i>		
Number of beneficiaries (female) (Number)		0.00	47,196.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Target is increased from 33,710 to 47,196 reflecting additional funding under AF3 framework approach.</i>		
Number of beneficiaries (IDPs) (Number)		0.00	32,395.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Target is increased from 22,281 to 32,395 reflecting additional funding under AF3 framework approach.</i>		
<b>Increased access to basic services and economic opportunities to vulnerable populations</b>			
Number of people with increased access to basic services. (Number)		0.00	1,449,210.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Target is increased from 1,122,880 to 1,449,210 reflecting additional funding under AF3 framework approach.</i>		
Of which, female (Number)		0.00	691,562.00





Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 528,397 to 691,562 reflecting additional funding under AF3 framework approach.</i>		
Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project (Number)	0.00		19,009.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 10,009 to 19,009 reflecting additional funding under AF3 framework approach.</i>		
Number of female led SMEs supported by the project (Number)	0.00		5,928.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 2,778 to 5,928 reflecting additional funding under AF3 framework approach.</i>		
People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change (Number)	0.00		332,845.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 272,845 to 332,845 reflecting additional funding under AF3 framework approach.</i>		
<b>Strengthening the capacity of national institutions</b>			
Various functions of UCT program implementation transferred to SFD (Yes/No)	No		Yes
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Wording of indicator is revised from "UCT program implementation functions fully transferred to SFD" to "various functions of UCT program implementation transferred to SFD".</i> <i>Indicator revised to reflect that only some functions (not all) are transferred to SFD.</i>		



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Component 1: Unconditional Cash Transfers</b>			
Beneficiaries of social safety net programs (CRI, Number)		0.00	1,500,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		0.00	1,500,000.00
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	720,000.00
Number of districts where beneficiaries can receive unconditional cash transfers digitally (Number)		8.00	124.00
<b>Action: This indicator has been Revised</b>	<p><b>Rationale:</b>  <i>The target of this indicator has been increased from the 6 targeted districts (in the pilot) to 124 districts to reflect the expansion of the pilot over the next three years.</i></p> <p><b>Breakdowns introduced:</b> <i>Breakdown introduced to measure share of beneficiaries receiving digital payments attendance/target increased to reflect the expansion of the pilot from the initial target of 6 to 124 districts.</i></p>		
Share of UCT beneficiary households that receive benefits through digital means, in districts where digital UCT payments have been rolled out (Percentage)		0.00	70.00
<b>Action: This indicator is New</b>	<p><b>Rationale:</b>  <i>Breakdown introduced to measure share of beneficiaries receiving digital payments versus those preferring to receive payments in cash.</i></p>		
Share of female UCT beneficiaries that receive benefits through digital means, in districts where UCT digital payments have been rolled out (Number)		0.00	35.00



Indicator Name	PBC	Baseline	End Target
<b>Action: This indicator is New</b>			
Share of UCT beneficiaries who were supported to acquire national IDs in districts where digital payments are rolled out (Percentage)		0.00	70.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>Breakdown introduced to measure share of beneficiaries receiving digital payments who were supported by the project in acquiring a National ID.</b>		
Share of UCT beneficiaries who receive payments digitally and have attended at least one financial literacy session, in districts where digital UCT payments have been rolled out (Percentage)		0.00	75.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>Breakdown introduced to measure share of beneficiaries receiving digital payments who have attended financial literacy sessions</b>		
Beneficiaries from UCT beneficiary households who successfully completed the digital skills training program (Number)		0.00	7,000.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>New: Indicator to measure the number of youth from UCT households who complete digital skills training. 0 (2024); 2,000 (2025); 5,000 (2026); Total target 7,000</b>		
of which, females (Number)		0.00	50.00
<b>Action: This indicator is New</b>			
Beneficiaries from UCT beneficiary households who generated income from at least two microwork opportunities (Number)		0.00	3,500.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator is New</i>	<b>Rationale:</b> <b>New: Indicator to measure the number of youth from UCT households who generated at least two microwork opportunities 0 (2024); 1,000 (2025); 2500 (2026); total target 3,500</b>		
of which, females (Number)		0.00	50.00
<i>Action: This indicator is New</i>			
Private sector organizations participating in microwork activities (Number)		0.00	8.00
<i>Action: This indicator is New</i>	<b>Rationale:</b> <b>New: Indicator to measure the number of private sector organization participating in microwork activities. 2 (2024); 3 (2025); 3 (2026); total target 8</b>		
<b>Component 2: Geo-focused Support to Reduce Food Insecurity and Malnutrition</b>			
Geo-bundle sub-districts benefitting from community institution strengthening and expanded participation opportunities (Number)		0.00	250.00
<i>Action: This indicator is New</i>	<b>Rationale:</b> <b>Creation / reactivation of Sub-District Development Committees and endorsement of participatory Sub-District Development Plan.</b>		
Village Cooperative Councils (VCCs) created or reactivated (Number)		0.00	2,500.00



Indicator Name	PBC	Baseline	End Target
<b>Action: This indicator is New</b>			
Elected Village Cooperative Council members (Number) (Number)		0.00	20,000.00
<b>Action: This indicator is New</b>			
Community-identified priorities (as included in Sub-District Community Development Plans) addressed by project interventions (Number)		0.00	500.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>Number of project interventions responding directly to priorities articulated by communities within Sub-District Development Plans (e.g. community infrastructure need identified as a priority is supported by project).</b>		
Geo-focused intervention bundles to reduce food insecurity and malnutrition completed (Number)		0.00	50.00
<b>Action: This indicator is New</b>	<b>Rationale:</b> <b>Number of bundles implemented and completed.</b>		
Number of female beneficiaries of wage employment (cash for nutrition) (Number)		0.00	5,120.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 3,920 to 5,120 to reflect additional funding under AF3 framework approach.</b>		
Number of indirect beneficiaries of wage employment (cash for nutrition) (Number)		0.00	30,720.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 23,520 to 30,720 reflecting additional funding under AF3 framework approach.</b>		



Indicator Name	PBC	Baseline	End Target
Number of direct beneficiaries of wage employment (cash for work) (Number)		0.00	115,000.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 77,500 to 115,000 reflecting additional funding under AF3 framework approach.</b>	
Number of beneficiaries (female) (Number)		0.00	34,710.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 23,310 to 34,710 (30%) reflecting additional funding under AF3 framework approach.</b>	
Number of indirect beneficiaries of wage employment (family members of direct beneficiaries) (cash for work) (Number)		0.00	535,812.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 372,312 to 535,812 reflecting additional funding under AF3 framework approach.</b>	
Number of people with increased access to basic services (cash for work) (Number)		0.00	648,750.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 452,750 to 648,750 reflecting additional funding under AF3 framework approach.</b>	
Cubic meters of water schemes constructed/rehabilitated (cash for work) (Cubic Meter(m3))		0.00	56,366.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 46,066 to 56,366 reflecting additional funding under AF3 framework approach.</b>	
Area of agriculture land and terraces rehabilitated (cash for work) (Hectare(Ha))		0.00	3,567.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 2,477 to 3,567 reflecting additional funding under AF3 framework approach.</i>		
Length of roads improved (cash for work) (Kilometers)		0.00	339.00
<i>Action: This indicator has been Revised</i>			
Number of direct beneficiaries of wage employment (community assets) (Number)		0.00	69,315.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 51,993 to 69,315 reflecting additional funding under AF3 framework approach.</i>		
Number of female beneficiaries (Number)		0.00	2,687.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 2,167 to 2,687 reflecting additional funding under AF3 framework approach.</i>		
Number of indirect beneficiaries of wage employment (community assets) (Number)		0.00	415,890.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 311,958 to 415,890 reflecting additional funding under AF3 framework approach.</i>		
Number of people with increased access to basic services (community assets) (Number)		0.00	800,460.00
<i>Action: This indicator has been Revised</i>	<b>Rationale:</b> <i>Target is increased from 670,130 to 800,460 reflecting additional funding under AF3 framework approach.</i>		



