



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 17-Nov-2020 | Report No: PIDA29154

**BASIC INFORMATION****A. Basic Project Data**

Country Yemen, Republic of	Project ID P173582	Project Name Yemen Social Protection Enhancement and COVID-19 Response Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 23-Nov-2020	Estimated Board Date 17-Dec-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP)	Implementing Agency Social Fund for Development, Public Works Project	

Proposed 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.

Components

Cash Transfers
Labor Intensive Works and Economic Opportunities
Project Management, Monitoring, Evaluation and Capacity Building of National Institutions
CERC

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

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

Total Project Cost	203.90
Total Financing	203.90
of which IBRD/IDA	203.90
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	203.90
IDA Grant	203.90

Environmental and Social Risk Classification

Substantial

Decision

Other Decision (as needed)

B. Introduction and Context

Country Context

The conflict in Yemen has brought the economy to a near collapse. Even prior to the conflict, the economy was heavily dependent on diminishing oil and gas resources: 25 percent of gross domestic product (GDP), nearly three quarters of government revenues, and 90 percent of the exports. Violent conflict, now in its sixth year, has brought the economy to a near collapse. Hydrocarbon exports came to a virtual halt in 2015 due to the repeated sabotage of infrastructure and increased insecurity. This had a major impact on economic activity and led to a wide-scale suspension of basic public services and civil service salary payments, rapid depreciation of the currency, and shortages of imported goods. The distortions created by the bifurcation of institutions (particularly the Central Bank of Yemen) and the divergent policy decisions in Sana’a and Aden have further exacerbated the economic crisis. Around 25 percent of businesses in the country have closed since the start of the conflict, and over 51 percent have decreased in size and scaled down operations. All in all GDP has shrunk in half in real terms since 2015.

The conflict has made Yemen one of the poorest and most food insecure countries in the world. Projections suggest that over three-quarters of the population live on less than US\$3.20 purchasing power parity (PPP) per day, compared to 45 percent in 2014. The high level of food poverty is of particular concern. Conflict has destroyed livelihoods and with that, the ability to purchase food. It has also caused major disruptions in the food supply chain and increases in the price of imported foods, which Yemen is heavily reliant on, resulting in substantial increases in food prices—the cost of the minimum survival food basket increased by 144



percent in nominal terms between March 2015 and July 2020.¹ About two thirds of the population (over 20 million people) are food insecure (double the number in 2014), 10 million people are at risk of famine, and two million children require treatment for acute malnutrition.² The 2019 International Food Policy Research Institute Global Hunger Index ranked Yemen 116 out of 117 countries³, and the 2020 Global Report on Food Crises calls it the “world’s worst food crisis.”⁴ Most of the population also lacks access to basic services such as education, health services, water and sanitation.⁵ These deprivations are eroding Yemen’s human capital: the future earnings potential of children born today in Yemen will be 63 percent lower than what it could have been with complete education and full health (World Bank 2018).

The COVID-19 pandemic is poised to have a devastating effect on an already devastated economy and impoverished population. As of November 17, 2020, the COVID-19 pandemic has resulted in over 55.51 million cases and 1.33 million deaths in 212 countries. The number of reported cases and deaths in Yemen are 2,078 and 605, respectively but the actual number of cases and deaths are likely to be much higher due to the limited testing capacity. This is straining an already stretched healthcare system, where only 50 per cent of health facilities are fully functioning, and those that continue to function lack basic equipment such as masks and gloves, oxygen and other essential supplies for the treatment of COVID-19. The indirect effects of the pandemic are likely to be substantial. The pandemic is negatively affecting the Yemeni economy through the domestic restrictions on economic activity and, most significantly, through its impact on global markets, particularly through the plummeting oil prices and the weakening of the Yemeni Rial (YR). The latter is increasing the price of imported commodities, eroding the purchasing power of households and increasing operating costs for businesses. Households are being affected through reduced incomes and remittances, and particularly higher food prices. The cost of the minimum survival food basket had already increased by 17 percent since the start of the year by July 2020, and it will likely increase further as food imports decline, following the disruption in global food supply chains, and as the YR weakens.

