

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB7244

<b>Project Name</b>	Additional Financing for Social Fund for Development IV
<b>Region</b>	MIDDLE EAST AND NORTH AFRICA
<b>Country</b>	Yemen, Republic of
<b>Sector</b>	Other social services (100%)
<b>Project ID</b>	P133699
<b>Parent Project ID</b>	P117949
<b>Borrower(s)</b>	REPUBLIC OF YEMEN
	Government of Yemen Yemen, Republic of
<b>Implementing Agency</b>	
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<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

In 2011, Yemen experienced mass protests, violent clashes, and armed conflict that resulted in the election of a new President and the formation of a transitional government. The conflict situation caused significant disruptions in the supply and production chains and this resulted in contraction of the economy and higher unemployment. Poverty, which was already increasing prior to the crisis, is estimated to have risen further from 42 percent of the population in 2009 to 54.5 percent in 2012.<sup>1</sup> Yemen remains one of the ten most food insecure countries in the world and the most food insecure country in the Middle East North Africa (MENA) Region.

The Yemeni population has suffered from a cycle of food price increases, floods, and political instability since 2008. The 2011 crisis triggered additional price hikes. Public water supplies, electricity and cooking fuel became scarce due to interrupted supplies. Water charges, lighting and cooking fuel costs increased sharply. In urban areas and neighborhoods where armed conflict occurred, such as in Sana'a and Taiz, families had to shoulder the costs of moving from their homes to safer locations, either in other neighborhoods or in their home villages and towns. Signs of distress within the general population have been observed, which are even more severe in regions affected by political conflict and an already high poverty level.

<sup>1</sup> Joint Social and Economic Assessment.

Women, children and youth have been particularly affected. According to the World Food Program (WFP), food insecurity affected approximately 45 percent of the population in March 2012, with 61 percent of children under 5 malnourished and almost one million acutely malnourished. Maternal, infant and child mortality rates remain very high. Female school enrolment rates and women's literacy are amongst the lowest in the world. Unemployment is highest among youth—estimated at 53 percent for the 15-24 age-group, including many with tertiary education—and is contributing to undermining political stability and security in the country.

Over the years, Yemen has developed a multi-tier safety net, including highly successful community-driven programs (notably through the Social Fund for Development [SFD] and Public Works Project), and the cash transfer program to the poorest (through the Social Welfare Fund). The SFD was established in 1997 as an autonomous state organization under the Council of Ministers. The Prime Minister is the Chairman of its Board of Directors. Since its establishment, SFD has become one of Yemen's main development actors, with support from the Government and the donor community. SFD plays a vital role in improving living standards in rural areas by providing funds to needy communities so that access to social services can improve. SFD follows a demand-driven approach and thereby promotes its activities among the target communities and motivates them to identify priority services. It has been rapidly expanding its operations both geographically and by sector. Its involvement has included areas such as education, health, water and environment, agriculture, village access roads (rural feeder roads), micro and small enterprise (MSE) development, social protection and workfare programs.

Since its effectiveness in October 2010, the SFD IV Project has performed satisfactorily and has been ahead of schedule in implementation, disbursement and achievement of its development objectives. The International Development Association (IDA) grant of US\$60 million to SFD IV is 53 percent disbursed less than halfway through the lifetime of the project. As of October 2012, 7.2 million employment days had been created, with 2.5 million direct beneficiaries (of which 1.5 million were female) and 1.5 million indirect beneficiaries (of which 0.8 million were female). The Project showed resilience and maintained excellent performance throughout the country crisis of 2011 and resulting ramifications in 2012 which left many in the country unemployed and food insecure. The SFD adapted to the new environment with innovative approaches to meet implementation challenges and played an important role in responding to urgent needs in the population. In response to the consumption gap during the crisis period, SFD scaled up its Labor Intensive Works (LIW) program to provide immediate income relief by creating more than 2 million employment days. The SFD IV Project management has earned a satisfactory/highly satisfactory rating throughout implementation so far.

While the LIW program under the SFD IV Project has been highly successful in providing income relief for impoverished households, it has become clear that women and youth are not represented proportionately among the direct beneficiaries. Decisions are made at the household level on who should participate in the cash for work and, for cultural reasons, this is usually the head of the household. It is therefore proposed to extend the LIW component through new activities that would facilitate the inclusion of youth and women and to use the Additional Financing (AF) for this purpose.

## 2. Objectives

The project development objectives of SFD IV are to: (i) improve access to basic services; (ii) enhance economic opportunities; and (iii) reduce the vulnerability of the poor. These objectives will remain the same.