Indicator Name	PBC	Baseline	End Target
Cubic meters of water schemes constructed/rehabilitated (community assets) (Cubic Meter(m3))		0.00	195,371.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 147,402 to 195,371 reflecting additional funding under AF3 framework approach.</b>	
Area of agriculture land rehabilitated (community assets) (Hectare(Ha))		0.00	6,675.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 5,012 to 6,675 reflecting additional funding under AF3 framework approach.</b>	
Length of roads improved (community assets) (Kilometers)		0.00	267.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 163 km to 267 km reflecting additional funding under AF3 framework approach.</b>	
Number of MFIs to access the new YLG portfolio guarantee scheme (economic opportunities and food market resilience) (Number)		0.00	8.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 6 to 8 MFIs reflecting additional funding under AF3 framework approach.</b>	
Number of SME loans guaranteed by the new capitalization to the YLG (economic opportunities and food market resilience) (Number)		0.00	7,254.00
<b>Action: This indicator has been Revised</b>		<b>Rationale:</b> <b>Target is increased from 3,754 to 7,254 reflecting additional funding under AF3 framework approach.</b>	
Number of Village Saving and Loans Associations (economic opportunities and food market resilience) (Number)		0.00	1,215.00





Indicator Name	PBC	Baseline	End Target
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 715 to 1,215 reflecting additional funding under AF3 framework approach.</b>		
SMEs receiving TA and grants that produce and facilitate food distribution (economic opportunities and food market resilience) (Number)		0.00	11,755.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 6,255 to 11,755 reflecting additional funding under AF3 framework approach.</b>		
Business associations supported in the target sectors directly through grants and TA (economic opportunities and food market resilience) (Number)		0.00	70.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 50 to 70 reflecting additional funding under AF3 framework approach.</b>		
Number of new seasonal and permanent wage employment supported (economic opportunities and food market resilience) (Number)		0.00	32,895.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target is increased from 21,595 to 32,895 reflecting additional funding under AF3 framework approach.</b>		
<b>Component 3: Project Management, Monitoring, Evaluation and Capacity Building of National Inst't</b>			
Surveyed beneficiaries who report receiving the right benefit amount (UNICEF) (Percentage)		0.00	98.00
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



Indicator Name	PBC	Baseline	End Target
Surveyed beneficiaries who express satisfaction with the project (UNICEF) (Percentage)		0.00	100.00
Surveyed beneficiaries who report receiving the right payment amount (UNDP) (Percentage)		0.00	98.00
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
Surveyed beneficiaries who express satisfaction with project interventions (UNDP) (Percentage)		0.00	80.00
Capacity building action plan for SFD adopted and implemented (Yes/No)		No	Yes
Capacity building action plan for PWP adopted and implemented (Yes/No)		No	Yes
Positive impact of geo-focused bundles on food security and malnutrition sustained one year after interventions end in target communities (Yes/No)		No	Yes

**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 cycle.	UNICEF/SFD
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	Data collection by IPs and TPM.	UNDP/SFD



			reports.		
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
Unconditional cash transfer payment cycles delivered to poor and vulnerable households per calendar year					
Subset of shock affected UCT beneficiary households receive cash benefit top-up for two consecutive cycles					
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
Various functions of UCT program implementation 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					
Share of UCT beneficiary households that receive benefits through digital means, in districts where digital UCT payments have been rolled out					
Share of female UCT beneficiaries that receive benefits through digital means, in districts where UCT digital payments have been rolled out					
Share of UCT beneficiaries who were supported to acquire national IDs in districts where digital payments are rolled out					
Share of UCT beneficiaries who receive payments digitally and have attended at least one financial literacy session, in districts where digital UCT					



payments have been rolled out					
Beneficiaries from UCT beneficiary households who successfully completed the digital skills training program					
of which, females					
Beneficiaries from UCT beneficiary households who generated income from at least two microwork opportunities					
of which, females					
Private sector organizations participating in microwork activities					
Geo-bundle sub-districts benefitting from community institution strengthening and expanded participation opportunities					
Village Cooperative Councils (VCCs) created or reactivated					
Elected Village Cooperative Council members (Number)					
Community-identified priorities (as included in Sub-District Community Development Plans) addressed by project interventions	Number of project interventions responding directly to priorities articulated by communities within Sub-District Development Plans (e.g. community infrastructure need identified as a priority is supported by project)				
Geo-focused intervention bundles to reduce food insecurity and malnutrition completed					



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)	Target is increased from 209 to 339 reflecting additional funding under AF3 framework approach.	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 progress reports.	Subproject data collection by IP and TPM.	UNDP/PWP
Cubic meters of water schemes constructed/rehabilitated (community)		Every six months.	Administrative data and	Subproject data collection by IP and	UNDP/PWP



assets)			progress reports.	TPM.	
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 with the project (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



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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					

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## ANNEX 1: Subcomponent 1.2 (Digital Payment, Financial Literacy and UCT Design Enhancement)

- 1. Additional description, challenges, and solutions to uptake of digital payments.** In addition to the description of this sub-component in paragraph 9, building on feasibility studies and analysis developed in AF1 and AF2 project papers, the below details additional challenges faced and planned solutions in switching to digital payments.
- 2. A key challenge for beneficiaries to switch to digital payments is the possession of national IDs.** Currently, national IDs are provided both in Sana'a and Aden which requires beneficiaries residing in remote areas to incur high transportation costs. UNICEF and SFD are working with SWF to simplify and lower the costs of acquiring national IDs for beneficiaries. This includes exploring the possibility of batch ID provision for UCT beneficiaries with direct payment to the ID issuer.
- 3. Scaling up cost effective digital payment options nationally requires flexibility and continued learning.** Some beneficiaries who have already opened digital wallets and already benefit from digital financial inclusion may choose to receive digital payments outside of the pilot districts without any incentives. Thus, changes in the overall UCT delivery model will be required in districts with high voluntary and incentivized switching to digital UCT payments to avoid having dual payment systems at a higher overall cost than the current physical cash distribution approach. The pilot expansion plans to test this demand among UCT beneficiary households. The cost of delivering payments digitally is significantly lower than physical cash distribution, but this cost advantage can only be realized if the current high-cost physical cash distribution sites can be discontinued. The related operational model options will be explored in 2024 along with extending the existing physical cash delivery through mobile service teams.
- 4. Continued efforts will be needed to build financial literacy of UCT beneficiaries and learn how payment delivery services can become majority digital, minority physical - at a much-reduced cost.** Digital financial literacy is a key impediment to rapid adoption and use of digital payments. Activities to help boost participation in digital payments are thus key to the expansion of digital payments and will also help beneficiaries realize the many benefits that accrue from digital financial products and services.
- 5. Implementation arrangements will remain as described in the AF and AF2.** Related to building financial inclusion via behavioral change communication: UNICEF and SFD will partner with FSPs and other stakeholders to develop a suite of communication materials and channels, including providing financial literacy awareness sessions to groups of beneficiaries using both written and audio/visual materials – leveraging experience from other cash transfers that have used these methods to boost financial literacy amongst social assistance beneficiaries. Implementation arrangements



## ANNEX 2: Subcomponent 1.3 (Microwork for Youth Pilot)

- 1. Sound inclusive jobs are the surest pathway out of poverty.** Economic inclusion programs build on a promising evidence base that will soon grow significantly. A review of 80 quantitative and qualitative evaluations in 37 countries shows that a bundle of coordinated multidimensional set of interventions demonstrates greater impact on income, assets, and savings relative to stand-alone interventions.<sup>25</sup> Economic, or Productive Inclusion (PI) programs have been implemented in over 75 countries with high levels of success. However, the success of this model relies on providing a comprehensive package of services that is well contextualized to the communities and markets that it is targeting. Most programs include business capital support, along with a set of trainings and support services to facilitate employment.
- 2. Digital transformation is reshaping the job market and creating new employment opportunities globally in the digital economy, particularly for youth in conflict affected areas with limited local job prospects.** Microwork, a component of the global outsourcing industry, exemplifies this trend by deconstructing a service, or the development of a product, into simple, repetitive tasks offering income generating opportunities. Microwork offers an accessible entry point into the digital workforce for low skilled individuals, requiring only basic numeral and literacy skills and a fundamental understanding of Information and Communications Technology (ICT). These tasks enable flexible income opportunities, particularly suitable for marginalized communities or disadvantaged populations. By breaking down large projects into microtasks, even individuals with limited skills, including low-literacy youth, can participate. Examples of microtasks are data entry, geo tagging and verification or transcriptions.
- 3. It is essential to implement productive inclusion programs as part of a comprehensive approach to social protection in Yemen.** PI programs can support poor and vulnerable households to improve their economic situation. While some beneficiaries may experience positive outcomes that make them less reliant on assistance, it is important to recognize that unforeseen events or emergencies could still occur. Findings from the project will inform a potential scale up and replication of the PI of current CT beneficiaries, including identifying the most cost-effective and impactful approach for the country context. The project will build on livelihood programs that other development partners are currently implementing, and take lessons learnt to finalize the design of the pilot. It will also include a market assessment and youth profiling to identify the regional demand on microwork that could be the best suitable for young Yemenis. This step will help anticipate potential challenges and will improve the program's alignment with the regional demand.
- 4. Microwork can be considered a PI program in the digital economy.** PI initiatives are typically characterized by various components (five or more), such as transfers, skills training, coaching, market links, and access to financial services to address multiple constraints targeted beneficiaries face in increasing their incomes and assets. Diverging from traditional asset transfers such as agricultural inputs, sewing machines, or lump-sum cash grant for establishing or supporting small businesses, this pilot proposes the distribution of tablets or smartphones equipped with internet connectivity to beneficiaries who will also undergo comprehensive training in basic digital literacy. The program extends beyond skills acquisition, incorporating a mentoring approach spanning from 12 to 24 months including training on how to access clients (i.e., microwork platforms). This extended support aims to transform participants into proficient micro workers, capable of accessing and securing online opportunities. Like other PI projects, the initiative facilitates market connections