Sectoral and Institutional Context

Prior to the conflict, Yemen had a broad array of social protection programs implemented by national institutions. This included Community-Driven Development (CDD) programs run by the Social Fund for Development (SFD) and the Public Works Project (PWP); poverty-targeted unconditional cash transfers (UCT) under the Social Welfare Fund (SWF); categorically-targeted cash transfers (Disability Fund, and the Fund for Martyrs and the Wounded); community-based services (through SFD and the National Programme for the Development of Productive Families); support to small and micro enterprises (SMEs), microfinance and job creation through the Small and Micro Enterprise Development (SMED) and Small and Micro Enterprise Promotion Services Agency (SMEP)⁶; and pensions for formal workers in the public and private sectors. The World Bank and other donors have been supporting SFD and PWP since their inception in 1996, including

¹ WB staff calculations using Food and Agriculture Organization of the United Nations (FAO) Yemen Monthly Monitoring Bulletin and World Food Programme (WFP) Yemen Market Watch Report (monthly).

² WFP Yemen Situation Report #2, February 2020.

³ <https://www.globalhungerindex.org/results.html>

⁴ FSIN (2020) 2020 Global report on Food Crises: Joint Analysis for Better Decisions. Accessed online at https://docs.wfp.org/api/documents/WFP-0000114546/download/?_ga=2.73853716.720838996.1587659542-2013531706.1571253478

⁵ Only 51 percent of health centers remain fully functional. Access to safe water has become a major challenge and the lack of proper sanitation has increased the risk of communicable diseases. About two million children are out of school, mostly girls.

⁶ Both units are under the Social Fund for Development.



throughout the conflict. The Bank also supported SWF's unconditional cash transfers prior the conflict.

The conflict has undermined the ability of national institutions to deliver support and increased reliance on humanitarian institutions. National institutions such as SFD and PWP have historically retained their autonomy and political independence and have remained functional with support from donors. However, government programs, including those of the SWF and the Disability Fund, were affected by the political fragmentation of institutions and discontinued these programs. The public sector, the single largest employer pre-conflict, has not consistently made salary payments to over 1.2 million civil and military employees since mid-2016. Civil and military pension funds have also suffered during the conflict, increasing vulnerability among many families relying on pensions. Earnings from government bonds were inaccessible due to the liquidity crisis, and contributions from public employees also stopped when salary payments stopped⁷ preventing the pension funds from financing payments. The social protection institutional landscape in Yemen is currently marked by a combination of international development and humanitarian actors, as well as key national institutions (notably SFD and PWP) that have maintained political neutrality and operational functionality. These efforts have fallen short of the rising needs: 24.1 million people (over 80 percent of the population) are estimated to need humanitarian or social protection support.

The World Bank-financed Emergency Crisis Response Project (ECRP) (P159053) approved in 2016, has been delivering support to vulnerable populations through UN agencies in partnership with national institutions. The United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) have been the direct recipients of IDA funds. UNDP has been overseeing and supporting SFD and PWP to provide (i) short-term employment and increased access to basic services to the most vulnerable through labor intensive community subprojects (SFD, PWP); (ii) increased access to nutrition, health and education services through cash for nutrition and cash for education (SFD); and (iii) increased access to economic opportunities through support to Small and Microenterprises (SME's) (SFD). A stated objective of ECRP is the preservation of the capacity of key national institutions. In 2017, in response to the food crisis and impending risk of famine, the Emergency Cash Transfer (ECT) component was added to ECRP, whereby UNICEF resumed the implementation of the SWF's unconditional cash transfer program using the same list of beneficiaries and benefit structure.⁸ UNICEF introduced improvements to the program, including: (i) payments through private financial institutions (instead of post offices), either in fixed or mobile sites or through outreach (for beneficiaries with limited mobility); and (iii) a robust Grievance Redress Mechanism (GRM) for payments.

The protracted conflict calls for a more sustainable development approach to social protection. Despite the occasional ceasefires⁹ and numerous peace talks¹⁰, the conflict is entering its sixth year with no end in sight. Any renewed attempts to resolve the conflict will also require substantial time and institutional engagement to achieve lasting peace, as institutions remain fragmented and fragile. This calls for a more sustainable approach to addressing the increasing social needs in Yemen, requiring greater reliance on and investment in national institutions with demonstrated delivery record and political neutrality, such as such as SFD and PWP. It also requires investing more in systems to deliver national social protection programs.