## 3. Rationale for Bank Involvement

The original rationale for Bank involvement through SFD IV remains valid. The Bank has played an important role as the leading partner in supporting the SFD since its inception, bringing technical experience and leveraging large donor resources. In the current context of Yemen's constrained resources and the increased needs resulting from the 2011 crisis, this role is particularly important.

The AF for the SFD IV Project is included in the Bank's Interim Strategy Note (ISN) for Yemen (November 2012) as one of the proposed activities to target the vulnerabilities of poor people and marginalized groups in the short term, under the first pillar of "Achieving Quick Wins and Protecting the Poor," as well as contributing to the ISN priority of supporting improved access to basic social services and infrastructure. The new activities to be financed through the AF comply directly with the first guiding principle of the ISN, which focuses on "intensifying participation and inclusion, with a special focus on gender and youth."

## 4. Description

The proposed scale up fully supports the SFD IV's original development objectives which are to: (i) improve access to basic services; (ii) enhance economic opportunities; and (iii) reduce the vulnerability of the poor. These objectives remain the same. The additional financing will scale up the Component 4 Labor Intensive Works (LIW) Program by introducing two new subcomponents to: (i) support LIW targeted to unemployed youth; and (ii) introduce cash for work opportunities for youth and women in the delivery of services while targeting the works and services to poor and vulnerable communities. The existing LIW component is being implemented successfully and will continue with its original allocation of US\$25 million to finance labor-intensive community infrastructure subprojects, providing cash for work to participating members of poor households. The AF would fund the additional activities as detailed below:

**1) LIW for Youth (US\$4 million):** *The objective of this subcomponent is to reduce the vulnerability of unemployed youth through youth-targeted labor-intensive works.*

The sub-component will finance labor-intensive subprojects that provide income opportunities and work experience to participating youth in subprojects to improve community infrastructure and environment.

The program will target unemployed youth in the 18-30 age bracket in urban and semi-urban areas, with wages set low to ensure that the program attracts unemployed youth

from poor households. About 5,000 youth are expected to benefit from employment lasting approximately 50 to 60 days with average remuneration of about US\$400 to US\$500.

Subprojects will be selected on the basis of high labor-intensity and potential impact. In addition to the LIW Program's regular subprojects menu, projects more suitable for youth and for urban and semi-urban areas will be added, such as planting trees, cobble-stone street paving, cleaning shorelines, and especially rebuilding damaged public spaces.

**2) Cash for Work for Social Services (US\$21 million):** *The objectives of this subcomponent are: (i) to reduce the vulnerability of unemployed youth and women through providing employment opportunities in social service delivery; and (ii) to improve access to basic social services in poor communities.* In close coordination with relevant national programs, this subcomponent will focus on the demand side in financing social services at the community level and improving access of the poor and vulnerable to these services. Three categories of services are proposed:

*(i) Education, literacy and numeracy*

Job opportunities, through nine-month contracts, will be provided for approximately 3,590 male/female youth who have recently graduated from university, high school, or teacher training institutes, with priority given to those with training or experience in education and to residents in the project location. Successful applicants will receive initial training and regular supervision in providing the following services: (a) teachers to fill teacher gaps in regular schools (pupils 6-14 years old); (b) non-formal accelerated programs for children who have not enrolled or have dropped out of school to help them re-integrate into the formal system; and (c) adult literacy classes including life skills.

*Beneficiary communities* will be 30 percent in urban and 70 percent in rural areas. Selection criteria will be based on evidence of need: poverty index; population density; enrollment gaps; illiteracy rates; and low university or secondary education outcomes in the region. The program expects to provide education and literacy benefits for approximately 36,000 males and females in targeted communities and to stimulate the demand for education among households that have not traditionally considered education important.

*(ii) Nutrition*

An estimated 1,600 Community Health Volunteers (CHVs) will be trained and contracted and will receive monthly incentives. Training to become qualified to carry out defined activities will follow MOPHP's training modules. CHVs will provide a package of community-based nutrition services to children under 5 (U5) and pregnant and lactating women, including: (a) enrolment and initial screening for acute malnutrition; (b) quarterly or bi-annual malnutrition screening in case MOPHP quarterly outreach services are not available; (c) provision of transport to facilities for treatment; (d) monthly nutrition education to mothers of U5 children; (e) nutrition education for pregnant

women; (f) breastfeeding promotion; and (g) community level nutrition and health education. The supply side of services is being supported through the Bank's Health and Population Project which is under implementation (nutrition kits), along with MOPHP and other development partners (equipping of the health facilities and training of CHVs).

Geographic and demographic targeting is focused on Hodeida Governorate, which has been selected based on its particularly high malnutrition rate and its readiness to provide nutrition interventions from the public health facilities. The program expects to benefit approximately 15 percent of the estimated 493,644 children in the governorate. The selection of districts and beneficiary communities will also be based on malnutrition rates and readiness to participate.