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<sup>25</sup> More information can be found on the following report: World Bank 2021. *The State of Economic Inclusion Report 2021: The Potential to Scale* ([worldbank.org](http://worldbank.org))



focused on the digital sector, mostly to benefit from regional opportunities considering the lack or limited availabilities at the local level. The program places a strong emphasis on skill development and income-generating opportunities. A financial literacy training is also planned to be integrated into the program curriculum which complements the focus on skill enhancement and underscores the importance of saving as a crucial component of PI. Moreover, through subcomponent 1.2 (digital payments), beneficiaries engaged in microwork could potentially open digital savings accounts.

5. **The proposed ‘Microwork for Youth Pilot’ will aim to support young Yemenis, who are part of UCT beneficiary households, in improving access to microwork opportunities nationally and regionally and potentially globally.** It will include access to market-relevant digital skills training and access to microwork income generating opportunities as well as improved access to devices - with the understanding that they are to be returned upon completion of the program - and access to training centers and possibly lab centers to complete microwork tasks.

6. Subcomponent 1.3 costs will be allocated as follows and will be contingent upon availability of funds. Under the Framework Approach, it is envisaged that this subcomponent would be allocated around US\$9.5 million over a period of three years.

**Table 2: Subcomponent Costs**

Component	AF3 (Initial Financing TF)	AF4	AF5	Total Allocation
	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)
<b>Subcomponent 1.3: Microwork for Youth (new)</b>	0.5	3.0	6	<b>9.5</b>
		<b>Scalability</b>		
Subcomponent 1.3 (a) Supply and Demand Assessment	0.05	0.4	0.50	0.95
Subcomponent 1.3 (b) Training design and implementation	0.4	2	4.5	6.9
Subcomponent 1.3 (c) Design and implementation of monitoring and evaluation framework	0.05	0.6	1	1.65

7. The pilot is proposed to be monitoring and evaluated through the indicators listed in the table below.

**Table 1: Results Indicators, cumulative**

Intermediate Level Indicator	Baseline	Target (Y1)	Target (Y2)	Target (Y3)	Total target
Beneficiaries from UCT households who successfully completed the digital skills training program, of which, females (breakdown)	0	0	2,000	5,000	<b>7,000</b>
Beneficiaries from UCT households who generated income from at least two microwork opportunities, of which, females (breakdown)	0	0	1,000	2,500	<b>3,500</b>
Private sector organizations participating in microwork activities	0	2	3	3	<b>8</b>

8. **The pilot will initially target two districts (Attawahi and Al Mualla) in Aden where UCT, Cash+, and digital payments are offered through the project.** These districts are selected based on the presence of other



program activities, which facilitates access and lowers costs. The UCT digital skills and microwork pilot will leverage ongoing interventions and capacities from UCT digital payment, cash+, and youth with disabilities to target and implement the skilling and microwork intervention. The pilot is planning to apply a mixed balance approach to select beneficiaries with eligibility criteria (e.g., to be a UCT beneficiary which will keep the pilot focused on vulnerable and low skilled beneficiaries) and selection criteria.

9. This sub-component serves as both an adaptive response to the high youth unemployment rate<sup>26</sup> and an innovative solution to economic limitations imposed by the fragility of the country and its ongoing conflict. By connecting Yemeni youth to global microwork opportunities, this initiative decentralizes employment opportunities, ensuring income generation is not solely reliant on a local private sector with limited employment opportunities.

10. **This pilot will finance the implementation of digital skills training for microwork employment.** Specifically, activities will include (i) youth profiling and a market assessment for microwork opportunities (including Focus Group Discussions conducted to better understand youth's aspiration), (ii) developing a tailored training program on minimum requirements of basic literacy and numeracy, digital literacy skills, advanced IT skills, distribution of devices to implementing agencies (no ownership by beneficiaries) and access to training centers, (iii) map employers, identify microwork opportunities and connect beneficiary youth, and (iv) design and implement a monitoring and evaluation program to assess implementation and measure the impact of the program on employment and earnings (surveys can be developed to gather youth's feedback on the program). This pilot is expected to support a targeted 1,000 beneficiaries for income-generating activities, out of which 50 percent are female. More details on each of these proposed activities are provided below.

11. **Subcomponent 1.3 (a): Supply and Demand Assessment (approximate allocation US\$950,000, initial financing US\$50,000)** This activity will finance assessments of youth beneficiaries' skills and customize trainings based on their specific needs. A consultancy firm will be contracted to analyze the demand for microwork opportunities at both national and global levels, facilitating connections with potential employers. This will inform the design of youth training activities to ensure their alignment with employer requirements. The objective of the assessment will be to (i) identify and assess the capacity of selected UCT youth beneficiaries for digital microwork opportunities, (ii) examining local, regional and global outsourcing industry trends, including microwork opportunities, (iii) provide a framework of the type of employment opportunities (digital/remote), (iv) analyze and identify specific sub-sectors nationally and/or globally for microwork opportunities with the potential to hire low skilled, poor and vulnerable Yemenis, and (v) map and identify employers nationally and/or globally to reach out during the implementation of the planned project and create partnerships. The assessment will also foster partnerships with potential supporting entities such as CSOs, NGOs, private sector, and education institutions in Yemen for long-term sustainability.

12. **Subcomponent 1.3 (b): Design and Implementation of digital, soft skills and employability training (approximate allocation US\$6,900,000, initial financing US\$400,000).** Building on the results of the supply and demand and supply assessments, this activity will finance outreach and selection processes and training programs to address employer needs and connects beneficiaries with identified micro tasks. The design of the program will be detailed in the POM and will ensure the design is gender-sensitive (e.g., training proposed at location/date/time convenient to women, with female teachers/instructors, challenges and barriers women

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<sup>26</sup>Youth unemployment rate stood at 25 percent in 2022 for the 15–24-year-old bracket according to the *International Labor Organization* (ILO) data.





faced to be alleviated to reduce the gaps in access to opportunities, etc.). The trainings will cover basic digital literacy (e.g., computer and internet use) and advanced IT skills when necessary. Certification, facilitated by global tech companies in collaboration with local partners, will encompass employability and soft skills training. It will aim to empower youth to access microwork opportunities and create profiles on relevant platforms. The training will be tailored to meet specific demands and may cover a range of skills, including digital literacy, data management, AI, transcription, market research, UCT-related digital payments facilitation, building awareness on financial literacy amongst beneficiaries, and other UCT program elements such as grievance collection and data monitoring. Depending on the results of the supply/demand analysis, life skills / behavioral type of trainings could also be considered, which are often beneficial for vulnerable groups. Additionally, this initiative will support access to IT centers, access to devices, and reliable internet connections. A selected pool of trained youth will receive customized training and mentorship to benefit from microwork opportunities identified to support the UCT's digital payment and financial literacy component. Such opportunities include creating awareness, mapping sales points, and offering initial support to UCT households to shift to digital payments. Eligible youth can also assist with other UCT components such as data collection, monitoring, and grievance resolution. The activity will be carried out in two phases to ensure quality, sustainability, and target reach.

