I. Project Context

Country Context

With a Human Development Index of 0.458 (ranging between the lowest of 0.304 to highest of 0.955), Yemen ranked at place 160 out of 186 countries in 2012 and is thus one of the poorest countries in the world. The proposed Additional Financing (AF) contributes to the Government's transition efforts to address the ongoing social and economic challenges by providing needed infrastructure to improve access to basic public services and to create short-term employment. Specifically, with its country-wide coverage, the AF aims to deliver labor-intensive, small-scale, demand-driven basic services to people living in dispersed and sparsely populated rural settlements, as well as to poor communities in urban areas through the implementation of small subprojects that will be executed by small local contractors, employing labor from within the beneficiary communities.
Sectoral and institutional Context

The demand for basic infrastructure services is greater than anticipated, as is the absorptive capacity of the Labor Intensive Public Work Project (LIPWP). By February 11, 2014, LIPWP allocations stood at 60.2% and disbursement at 44.13%. When the LIPWP was prepared in early 2012, the PWPIU had close to 17,000 community requests for subprojects, of which the LIPWP was only able to execute less than three percent due to resource constraints. In February 2014, the PWPIU had 20,000 subproject requests from communities. Hence, to meet the continuously high need for basic infrastructure services, the proposed AF is a scale up of the LIPWP to increase the number of sub-projects to be delivered and thereby increasing the geographical coverage and number of beneficiaries. Table 1 summarizes the achievements as of February 2014 and indicates that 1.41 million people across Yemen are expected to benefit from the project by project end, while all 382 budgeted subprojects are already contracted for expected completion by end 2014 – about 1.5 years ahead of the project’s closing date of June 30, 2016.  

Given the successful implementation of the LIPWP and the completion of the National Dialogue in January 2014, opportunities exist to build and further expand on the original project’s achievements. Following the 2011 crisis, and the election of a new president in February 2012, the Government embarked on a reform program that entailed a National Dialogue between March 2013 and January 2014. Following the completion of the National Dialogue on January 25, 2014, a federal state structure for the Federal Republic of Yemen was approved, that comprises six federal states. Given the changing country context, the AF will ensure that the additional subprojects are covering these six regions adequately, while retaining the LIPWP formula for allocating funds, i.e. (a) 50% population size; (b) 30% poverty index; and (c) 20% remoteness and deprivation.

II. Proposed Development Objectives
A. Current Project Development Objectives – Parent
The proposed Project’s development objectives are to assist the Recipient to: (i) provide needed infrastructure to improve access to basic public services; and (ii) create short term employment.

B. Proposed Project Development Objectives – Additional Financing (AF)

III. Project Description

Component Name
Community Infrastructure
Comments (optional)
Financing of works and goods for small subprojects in the sectors of: health, education, water supply, sewage, water harvesting schemes, stone paving of roads and streets, and vocational training.

Component Name
Technical Assistance
Comments (optional)
Financing of consultancy services for preliminary and detailed designs of subprojects.
This component will finance incremental operational costs of the PMU and staff training.

IV. Financing (in USD Million)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
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</tr>
<tr>
<td>Total Bank Financing:</td>
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<tr>
<td>Financing Gap:</td>
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<td>For Loans/Credits/Others</td>
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<td>BORROWER/RECIPIENT</td>
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<td>IDA Grant</td>
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<td>Total</td>
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V. Implementation

Since effectiveness, the ongoing project’s PDO and implementation progress have both been consistently rated as Satisfactory. Ratings for Environmental and Social Safeguards are also Satisfactory, as are Procurement and Financial Management ratings. The project is expected to meet its outcomes and outputs ahead of project closure on June 30, 2016. The implementation of Bank safeguards requirements is progressing well.

Two new design features of the proposed AF will further enhance gender inclusion and citizen engagement, for which a revised Manual of Procedures is providing the operational basis. Specifically, under component 1, gender-focused activities will help increase the project impact for women by (a) giving women more voice through community consultations during sub-project preparation, (b) by employing more female engineers during subproject design, implementation and supervision, and (c) by encouraging the short-term employment of female beneficiaries during subproject implementation. Additionally, component 1 will also cover activities to help strengthen and formalize Citizen Engagement (CE) throughout the subproject cycle (identification, prioritization, implementation, operations and maintenance, and monitoring); these will support a sustainability approach for existing sub-projects. Specifically, (i) formalization of the existing informal complaints mechanism (grievance redress mechanism) for both, general project issues, as well as safeguards issues, in order to benchmark and keep track of bottlenecks at the local level, and, (ii) standardization of the methods to collect citizen feedback on infrastructure service provision, operations and maintenance, as well as infrastructure usage in order to assess citizen satisfaction with AF investments.

VI. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<th>No</th>
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<tbody>
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<td>Environmental Assessment OP/BP 4.01</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>Indigenous Peoples OP/BP 4.10</td>
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<td>Safety of Dams OP/BP 4.37</td>
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<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
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</tbody>
</table>
VII. Contact point

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