*(iii) Social research*

Cash-for-work opportunities will be provided to approximately 400 young university graduates (men and women) who will be given an introductory training and guided to participate in data collection and other assessment and monitoring and evaluation activities of the SFD programs. Through working directly with communities and experienced SFD staff and consultants, participants will learn skills needed to work in the development field as a surveyor, researcher, enumerator, or field assistant.

The SFD IV Project's institutional and implementation arrangements and safeguard and fiduciary procedures will apply for the proposed scale up activities. The proposed AF will have the same project closing date.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0
IDA Grant	25
Total	25

6. Implementation

The project will be implemented by the SFD. The SFD is an autonomous organization under the Prime Minister's Office. Its Board of Directors has government representation, NGO representation, private sector representation, and financial sector representation. The Board reviews policy issues and approves important documents like annual plans, and budgets and amendments to the Operational Manual. The executive body of the SFD is headed by a Managing Director who has full authority to manage the operations, including all personnel and operational matters. Besides the SFD's office in Sana'a, there are nine regional branch offices country-wide.

Over the last fifteen years, capacity has been built substantially to identify, prepare, and supervise the implementation of development projects. The SFD now has the capacity to commit subprojects valued at around US\$15 million every month and the capacity to disburse approximately the same amount. Principal functions have been gradually decentralized, and the

regional offices are now making a large number of the operational decisions. The final approval of subprojects continues to be done from Sana'a by a subproject committee to ensure quality of the interventions and compliance with policies and standards, and to avoid the political pressures on regional offices.

The SFD has a dynamic group of staff in Sana'a as well as in the regional offices. It has developed its organizational structure and subprojects cycle very professionally during the first three phases of Bank support. It has a state-of-the-art management information system (MIS) that was designed in-house and that captures all aspects of the subproject cycle from the submission of the request to closure and evaluation of the subproject.

## 7. Sustainability

The Government of Yemen is committed to extending services to all poor citizens, using the SFD as a major instrument. Hence, it has continued to support the SFD over the last 15 years, contributing at least 10 percent of SFD's program budget. Given that this is the fourth phase of the Bank's SFD Project, and given the Government's commitment, sustainability has been demonstrated over the years as the SFD program continues to perform satisfactorily and without interruption. The strength and sustainability of the program were evident in the way in which the SFD handled the recent country crisis.

The program's sustainability is ensured by at least two features at the program level: that a subproject is demanded by a community; and SFD ensures the coordination with relevant sector authorities (e.g., in education, health) and, where applicable, recurrent expenditures including staff (as a pre-requisite to commencement of the subproject) are provided. Further, the project targets the most vulnerable segments of the Yemeni population, such as unemployed youth and women, not only to meet their basic needs, but also to provide work experience, decrease vulnerability, and enhance stability in the country. The lessons learned from these interventions have made SFD's program more effective and guided improvement of ongoing programs and future interventions.

## 8. Lessons Learned from Past Operations in the Country/Sector

As this is the fourth phase of the SFD program, lessons learned from the each of the phases have been incorporated throughout the life of the program and adjustments have been made to improve and strengthen the program. Most relevant lessons for this AF are:

- a) Absolute importance of an autonomous SFD, which has been secured by law.
- b) Significance of coordinating with line ministries as well as other Bank- and donor-financed projects, to which the SFD is dedicating concerted effort.
- c) Importance of decentralizing SFD regional offices: the nine branch offices now have more decision-making ability and the capacity of staff has been continuously built to reach out to remotely located communities.

- d) Having robust and transparent policies, systems and procedures have been the backbone of SFD's ability to withstand external pressure, and its neutrality as an organization is key to its ability to operate in nearly all communities.
- e) LIW: targeting, selection criteria, communications, implementation, and monitoring processes needed to be strengthened for better results and to improve sustainability.

#### 9. Safeguard Policies (including public consultation)

The project will remain classified as environment category B according to the World Bank's Operation Policy on Environmental Assessment (OP 4.01). The Environmental Management Plan (EMP) dated February 2010 that was updated by SFD during the preparation of the SFD IV Project will still be applicable. Furthermore, SFD periodically updates the EMP as needed to reflect additions and/or changes in its overall program design with IDA and other donors. Since no new type of works will be introduced as part of this AF, the current EMP is still applicable to the AF.

By nature of the project design, consultations with stakeholders and community members will continue to be undertaken before implementation of subprojects as part of subproject cycle. Subprojects will be selected on a demand basis. The activities added under the AF are scaling up of the ongoing project.

#### 10. Contact point

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