13. *Phase 1 - Pre-Pilot:* Phase 1 will emphasize quality and sustainability. It will establish a system and governance for the program, pre-pilot it, and fine-tune it for optimal performance. This phase will involve piloting the program with a small number of participants to identify and address potential challenges. This includes assessing the relevance and quality of the training, identifying, and reaching out to potential employers, quality control for micro tasks, and ensuring that all processes, such as payment to micro-workers, are functioning.

14. *Phase 2 - Pilot:* Following the pre-pilot phase the activity will move to the pilot. This phase will allow leveraging economies of scale and will target a high number of beneficiaries (over 1,000). The pilot phase can either continue in the same two districts identified in the pre-pilot phase where digital payments are being piloted or expand to include more districts if required to meet the targeted coverage level. During this phase, the focus will shift towards a larger-scale implementation, building on the lessons learned from the pre-pilot. The objective is to efficiently implement the program, provide support to a larger group of beneficiaries, and further fine-tune the system for greater impact and sustainability.

15. **Subcomponent 1.3 (c): Design and implementation of a monitoring and evaluation framework (approximate allocation US\$1,650,000, initial financing US\$50,000).** This activity will finance costs of designing a monitoring and evaluation framework to assess implementation and measure the impact of the program on employment and earnings. Such an evaluation would inform the replication and scale-up of the program. The evaluation will include (i) comprehensive evaluation methodology; (ii) collaborate with a survey firm to conduct and analyze evaluations/surveys to ascertain the program's impact; (iii) create a feedback mechanism for beneficiaries to provide inputs and testimonials, aiding in continuous improvement of the program design.

16. **Communication and outreach.** The pilot will undertake a gender-sensitive communication and outreach campaign to encourage youth, including women, to participate in the pilot. Communication efforts will target the most disadvantaged groups, including girls and people with disabilities. Effective communication will encourage the active participation of targeted beneficiaries and decreases the risks of social tensions.



**17. The pilot will build on existing partnership and stakeholders while developing private sector involvement and engagement.** The Bank will leverage its convening power to establish partnerships with global tech companies for the provision of certifiable short-term skills training (e.g., Microsoft, Google, Facebook, etc.) as well as with regional and local entities for the successful implementation of training activities under this subcomponent. UNICEF will also utilize their experience in implementing microwork projects in the region (Lebanon and Jordan) and will apply lessons learned and recommendations to the proposed pilot; while the World Bank will leverage lessons learned from microwork projects implemented globally.

**18. Institutional and Implementation Arrangements.** The pilot will be implemented by UNICEF who will rely on the selection and sub-contracting of local entities - to be identified at a subsequent phase and based on the results of subcomponents 1.3 a and 1.3 c. This will also ensure capacity building of local partners and contribute to the sustainability of the program.

**19. A Cost Benefit Analysis was conducted based on assumptions and resulted in an average Economic Rate of Return (ERR) of 17 percent.** The cost-benefit analysis focuses on assessing the ERR of the training activity by comparing expected beneficiary earnings that are attributable to the program to the three-year component budget of US\$8.55 million or US\$2.85 million per year on average. This budget comprises both the training/microwork placement and the M&E components. (i.e., full package of services for microwork activation). This analysis incorporates a decay rate of 10 percent, which estimates the gradual reduction in the project's impact over time<sup>4</sup>. The benefit projection considers a total of 7,000 beneficiaries within the target demographic of poor and vulnerable youth in households benefiting from the UCT program. Eligible youth should possess a minimum proficiency in numeracy and literacy skills. The assumed annual wage is approximately US\$556 calculated by averaging the Yemen monthly minimum local wage of US\$154 (equivalent to US\$0.37 per hour) with the average earning in a comparable country: Zambia. The average hourly earnings in Zambia for youth aged 20-29 is ZMW19 translating to approximately US\$0.7. The calculation considers an estimated 20 hours per week spent on microtask in developing countries<sup>5</sup> providing a basis for annual estimation. In recognition of the program's broader social impact, the CBA includes a social dimension value standing at 20 percent, quantifying positive societal contributions beyond economic returns. This could encompass improvements in social well-being, community development, empowerment of marginalized groups, or any other positive social changes attributed to the program. In essence, this highlights the program's contribution beyond the economic aspects and allows for a more comprehensive assessment of its effectiveness. The primary focus of the program is to increase the employment rate of beneficiaries. It is assumed that this increase is equal to 23.75ppt with: (i) half of the trained beneficiaries benefitting from guaranteed microwork opportunities (estimated at 80ppt for caution) and the remaining half expected to secure opportunities on their own (estimation at 5ppt based on international experience) and; (ii) a decay rate of 25 percent is applied to the first half, and a decay rate of 50 percent is applied to the second half. The resulting average economic rate of return, given these assumptions, stands at 17 percent.



## **ANNEX 3: Implementation Arrangements and Support Plan**

### **A. Implementation Arrangements**

- 1. The proposed AF3 will be implemented by UNICEF under the Financial Management Framework Agreement (FMFA), with support from SFD in the implementation of activities under this component.** UNICEF will be the recipient agency for Component 1 (Unconditional Cash Transfers) and 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. These agreements will be shared with the World Bank upon signature.
2. As the IDA grant recipient, UNICEF will be responsible for the procurement of FSPs, 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 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. This assessment, 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 SWF. 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. Like 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 implementing agency and IP as needed. UNICEF and UNDP will also submit to the Bank bi-annual Interim Narrative Progress Reports, including reporting on E&S implementation and compliance. Further, the Bank will receive TPM monitoring reports from UNICEF and UNDP in accordance with their respective submission schedules as outlined in the respective Financing Agreements.

### **B. Fiduciary**

#### **(i) Financial Management**

5. **Financial Management.** The project will build on the existing FM arrangements in place under the ongoing project while adopting mitigation measures throughout project implementation. The FM arrangement follows the Financial Management Framework Agreement (FMFA) and recipients UN agencies' financial rules and regulations.



**6. The Financial Management risk is High. Financial Management (High).** The nature of Component 1 (UCT) renders it high risk due to the delivery of cash to a targeted 1.5 million households every PC, over a large geographical area, with several entities involved in implementation. Additional risks, emanating from the conflict in the Middle East may involve practical disruptions due to national sanctions. There is a need to anticipate mitigation measures should such scenario occur (some commercial banks may refuse to operate in connection with Yemen even if UN agencies have a general license). Nonetheless, the mitigating measures that are applied to the ongoing project are valid and will apply to AF3. The environment of fragility, low capacity, and possible interferences with IP management all contribute to the risk. These risks are mitigated by measures incorporated into the project design: (i) relying on the FMFA and UN agencies Financial Regulations and Rules assessed as being adequate, (ii) prioritizing direct payments (where feasible) modality for cash flow transfers to the IP in accordance with HACT procedures, (iii) limiting advances transferred to IPs to the amount necessary to ensure the continuity of their operations, (iv) contracting/engaging qualified FSPs with capacity to deliver financial services that demonstrate sound internal controls, to report the use of funds; (v) using a qualified TPM agency with ToRs and qualifications acceptable to the World Bank, (vi) maintaining a governance system that ensures the reliability of the database of eligible project beneficiaries, (vii) implementing the GM and beneficiary satisfaction survey, and flagging risks of fraud and corruption in compliance with the agreement between the World Bank's INT and UNICEF's Office of Internal Audit and Investigations (OIAI), (viii) (UNICEF and UNDP) conducting spot checks and scheduled audits in accordance to the HACT, addressing recommendations, and sharing these reports (UNDP) or the summary of these reports (UNICEF) with the World Bank, (ix) disbursing funds under the UCT to FSPs on the basis of the provision of acceptable bank guarantees, (x) applying a set of FM procedures for the transfer, use, accounting and reporting of funds. The recent escalations in the Red Sea and the associated ramifications including on governance, and practical implications on the financial system liquidity, may heighten the current risks that would require a dynamic assessment and monitoring of risks.

**7. 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, every quarter, Interim Financial Reports (IFRs), in accordance with accounting standards established pursuant to the UN Financial Regulations and in the format agreed with the Bank and annexed to the DFIL. The IFR will include (i) donor statement by activity (uncertified), (ii) the use of funds by project component, (iii) a Designated Account reconciliation statement, (iv) cash flow forecast for the next six months, (v) the amount of SDR/USD exchange rate fluctuation gain or loss. The IFRs will be submitted to the World Bank no later than 45 days after the end of each quarter.