⁷ MoPIC 2017, "Social Protection Programs in Yemen."

⁸ The SWF had suspended its operations after the onset of conflict in 2015, and its beneficiaries had not been paid until the first payment cycle of the ECT in August-September 2017.

⁹ In 2015, 2016, 2018 and 2020.

¹⁰ Geneva – 2015, Kuwait – 2016, Stockholm – 2018, Riyadh – 2019.



And while humanitarian operations are still very much needed, they need to be more geared toward building national systems and a closer coordination with national programs. For example, there is ample room for coordinating the beneficiary lists of WFP and ECRP supported operations (particularly CTs), and for harmonizing the ID verification and payment systems, targeting approaches and benefit levels of the CTs programs supported by WFP and the World Bank.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective is to provide cash transfers, temporary employment, and increased access to basic services and economic opportunities to mitigate the impacts of COVID-19 and the ongoing conflict on vulnerable populations in Yemen

Key Results

The PDO will be monitored through the following PDO level outcome indicators:

- Beneficiaries of social safety net programs (disaggregated by number of household members and the number of females)
- Number of beneficiary households benefitting from the cash for nutrition program (disaggregated by number of SWF households, females and IDPs)
- Number of direct beneficiaries of wage employment (disaggregated by number of females and IDPs)
- Number of people with increased access to basic services (disaggregated by number of females)
- Number of Micro, Small and Medium Enterprises (MSME's) supported by the Project (disaggregated by number of female-led businesses)
- Percentage of UCT program implementation functions intended to be transferred to SFD that have effectively been transferred
- People provided with access to improved sanitation services to reduce water-borne diseases exacerbated by climate change

D. Project Description

The proposed Project builds on ECRP to deliver support to vulnerable Yemenis affected by conflict, COVID-19 and climate-related shocks. The Project will mainly target food insecure households and focus on interventions that are most effective at addressing food insecurity. Given the short-term food security needs, most of the Project funds are expected to be used to provide CTs to vulnerable households. This includes unconditional cash transfers to SWF beneficiaries as well as cash top ups and complementary services for SWF families that are most at risk of malnutrition. For vulnerable people that are able to work, the Project will continue to engage with communities to provide temporary employment opportunities to build valuable community assets, prioritizing community projects that contribute to food security, climate resilience and anchoring gender sensitive interventions. And in an effort to address food insecurity more sustainably, the Project will continue to provide economic opportunities to vulnerable populations through support to SMEs, with an emphasis on food market resilience and market-based mechanisms. Similar to the ECRP, Project interventions will incorporate COVID-19-sensitive measures.



The Project seeks to significantly strengthen the capacity and role of national institutions. The Project will support the World Bank's strategy to gradually increase reliance on national institutions to deliver IDA support to Yemen, with the ultimate goal of working directly with credible institutions like SFD as IDA recipients. To this end, the Project will transfer the direct implementation of the CT program from UNICEF to SFD, while keeping UNICEF as the IDA Grant recipient for the CT component. This has been done in consultation with SFD, authorities, SWF and UNICEF, and based on a comprehensive capacity assessment of SFD, an institution the Bank has been working with since 1997. SFD has established a strong delivery record and reputation as a capable, credible and politically neutral national institution that has functional presence/access to almost all 333 districts in the country. In parallel to the Project, the World Bank will explore ways to establish a direct legal relationship with SFD and help prepare SFD for the IDA recipient role. The transfer of the direct implementation of the CT program to SFD does not, however, preclude having a different arrangement once the Bank is able to work again directly with government institutions like the SWF. The Project will continue to work with SFD and PWP as implementing partners for the other project activities (to be administered by UNDP) and build their capacity. UNICEF and UNDP will manage the capacity building of PWP, SFD and SWF in close coordination with the World Bank.¹¹