**8. 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 based in the field is comprised of qualified staff to review and adequately 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 due 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 agencies will ensure proper measures are in place to prevent overlapping benefits.
  - d) The Recipient's finance and monitoring teams and TPM agencies carry out adequate financial and technical reviews, respectively, as per the HACT procedure.
  - e) In the case of payments to individuals, the recipients will ensure the use of FSPs, or other methods are used that can provide the necessary assurance that funds reach the intended beneficiaries.
  - f) The recipients will ensure that IFRs are adequately reviewed and approved before submission to the Bank.
  - g) Any proceeds from the financing will not be transferred to the Central Government or used to pay civil servants' salaries.
  - h) UNICEF MIS team will ensure the reconciliation of funds paid to the beneficiaries through an automated process. The FSPs replicate payment information into the UNICEF MIS and submit their final reconciliation reports. The UNICEF MIS team reviews the final reconciliation reports and, matches payments made by the FSPs to the payment list (plan) and concludes the reconciliation based on a complete match of the actual vs planned.

**9. 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 project are acceptable and will be used under AF3. UNICEF will continue to use the flow of funds modality currently applied for Component 1 (UCT), which includes advance, and will prioritize, as possible, the direct payment modality to IPs. UNDP will use the Direct Implementation modality to the extent feasible to mitigate any risk associated with advances to IPs, through which funds will flow from the Bank to UNDP and then to the ultimate beneficiaries/recipients, avoiding passing through intermediary accounts.

10. The Grant proceeds will be transferred from IDA to UNICEF's and UNDP's official bank accounts based on written notices of withdrawal submitted to the Bank by the designated official(s). Subsequently, UNICEF and UNDP will submit notices of Withdrawal Application (WA) at least every six months. Each notice of WA will cover an amount representing a projection of expenditures for six months, up to the project's closing date, reconciling against amounts previously withdrawn against the project.

**11. The use of advances to IPs under the project will be limited to the amount necessary to implement activities without disruption.** 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 pre-agreed thresholds in line with HACT procedures; (ii) no new advances are released to the IPs unless previous advances are fully or partially justified in line with HACT procedures; (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 shall have proper audit trails. Both recipient agencies will exert all efforts to ensure that funds reach the ultimate eligible beneficiaries with sufficient evidence provided.

12. Projects managed by UN agencies follow the UN monthly announced foreign exchange rate for their records. UNDP monitors the performance of the commercial banks that house and deliver projects' funds to ensure that the projects receive the most favorable rates. UN agencies disburse in US\$, and the IPs



obtain market rates based on the 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.

13. In cases where payment is made by an IP the amount is transferred from the UNDP to SFD in US\$, 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.

14. **FOREX (FX):** UNDP implements the FOREX Strategy agreed upon with select 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.

15. Under the UCT component, UNICEF and the WB developed a FX strategy in 2021 to establish the benefit amount in USD for conversion to YER and make payments to beneficiaries based on applicable exchange rates in the north and south of Yemen accordingly. The FX strategy was last revised in 2022 and will be subject to future revisions by UNICEF and the Bank to respond to the market dynamics as they evolve. The FSPs provide bank guarantees, receive the amount in USD from the project, and convert it to YER as per the FX strategy to initiate the PC.

16. **Audit.** The Single Audit Principle is applied, meaning no separate audit of Bank-financed operations is undertaken. The project will be subject to the audit arrangements applicable to UNDP and UNICEF in line with the FMFA. Both recipient agencies will make the audited financial statements and accompanying reports available to the World Bank. They will retain (or cause to retain) all records evidencing all expenditures in respect of which withdrawals of proceeds were made.

17. **Implementation Support Plan.** The World Bank will carry out regular implementation support of project activities. This will include desk reviews, review of financial reports provided by the recipient agencies and TPMs, and (virtual) field visits.<sup>27</sup>

18. Table 1 describes the project's FM risks and the associated mitigation measures. The residual FM risk for this project remains High. The implementation of the mitigation measures will be reviewed, and the risks will be reassessed as part of the continuous implementation support for the project.

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<sup>27</sup> Field visits mean visits to the UN agency offices in Amman, Jordan.



Table 1: FM Risks and Mitigation Measures

1	<p>There is a high risk of political interference by the authorities, especially in the re-targeting exercise and in the project partner’s operations, including SFD.</p> <p>Bureaucratic restrictions compromise the ability to independently monitor.</p> <p>The risk is Substantial.</p>	<ul style="list-style-type: none"> <li>• Refresher training before each PC for SFD (IP), in addition to periodic review of their risks and/or performance.</li> <li>• Negotiate a transition plan which at the forefront acknowledges the objective to better target and respond to the most vulnerable population.</li> <li>• Ensure freedom of action, including movement, for monitoring teams.</li> <li>• The residual risk remains Substantial.</li> </ul>
2	<p>Limited capacity and independence of TPMs/auditors and FSPs. This risk derives from the conflict in Yemen, resulting in reliance on local firms hired directly by the UN agencies.</p> <p>The risk is High.</p>	<ul style="list-style-type: none"> <li>• Refresher training before each payment cycle for the FSP/TPM agents and periodic training for audit firms.</li> <li>• Periodic review of risks and/or performance of the partner with frequency of minimum performance reviews set by global policies and procedures.</li> <li>• Names of selected TPM consultants/firms will be shared with the WB before selection, and WB may raise any concerns within five (5) days.</li> <li>• Names of selected FSP firms will be shared with WB.</li> <li>• Any WB-led TPM will complement the UN contracted TPM.</li> <li>• The residual risk is Substantial.</li> </ul>
3	<p>Leakages of IDA funds via the extortion of transfers to beneficiaries (UCT), fraud, and corruption due to the use of cash and ineligible beneficiaries. Risk that funds deposited into the FSP account for UCT may be diverted or blocked by authorities.</p> <p>The risk is High.</p>	<ul style="list-style-type: none"> <li>• Regular FM reviews during implementation support missions.</li> <li>• In addition to the advance, UNDP and UNICEF will use a Direct Implementation modality, in which funds will flow directly from their accounts to the ultimate beneficiaries and, in the case of UNICEF- to the FSPs.</li> <li>• Payments by the recipient agencies and IPs will rely more on FSPs, to ensure that the funds reach the legitimate beneficiaries.</li> <li>• UNICEF requests a bank guarantee from a Bank pre-approved by UNICEF HQ for funds deposited into the FSP account and limits the amount to the minimum necessary to cover the payment cycle.</li> <li>• UNICEF will continue to implement the UNICEF Fraud Policy, including through escalation to UNICEF OIAI.</li> <li>• Bi-annual reporting and dialogue between UNICEF OIAI and WB Integrity on fraud, corruption, and related matters.</li> <li>• UNICEF will continue to maintain a functional GM as a tool for the stakeholders to report and file suspected fraud and corruption.</li> <li>• UNICEF will continue to suspend payments in areas where TPM access is denied.</li> <li>• UNICEF will share with the World Bank a summary of spot checks with the World Bank and respond to any eventual queries from the World Bank in relation to the summary report for a better understanding of its content.</li> <li>• UNICEF will share scheduled audit reports with the World Bank</li> <li>• The residual risk is Substantial.</li> </ul>



4	Due to the volatile and changing security situation across the country, access to areas (nationally and sub-nationally) may be restricted. The risk is High.	<ul style="list-style-type: none"> <li>• Regular monitoring by World Bank together with the UN agencies, national institutions, and monitoring agents to assess the magnitude of this risk and areas affected.</li> <li>• World Bank and the UN agencies to be ready with mitigation measures if risk materializes.</li> <li>• The residual risk remains High.</li> </ul>
5	Weak oversight at SFD: The SFD Board of Directors has been inactive since the conflict in 2015. Therefore, the entire oversight system of SFD is reporting to its Managing Director. In addition, the external auditor of SFD is not rotated regularly.  The risk is High.	<ul style="list-style-type: none"> <li>• Activate the Board of Directors</li> <li>• Micro assessments, spot checks and scheduled audits (and special audits when required) will be conducted by an audit firm directly recruited by UNICEF and UNDP.</li> <li>• Scheduled audit reports and Management Letter will be shared with the World Bank.</li> <li>• Special audit findings and actions reported to World Bank Integrity by UNICEF OIAI.</li> <li>• The residual risk is Substantial.</li> </ul>
6	Risk of liquidity shortage that could negatively affect the implementation of the project due to the reluctance of commercial banks holding the UN agencies' accounts in the USA, Europe, and the UK to make transfers to counterparts located in Yemen. The risk is Substantial.	<ul style="list-style-type: none"> <li>• UN agencies to continue to proactively engage with the commercial banks holding their account their willingness to continue transactions with Yemen and options available to ensure the flow of funds to avoid liquidity shortage and disruption of operations in the field. Options consist of making transfers of funds via accounts opened in neighboring countries and in the South of Yemen.</li> <li>• UNICEF and UNDP will systematically report to the World Bank during project meetings and through the progress report, the status of the risk, mitigating measures, and an action plan implemented.</li> <li>• The residual risk is Moderate.</li> </ul>

**(ii) Procurement**

19. The proposed AF will apply Alternative Procurement Arrangements (APA) utilizing the procurement regulations, rules, policies, and procedures of UNICEF and UNDP. Like the ongoing project, UNICEF will continue implementing the UCT program which is intended to enhance individuals and households’ abilities to withstand shocks and improve their livelihoods. AF3 will add a new sub-component to support digital microwork opportunities for young people from UCT beneficiary HHs. This subcomponent does not involve any major procurement.

20. UNICEF and UNDP are currently implementing several Bank-funded projects in Yemen under the APA arrangements including the ongoing project. The Bank’s procurement oversight of the APA under this project has not raised procurement related concerns. UNICEF’s and UNDP’s experience along with their capacity, field presence and social protection mandate, make them the most suitable partners for the World Bank to implement this component. UNICEF and UNDP have procurement teams in their offices in Sana’a to carry out day-to-day procurement implementation. The procurement teams are supported by an experienced procurement team in the regional office in Amman.

21. UNICEF and UNDP are expected to extend the current TPMA contract after evaluating their performance; however, if a new TPMA is to be hired under the project, the TORs, names, and summary of the qualifications of the selected firm(s) shall be shared by UNICEF and UNDP for the Bank’s review and





approval. TPM services contracted by UNICEF and UNDP under the ongoing project, have played a critical role in verifying project implementation results. Overall, the TPM performance and reporting standards have been adequate, and reporting is done in a timely manner.

22. If project supervision activities require access to primary project monitoring and TPM data collected by and/or received by UNICEF and UNDP (including through their IPs and their TMPA), then any primary data access will be mutually made available. The necessary arrangements are expected to be put in place no later than six months following Grant(s) effectiveness. Should the sharing of such data require data protection and data privacy measures, these measures will be reflected in a separate understanding.

23. UNICEF and UNDP will be responsible for: (i) implementing the procurement plans as agreed with the Bank; (ii) preparing semiannual reports on the progress of procurement implementation as part of the interim Narrative Progress Report; (iii) providing other relevant performance information to the World Bank, as requested; and (iv) ensuring pre-screening of companies/individuals prior to award of any contract financed by the Project against the Bank's lists of sanctioned or temporarily suspended companies and will ensure that the IP has procedures in place for such screening.

24. **Local IPs.** No changes are foreseen under the local IP as UNICEF and UNDP will continue working with the SFD (and PWP); however, if new partners are to be engaged under the project, UNICEF and UNDP will assess their technical and fiduciary capacity to ensure they are capable to carry out procurement functions under the project. UNICEF and UNDP have the required resources to oversee procurement by the IP and will retain full fiduciary responsibility and accountability for procurement carried out by the IP.

25. **Procurement Plan.** UNICEF will prepare a Procurement Plan for the first 12 months and will prepare the Project Procurement Strategy for Development (PPSD). UNICEF will be responsible for implementing the Procurement Plan, as well as reporting on procurement progress in their bi-annual narrative progress reports as per paragraph 22 of the AF2 project paper. UNICEF will monitor and report to the World Bank on the progress of implementing the procurement plan to verify the timely completion of the procurement activities as part of the verification of the project's outputs.

26. **Procurement Management.** For the purposes of this project, UNICEF and UNDP will ensure that the procurement unit is staffed with at least one qualified local procurement staff supported by international staff from the regional office to conduct daily procurement functions. UNICEF and UNDP will ensure that IPs have sufficient and experienced procurement staff with adequate skills to carry out all procurement functions under the project.

27. **Complaints.** Complaints received by the Bank relating to the Recipients' procurement of goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Financing shall be promptly forwarded to the Recipient for review and resolution in line with UNICEF's and UNDP's procurement policies and procedures. The Recipients shall keep the Association informed of their review of such complaints and shall consider the Association's comments in resolving such complaints.

28. **Residual Risks related to procurement are Substantial.** Like the ongoing project, there is a risk that may evolve from engaging local implementing partners such as undue political interference and insufficient fiduciary oversight at the local level. This risk will be mitigated by continuous monitoring of activities and



having comprehensive semiannual reports (to be detailed in the Bank's agreements with UNICEF) on progress with implementation of the procurement plan by UNICEF. In addition, the World Bank will: a) review and approve the procurement plans and their updates; b) review the Terms of Reference (TOR), summary of qualifications of the selected TPM firm before contract award, and scope of the TPM agent for services; and c) review the reports of the TPM agent and take actions as needed. Additional expected risk is the delays due to unforeseen events such as break out of clashes. This risk will be mitigated by advance coordination with the different political parties in Yemen to ensure smooth implementation.

29. Moreover, supply chain disruptions may occur due to the current escalation in the Red Sea including a) goods and supplies shortage; b) an increase of the cost of goods and supplies; c) an increase in transportation/insurance costs; or d) significant delay in delivering goods, supplies, and equipment critical for the implementation of the projects. These risks could be mitigated by diversifying suppliers, exploring local sourcing options, diversifying transportation modes, and developing contingency plans to mitigate the impact of delays



### ANNEX 4: Detailed Project Costs

1. The following tables provide an overview of project allocations under the Framework Approach, with IDA funding constituting around US\$500 million between 2024 and 2026 through two more additional financings to the project to fill the existing financing gap, while US\$100 million would be mobilized through donor funding.

US\$ 600 million framework level fund allocations	2024 (US\$ mill)	2025 (US\$ mill)	2026 (US\$ mill)	Total (US\$ mill)
<b>1. Cash Transfers (UNICEF)</b>	<b>140.0</b>	<b>150.5</b>	<b>152.0</b>	<b>442.5</b>
1.1 Unconditional Cash Transfer	131.5	128.5	135.7	395.7
Cash Transfer Benefit	125.0	100.0	105.0	330.0
Shock Responsive Top-Up Amount	0.0	20.0	23.5	43.5
Financial Service Provider Fees	3.0	4.6	3.3	10.9
Consultant Services	3.5	3.9	3.9	11.3
1.2 Digital payment, Financial Literacy and UCT Design Enhancement	8.0	19.0	10.3	37.3
1.3 Microwork for Youth Pilot (new)	0.5	3.0	6.0	9.5
<b>2. Geo-Focused support to reduce food insecurity and malnutrition (UNDP)</b>	<b>0.0</b>	<b>26.8</b>	<b>73.9</b>	<b>100.7</b>
2.1 Cash for Nutrition	0.0	4.0	15.7	19.7
2.2 Cash for Work	0.0	5.5	20.8	26.3
2.3 Community Assets	0.0	5.5	20.8	26.3
2.4 Economic Opp & food market resilience (includes microwork with SMEPS)	0.0	11.8	16.6	28.4
<b>3. Project Management, M&amp;E and Capacity Building (UNICEF and UNDP)</b>	<b>10.0</b>	<b>22.7</b>	<b>24.1</b>	<b>56.7</b>
3.1 UNICEF	10.0	11.3	11.5	32.7
Direct costs	4.8	5.8	5.9	16.5
Indirect costs (3%)	4.4	4.7	4.8	13.8
Third Party Monitoring (TPM) and QISS	0.8	0.8	0.8	2.4
3.2 UNDP	0.0	11.3	12.7	24.0
Direct costs	0.0	3.9	3.8	7.8
Indirect costs (3%)	0.0	1.1	2.5	3.6
Third Party Monitoring (TPM)	0.0	0.8	0.8	1.6
Capacity building	0.0	5.1	5.1	10.2
Evaluation	0.0	0.4	0.4	0.8
<b>4. CERC</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Project Cost</b>	<b>150.0</b>	<b>200.0</b>	<b>250.0</b>	<b>600</b>