The Project will support the role of communities and the private sector. Supporting community resilience is critical for preserving social cohesion in the context of conflict and weakened central institutions, and support communities to play a role in addressing its basic needs. This is why the World Bank, through its support to SFD and PWP, has been supporting (and will continue to support), community-driven labor intensive works and services. Prior to the conflict, the private sector accounted for 50 percent of GDP and provided employment for around 70 percent of the total employed population.¹² The conflict has had a devastating impact on the private sector. A survey of firms conducted in 2012 and 2018 showed that 25 percent closed as a result of the conflict, more than half of the firms downsized from either small to micro enterprises (30 percent), and medium to small or large to medium (22 percent).¹³ Security issues, lack of demand, disruption of domestic and imported supplies, high supply costs, loan restrictions, and substantial spending on taxes and other regulatory fees have placed a heavy burden on the private sector. COVID-19 is further exacerbating the situation for the private sector. Micro, small and medium enterprises (MSMEs) are a key backbone for the reconstruction and development of Yemen, and provide employment opportunities to the population. The Project will continue to support SMEs, both directly and through market mechanisms supporting MFIs with an emphasis on improving the domestic food market through support to smallholder producers and associated supply chains.

The project will include four components as follows:

Component 1: Cash Transfers (US\$152 million). This component will mainly finance CTs to poor and vulnerable households to protect them against food insecurity. This component will include two subcomponents: Subcomponent 1.1—Unconditional Cash Transfers; and Subcomponent 1.2—Cash for

¹¹ The World Bank will also continue to mobilize and coordinate support to SFD and PWP from other development partners, including the Foreign, Commonwealth and Development Office (FCDO), the German Development Bank (KfW) and the European Commission (EC), among others.

¹² United Nations Office for the Coordination of Humanitarian Affairs, 2018 Humanitarian Needs Overview—Yemen

(<https://reliefweb.int/report/yemen/yemen-2018-humanitarian-needs-overview-enar>).

¹³ Yemen - Bring Back Business Report: Impact of Conflict on Private Enterprises (World Bank 2019).



Nutrition.

Component 2: Labor Intensive Works and Economic Opportunities (US\$38.4 million). The objective of this component is to address food insecurity by providing temporary and more sustainable economic opportunities to vulnerable populations and building relevant assets. The component will be implemented by UNDP in partnership with SFD and PWP and will include three subcomponents: Subcomponent 2.1—Cash for Work; Subcomponent 2.2—Community Assets; and Subcomponent 2.3—Economic Opportunities and Food Market Resilience.

Component 3: Project Management, Monitoring, Evaluation and Capacity Building of National Institutions (IDA US\$13.5 million). This component will finance the costs of project management, monitoring, evaluation and capacity building of national institutions. This component will include two subcomponents as follows: Subcomponent 3.1—Project Management, Monitoring and Evaluation for subcomponent 1.1, administered by UNICEF (US\$7 million); and Subcomponent 3.2—Project Management, Monitoring and Evaluation for subcomponent 1.2 and component 2, administered by UNDP (US\$6 million). This component will finance the following activities and functions: direct and indirect costs of Recipient agencies; Third Party Monitoring; capacity building of SFD, SWF and PWP; and project evaluations.

Component 4: Contingent Emergency Response (CERC) (US\$0 million). In the event of an eligible crisis or emergency¹⁴, the project will contribute to providing immediate and effective response to said crisis or emergency. This component would draw from uncommitted funds under the project from other components to cover the emergency response. To facilitate a rapid response, in case the CERC is activated, the restructuring of the project is deferred to within three months after the CERC is activated.

The Project will be implemented on a national level and will cover all 333 districts in Yemen. The unconditional cash transfer program will provide cash support over four payment cycles to a targeted 1.5 million households (about 9.35 million people) from the SWF beneficiary list, who were identified prior to the crisis based on a combination of poverty-targeting (using a PMT) and categorical targeting (elderly, female headed households, orphans and disabled). The cash for nutrition program is expected to provide cash support and complementary services over one year to about 2,391 of SWF families (women are the recipients) with pregnant/lactating mothers and children under five, and about 21,515 of non-SWF families with malnourished mothers or children under five. The cash for nutrition program is also expected to generate employment opportunities for about 903 female community health workers. Labor intensive community subprojects are expected to provide temporary employment opportunities to 50,338 of vulnerable people (at least 30 percent women) and to build community assets benefiting 327,415 of people 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). The SME sub-component is expected to provide financial and technical support to 4,038 of SMEs, of which at least 35 percent of SMEs will be owned by women, as well as to generate 7,333 of wage employment opportunities (30 percent women).