US\$ 100 million prioritized for strategic donor partnerships	2024 (US\$ mill)	2025 (US\$ mill)	2026 (US\$ mill)	Total (US\$ mill)
<b>1. Cash Transfers (UNICEF)</b>	<b>0.0</b>	<b>33.8</b>	<b>36.0</b>	<b>69.8</b>
1.1 Unconditional Cash Transfer	0.0	20.8	24.5	45.3
Cash Transfer Benefit	0.0	0.0	0.0	0.0
Shock Responsive Top-Up Amount	0.0	20.0	23.5	43.5
Financial Service Provider Fees	0.0	0.8	1.0	1.8
Consultant Services	0.0	0.0	0.0	0.0
1.2 Digital payment, Financial Literacy and UCT Design Enhancement	0.0	10.0	5.5	15.5
1.3 Microwork for Youth Pilot (new)	0.0	3.0	6.0	9.0
<b>2. Geo-Focused support to reduce food insecurity and malnutrition (UNDP)</b>	<b>0.0</b>	<b>8.8</b>	<b>6.6</b>	<b>15.4</b>
2.1 Cash for Nutrition	0.0	0.0	0.0	0.0
2.2 Cash for Work	0.0	0.0	0.0	0.0
2.3 Community Assets	0.0	0.0	0.0	0.0
2.4 Economic opp & food market resilience (includes microwork with SMEPS)	0.0	8.8	6.6	15.4
<b>3. Project Management, M&amp;E and Capacity Building (UNICEF and UNDP)</b>	<b>0.0</b>	<b>7.4</b>	<b>7.4</b>	<b>14.8</b>
3.1 UNICEF	0.0	2.0	2.2	4.3
Direct costs	0.0	1.0	1.1	2.1
Indirect costs (3%)	0.0	1.0	1.1	2.2
Third Party Monitoring (TPM) and QISS	0.0	0.0	0.0	0.0
3.2 UNDP	0.0	5.3	5.2	10.5
Direct costs	0.0	0.4	0.3	0.8
Indirect costs (3%)	0.0	0.4	0.3	0.8
Third Party Monitoring (TPM)	0.0	0.0	0.0	0.0
Capacity building	0.0	4.5	4.5	9.0
Evaluation	0.0	0.0	0.0	0.0
<b>4. CERC</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Project Cost</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>100.0</b>



US\$ 500 million expected IDA contribution under the framework	2024 (US\$ mill)	2025 (US\$ mill)	2026 (US\$ mill)	Total (US\$ mill)
<b>1. Cash Transfers (UNICEF)</b>	<b>140.0</b>	<b>116.7</b>	<b>116.0</b>	<b>372.7</b>
1.1 Unconditional Cash Transfer	131.5	107.7	111.2	350.4
Cash Transfer Benefit	125.0	100.0	105.0	330.0
Shock Responsive Top-Up Amount	0.0	0.0	0.0	0.0
Financial Service Provider Fees	3.0	3.8	2.3	9.1
Consultant Services	3.5	3.9	3.9	11.3
1.2 Digital payment, Financial Literacy and UCT Design Enhancement	8.0	9.0	4.8	21.8
1.3 Microwork for Youth Pilot (new)	0.5	0.0	0.0	0.5
<b>2. Geo-Focused support to reduce food insecurity and malnutrition (UNDP)</b>	<b>0.0</b>	<b>18.0</b>	<b>67.3</b>	<b>85.3</b>
2.1 Cash for Nutrition	0.0	4.0	15.7	19.7
2.2 Cash for Work	0.0	5.5	20.8	26.3
2.3 Community Assets	0.0	5.5	20.8	26.3
2.4 Economic opp & food market resilience (includes microwork with SMEPS)	0.0	3.0	10.0	13.0
<b>3. Project Management, M&amp;E and Capacity Building (UNICEF and UNDP)</b>	<b>10.0</b>	<b>15.3</b>	<b>16.7</b>	<b>42.0</b>
3.1 UNICEF	10.0	9.3	9.2	28.5
Direct costs	4.8	4.8	4.8	14.4
Indirect costs (3%)	4.4	3.7	3.6	11.7
Third Party Monitoring (TPM) and QISS	0.8	0.8	0.8	2.4
3.2 UNDP	0.0	6.0	7.5	13.5
Direct costs	0.0	3.5	3.5	7.0
Indirect costs (3%)	0.0	0.7	2.2	2.9
Third Party Monitoring (TPM)	0.0	0.8	0.8	1.6
Capacity building	0.0	0.6	0.6	1.2
Evaluation	0.0	0.4	0.4	0.8
<b>4. CERC</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Project Cost</b>	<b>150.0</b>	<b>150.0</b>	<b>200.0</b>	<b>500.0</b>



## ANNEX 5: Corporate Commitments

1. **Climate Co-benefits. 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 limited capacity to deal with the impacts of climate change. The level of economic vulnerability to climate change is thus high. In addition, the mean annual temperature in Yemen is expected to increase by 1.2<sup>0</sup> C to 3.3<sup>0</sup> C on average by 2060, increasing the risk of 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.

2. **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<sup>28</sup>. 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.

3. **The proposed expanded project will continue to incorporate climate adaptation and mitigation strategies across all its key activities. The provision of UCTs to a targeted 1.5 million under Component 1 (US\$442.50 million<sup>29</sup>) of Yemen's poorest households will help these households cope with adverse climate impacts, both in the short and longer terms.** Yemen has been severely impacted over the past ten years by a number of catastrophic events linked to natural hazards and climate change. The summer floods of 2020 and 2022 were estimated to have caused substantial damage to livelihoods<sup>30</sup> while the most recent event was a Category 3 cyclone which hit Yemen in October 2023, impacting over 126,000 people and causing an estimated US\$280 million in damages. Most households benefitting from cash support under the project already bear the brunt of adverse climate impacts. Many of these households are climate-vulnerable groups, such as those residing in the Socotra Islands where UCT beneficiaries often cannot be reached at all due to extreme weather. This is also 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 of disease 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. CTs also enable households to access a wider variety of food in case their subsistence crop or normal staple is affected by climate shocks.

<sup>28</sup> Climate change has triggered the strongest alterations in water temperature in the Indian Ocean in 60 years.

<sup>29</sup> Under the Framework Approach over a three-year period.

<sup>30</sup> Approximately US\$117 million and US\$570 million in direct economic damages were caused by the floods caused by the rainy seasons of both years.



4. **Furthermore, the expansion of digital payments will contribute to climate adaptation and mitigation by building resilience in times of extreme climate events.** Fostering transition to UCT digital payment delivery will result in climate co-benefits as digital payments are more energy efficient than physical cash.<sup>31</sup> Adoption of digital payments will reduce the need of transporting cash and beneficiaries to payment distribution points, which reduces carbon emissions from transport. Enabling digital payments also reduces the risk of disruptions in CT delivery because of extreme weather events - which occur frequently in Yemen- when physical centers cannot be accessed, or mobile payment teams cannot reach remote, or disaster affected areas. The planned rapid expansion of digital payments in the national coverage UCT program, and the associated financial literacy interventions, will thus improve financial inclusion with marked effects toward reduced emissions and bolstered climate resilience.<sup>32</sup>

5. **Component 1 (Unconditional Cash Transfers):** The extension of the UCT which covers all of Yemen's 333 districts, including areas impacted by disasters, including climate-related extreme events, helps poor and vulnerable households build resilience and allows them to prepare for, and withstand shocks. The program's beneficiaries are the poorest households in Yemen and are often more exposed to and at risk of climate-related events, and disproportionately affected by the effects of extreme events (e.g., droughts, extreme heat waves, floods, etc.). The presence of an operational UCT program allows for quick identification (including geographic) of climate vulnerable households and serves as an operational resource distribution network in the event of a disaster; further expansion of digital payments will improve climate resilience. The 2024-26 framework introduced in this AF outlines the plan to add shock-responsive features to the UCT program design, hence, it improves the program's adequacy to support climate resilience.

6. **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 as well as subcomponent 2.1 (Cash for Nutrition implemented by UNDP) 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.

7. **Subcomponent 1.3 (Microwork for Youth Pilot, US\$9.5 million) will provide youth with access to livelihoods that are less climate dependent.** In alignment with AF3's digital payment promotion for reduced carbon emissions, this subcomponent will actively incorporate eco-friendly practices and sustainable technologies including (i) the remote nature of the work which reduces carbon footprint and (ii) the use of low-power consumption devices such as tablets, reducing paper and other material usage. This sub-component will seek to identify durable devices using recycled materials, minimizing electronic waste, and collaborating with companies committed to carbon-neutral processes and zero waste. Training provided could also include

<sup>31</sup> Bossone, B (2023) The oversight of payment systems and the green agenda.