¹⁴ Defined as “an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters.



Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

The Environmental Risk Rating is "high" as the project will support activities that may result in risks and impacts on workers and community health and safety, as well as on the environment, if the project’s activities are not managed adequately. Although environmental risks and impacts are expected to be site-specific, reversible and generally of low magnitude that can be mitigated following appropriate measures; nonetheless, and based on the implementation experience of the ongoing ECRP project, and identification of significant Occupational Health and Safety (OHS) gaps, there is a significant risk for fatal incidents or serious injuries to occur under the project, particularly under the labor intensive community subprojects of Component 2. This is anticipated as the project will provide temporary work opportunities to a large number of local community members who are un-skilled, largely illiterate, and with little or no knowledge or experience in applying OHS measures. Furthermore, there is a risk of COVID-19 transmission among community workers if worksites are not managed appropriately.

Potential social impacts of the project are related to the Cash for Work activities and the rehabilitation of the Community Assets interventions such as potential land acquisition, loss of assets, labor influx as 50 percent of the labor are from outside the target communities by private contractors, and community health and safety such as injuries.

In terms of project social risks, there are several social risks that may occur during the project implementation stage such as: i) mistreatment, quality of services and suspected fraud under unconditional cash transfer subcomponent; ii) exclusion of malnutrition cases due to the security risk, outreach situations and/or mis-identification of beneficiaries; (iii) elite capture of investments by powerful and/or better-connected beneficiaries thus excluding some segments of society (disadvantaged and marginalized groups) under the cash for work and community assets interventions; and (iv) potential of excluding small food producers and fisheries with high incidence of malnutrition from economic opportunity support or mis-survey by the contracted service providers. Based on the above expected project risks and impacts, the social rating is rated as substantial.

E. Implementation

Institutional and Implementation Arrangements

The proposed Project will be implemented by UNICEF and UNDP under the Financial Management Framework Agreement (FMFA), in partnership with SFD and PWP. UNICEF will be the recipient agency for Sub-component 1.1—Unconditional Cash Transfers, while UNDP will be the recipient agency for Sub-



component 1.2—Cash for Nutrition and Component 2—Labor Intensive Works and Economic Opportunities. Component 3 will include management, monitoring, evaluation and capacity building activities for each recipient agency. Each agency will enter into a contractual agreement and grant provision, acceptable to the World Bank, with SFD and PWP, as Implementing Partners (IP) for the Project. In particular, SFD will be the IP for Subcomponents 1.1, 1.2, 2.1 and 2.3, while PWP will be the IP for Subcomponent 2.2.

The Project will transfer the Direct Implementation of the CT program from UNICEF to SFD. A transition plan is being developed by the World Bank and UNICEF to ensure SFD is ready to undertake the various implementation functions. A third-party agency will be hired shortly to identify key areas requiring development in SFD (e.g staffing, systems and tools) to allow SFD and UNICEF to begin the work to improve on these areas. Recognizing that this may be a lengthy process, and to ensure continuity of payments, the first payment cycle (PC10) (February 2021) will be fully implemented by UNICEF with SFD as an observant. Functions will then be transferred gradually over the course of PC11 and PC12 subject to SFD’s readiness. In particular, the field facilitation functions (communication, outreach and resolution of accessibility issues) will be transferred to SFD in PC11 while the management of payment agencies and GRM will be transferred to SFD in PC12. UNICEF will maintain the foreign exchange function utilizing market auctions with banks. As the IDA recipient, UNICEF will continue to manage the TPM, MIS, capacity building (of SFD and SWF) and external communications. SFD will be provided full access to the MIS modules needed to perform its functions (e.g. beneficiaries, payments and grievances). SFD will make use of the systems and tools developed by UNICEF.

Fiduciary Arrangements. Under the FMFA, the procurement, financial management (FM) and disbursement procedures of UNICEF and UNDP—as the recipient UN agencies—will apply. UNICEF’s and UNDP’s representation in the Republic of Yemen will be responsible for implementing the project. The World Bank Environmental and Safeguards Framework (ESF) will apply to the overall project.

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APPROVAL

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