<sup>32</sup> Better than Cash Alliance (2023) Responsible Digital Payments to Accelerate Climate Action.



education on eco-friendly practices, ensuring that youth not only contribute to climate adaptation and mitigation through their work but also acquire knowledge promoting environmental sustainability.

8. **Component 2 (Geo-focused Bundles to Reduce Food Insecurity and Malnutrition):** Through its various interventions (cash for nutrition; cash for work; community assets, economic opportunities, and food market resilience), this component incorporates adaptation measures, some of which include: Labor-intensive works supported by sub-components 2.2 and 2.3 will help build resilience to and mitigate the impact of climate-related shocks, including through community investments in flood prevention, land rehabilitation, and water conservation, all of which mitigate the impacts of climate change. This component will 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. Further, sub-components that support physical investments will seek to support the mechanisms adopted by communities to cope with recurring disasters – floods, droughts, and locusts. Subcomponent 2.4 includes an activity that supports SME’s accessing finance through MFIs to invest a share of loans in the provision of solar energy<sup>33</sup> and another activity where targeted SME’s involved in food production<sup>34</sup> are likely to reduce their water consumption by 42 percent, and fuel consumption by 70 percent as a result of the technical assistance and new production outputs supported by the project.

9. **Through the interventions under Component 2 (Cash for Work and Community Assets subcomponents, US\$52.6 million), 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 causing damage and disruptions in connectivity due to extreme weather conditions, such as floods and heat waves.

10. **Cash-for-work activities (US\$26.3 million) will 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.** The project will seek to expand activities to build community resilience to shocks by eliciting existing knowledge on mitigating these risks using construction techniques and resource management to support the mechanisms adopted by communities to cope with recurring disasters – floods and droughts. Under the Community Assets sub-component, a limited number of sub-projects make use of mechanized labor. This occurs when the specialized nature of interventions does not allow for alternative means to be considered – such as for the construction of rainwater harvesting reservoirs, water tanks and water networks, and for road paving/rehabilitation. Examples of sub-component specific mitigation measures include ensuring machinery is well maintained to reduce emissions, planting trees while implementing road projects to offset emissions and

<sup>33</sup> Solar energy is largely used among farmers for solar pumps due to high costs and shortage of fuel.

<sup>34</sup> 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.





contribute to positive environmental improvements, and the inclusion of Climate Resilient Infrastructure design features to safeguard against climate shocks such as flash flooding.

11. **Similarly, under Subcomponent 2.4 (Economic opportunities and food market resilience, US\$28.4 million), 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 energy<sup>35</sup>, as electricity is one of the major constraints faced by Yemeni firms to carry out their productive activities. This subcomponent will also support activities that result in decreased waste (e.g., in milk wasted by milk producers, agricultural harvesters, and fishermen). Targeted SMEs involved in food production will also reduce their water consumption<sup>36</sup> (irrigation water and groundwater stress) and their fuel consumption and supported MSMEs who procure solar systems will contribute to improved fuel consumption and clean energy. This subcomponent also supports the promotion of sustainable agriculture using new technologies. This subcomponent will largely focus on enhancing energy efficiency in food production, processing, distribution, and transportation. Technical support will guide enterprises to identify and implement opportunities for better energy performance, highlighting the advantages of improved operational practices, equipment upgrades, and advanced technologies.

12. Training programs will also introduce best practices in sustainable agriculture, including water-efficient irrigation and renewable energy in food processing, drawing inspiration from global success stories. Water-efficient irrigation, for example, contributes to climate resilience and operational efficiency, exemplified by the principle of "more crop per drop." Furthermore, technical assistance will help enterprises adopt climate-smart post-harvest handling technologies, including cold chain management for food storage and distribution, to reduce post-harvest losses directly affecting food security, nutrition, and efficient resource utilization. The primary goal is to enhance entrepreneurs' awareness of the substantial co-benefits of climate mitigation and adaptation, directing them toward eco-friendly and economically sustainable business practices.

13. 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.).

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<sup>35</sup> Solar energy is largely used among farmers for solar pumps due to high costs and shortage of fuel.

<sup>36</sup> 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.



14. **The ongoing project has achieved notable outcomes and made significant efforts in addressing climate change mitigation and adaptation.** These efforts have been recorded in narrative progress reports that were submitted to the Bank and have been highlighted and promoted through UNDP's communication and visibility plan. Prominent stories showcase interventions which have contributed to climate change adaptation and mitigation such as investing in water storage and irrigation systems to mitigate the effects of droughts, floods, desertification, and water scarcity. The project also focuses on restoring agricultural lands to improve food production and sustainable livelihoods for farmers. The project has also supported rural households with smart, low-cost and environment friendly and durable solutions that combat chronic water shortages. These solutions include cash and training to rural households to build their own rainwater harvesting cisterns (which are environmentally friendly by design) next to their homes. Households are also taught how to filter the water to ensure it is safe for cooking and drinking without the need for fuel to pump water. These cisterns help reduce the burden on humanitarian efforts and improve sanitation and hygiene for these communities while also preventing disease epidemics with safe access to clean water. The project will continue to support these activities.

15. **Gender. While the conflict has exacerbated exclusion and inequality for vulnerable groups in general, women and girls are deeply disadvantaged in all dimensions of life.** Yemen currently ranks 178th out of 189 countries in the Gender Inequality Index, indicating significant gender disparities<sup>37</sup>. 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 settings 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.<sup>38</sup> Further, among 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 Substantial GBV risk.

16. **The proposed AF3 will continue efforts to ensure that gender sensitive interventions are mainstreamed under the project.** 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 will facilitate that female beneficiaries can collect cash benefits by including female cashiers, and female screening officers. The project also utilizes a functional GM to address incidents of SEA/SH for reporting sensitive issues such as sexual exploitation and abuse/sexual harassment (SEA/SH). The UCT targets 1.5 million beneficiary households, of which 720,000 are female-headed households.

17. **Similarly, under subcomponent 2.1 - Cash for Nutrition, 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 (subcomponent 2.2 - Cash for Work), subprojects that are identified and implemented by the selected communities have a gender-sensitive focus<sup>39</sup>. Participation of disadvantaged and marginalized groups in the

<sup>37</sup>Country Results Report, UN Yemen (2022)

<sup>38</sup> 2011 World Development Report (World Bank 2010), Buvinic et al. (2012), Justino 2018.

<sup>39</sup> 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).



identification of community needs includes the design of a gender-sensitive GM platform. Female-headed households and women, in general, are encouraged to work on subprojects (under sub-components 2.1 and 2.2), and those selected are accommodated to the extent possible.<sup>40</sup> Similarly, under the community assets sub-component, gender targeting will take place during the identification of community priorities.

18. **Under the economic opportunities and food market resilience subcomponent, the results of gender commitments achieved to date, have been promising.** Drawing on the lessons learned, SME support in future AFs under the Framework Approach has been refined to accommodate a higher level of support for productive economic inclusion for women. The project will continue to support beneficiaries to increase productivity, product diversification, access to markets, and incomes. Additionally, the project 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 aim to 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.

19. **Citizen Engagement.** The project's delivery systems integrate 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 AF3 will support (i) robust communication and outreach efforts to the targeted populations and beneficiaries in line with the Stakeholder Engagement Plan (SEP) with an emphasis on vulnerable groups, (ii) continued strengthening of the projects' GM systems, to ensure timely resolution and response, including a survivor centered accountability and response protocol to address SEA/SH issues; and (iii) embedded monitoring of beneficiary satisfaction levels through TPM services. Under Component 1, each PC 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. The project is also exploring community monitoring possibilities to strengthen project accountability and feedback mechanisms. As with the ongoing project, citizen engagement targets will be monitored through the following three intermediate indicators: "Surveyed beneficiaries who report receiving the right benefit amount"; "Grievances received, addressed and responded to within a timeline that has been specified and publicly communicated by the project"; and "Surveyed beneficiaries who express satisfaction." In line with the review of the targeting for the UCT, these tools will be central to ensure doing no harm and will be revised and adjusted accordingly.

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<sup>40</sup> 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.