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The World Bank

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Report No: PAD2402

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL FINANCING AND RESTRUCTURING

IN THE AMOUNT OF SDR 145.9 MILLION  
(US\$200 MILLION EQUIVALENT)

TO THE

UNITED NATIONS CHILDREN'S FUND

FOR THE

YEMEN EMERGENCY CRISIS RESPONSE PROJECT

May 9, 2017

Social Protection and Labor  
MIDDLE EAST AND NORTH AFRICA

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2017)

Currency Unit = Yemeni Rials (YER)  
YER250.05 = US\$1  
1 US\$ = SDR 0.73

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CBY	Central Bank of Yemen
CRW	Crisis Response Window
CT	Cash transfers
EA	Environmental Assessment
ECRP	Emergency Crisis Response Project
FM	Financial Management
FMFA	Financial Management Framework Agreement
FPA	Fiduciary Principles Accord
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
IDP	Internally Displaced Person
IFC	International Finance Corporation
IFR	Interim Unaudited Financial Report
MENA	Middle East and North Africa Region
MIS	Management Information System
PDO	Project Development Objective
SDR	Special Drawing Rights
SWF	Social Welfare Fund
SFD	Social Fund for Development
TOR	Terms of Reference
TPM	Third Party Monitoring
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States dollar

Vice President:	Hafez Ghanem
Country Director:	Asad Alam
Senior Global Practice Director:	Michal Rutkowski
Practice Manager:	Hana Bixi
Task Team Leader:	Afrah Al-Ahmadi

**REPUBLIC OF YEMEN**

**EMERGENCY CRISIS RESPONSE PROJECT SECOND ADDITIONAL GRANT AND  
RESTRUCTURING**

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**ADDITIONAL FINANCING DATA SHEET**

*Yemen, Republic of*

*Yemen Emergency Crisis Response Project – Second Additional Financing (P163729)*

*MIDDLE EAST AND NORTH AFRICA*

*GSP05*

<b>Basic Information – Parent</b>							
Parent Project ID:	P159053			Original EA Category:	B - Partial Assessment		
Current Closing Date:	30-Jun-2019						
<b>Basic Information – Additional Financing (AF)</b>							
Project ID:	P163729			Additional Financing Type (from AUS):	Restructuring, Scale Up		
Regional Vice President:	Hafez M. H. Ghanem			Proposed EA Category:	B - Partial Assessment		
Country Director:	Asad Alam			Expected Effectiveness Date:	15-Jun-2017		
Senior Global Practice Director:	Michal J. Rutkowski			Expected Closing Date:	30-Jun-2019		
Practice Manager/Manager:	Hana Brixi			Report No:	PAD2402		
Team Leader(s):	Afrah Alawi Al-Ahmadi						
<b>Recipient</b>							
Organization Name	Contact	Title	Telephone	Email			
UNICEF	Meritxell Relano	Country Representative	+967-1-211-400	mrelano@unicef.org			
<b>Project Financing Data - Parent (Yemen Emergency Crisis Response Project-P159053) (in USD Million)</b>							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P159053	IDA-D1320	Effective	19-Jul-2016	02-Aug-2016	02-Aug-2016	31-Aug-2018	30-Jun-2019
P159053	IDA-D1620	Effective	17-Jan-2017	25-Jan-2017	25-Jan-2017	30-Jun-2019	30-Jun-2019
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P159053	IDA-D1320	Effective	XDR	35.70	35.70	0.00	35.70	0.00	100.00
P159053	IDA-D1620	Effective	XDR	184.70	184.70	0.00	44.70	140.00	24.20

**Project Financing Data - Yemen Emergency Crisis Response Project – Second Additional Financing (P163729) (in USD Million)**

[ ] Loan [ ] Grant [X] IDA Grant  
 [ ] Credit [ ] Guarantee [ ] Other

Total Project Cost: 200.00 Total Bank Financing: 200.00

Financing Gap: 0.00

Financing Source – Additional Financing (AF)	Amount
IDA Grant	75.00
IDA Grant from CRW	125.00
Total	200.00

**Policy Waivers**

Does the project depart from the CAS in content or in other significant respects? No

Explanation

Does the project require any policy waiver(s)? Yes

Explanation

The following three waivers are sought under the proposed Additional Financing: (i) the criteria on eligible recipients under the IDA Crisis Response Window (CRW), in order to allow UNICEF to be a grant recipient; (ii) paragraph 20 of BP 10.00 waiving the application of the Anti-Corruption Guidelines for IDA grants to UNICEF; and (iii) the application of the IDA commitment charge to UNICEF for the duration of the Project.

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

Explanation

The decision to seek the Board approval for the waiver was endorsed by the Senior Vice President for Operations, and the Managing Director and Chief Finance Officer.

**Team Composition**

**Bank Staff**

Name	Role	Title	Specialization	Unit
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Afrah Alawi Al-Ahmadi	Team Leader (ADM Responsible)	Sr. Social Protection Specialist		GSP05
Jamal Abdulla Abdulaziz	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO05
Luis R. Prada Villalobos	Procurement Specialist	Senior Procurement Specialist	Procurement	GGO05
Moad M. Alrubaidi	Financial Management Specialist	Sr. Financial Management Specialist	Financial Management	GGO23
Amer Abdulwahab Ali Al-Ghorbany	Team Member	Environmental Specialist	Environmental	GEN05
Edith Ruguru Mwenda	Counsel	Senior Counsel	Legal	LEGAM
Eric Ranjeva	Finance Officer			WFALN
Giuseppe Zampaglione	Peer Reviewer	Lead Social Protection Specialist		GSP07
Ibrahim Ismail Mohammed Basalamah	Safeguards Specialist	Social Development Specialist	Safeguards	GSU05
Khalid Ahmed Ali Moheydeen	Team Member	Social Protection Specialist		GSP05
Marco Nicoli	Team Member	Senior Financial Sector Specialist		GFM2B
Maya El-Azzazi	Team Member	Operations Analyst		GSP05
Phillippe George Pereira Guimaraes Leite	Peer Reviewer	Senior Social Protection Economist		GSP07
Teymour Abdel Aziz	Team Member	Senior Financial Sector Economist		GFM05
Carlo Del Ninno	Peer Reviewer	Lead Economist		GSP07
Uma Balasubramanian	Team Member	Program Assistant		GSP05
Wilfried Engelke	Team Member	Senior Economist		MNC03

#### Extended Team

Name		Title	Location		
<b>Locations</b>					
Country	First Administrative Division	Location	Planned	Actual	Comments
		Muhafazat Ta`izz			
		Shabwah			

		Sanaa			
		Muhafazat Sa'dah			
		Muhafazat Raymah			
		Muhafazat Ma'rib			
		Al Mahwit			
		Muhafazat al Jawf			
		Muhafazat Hadramawt			
		Muhafazat Dhamar			
		Al Mahrah			
		Muhafazat al Hodaydah			
		Muhafazat al Bayda'			
		Muhafazat 'Adan			
		Muhafazat Abyan			
		Muhafazat ad Dali'			
		Muhafazat `Amran			
		Muhafazat Hajjah			
		Ibb			
		Muhafazat Lahij			
		Amanat Al Asimah			
		Socotra			

**Institutional Data**

**Parent (Yemen Emergency Crisis Response Project-P159053)**

**Practice Area (Lead)**

Social Protection and Labor

**Contributing Practice Areas**

**Additional Financing Yemen Emergency Crisis Response Project - Additional Financing 2 (P163729)**

**Practice Area (Lead)**

Social Protection and Labor

**Contributing Practice Areas**

Finance and Markets

**Consultants (Will be disclosed in the Monthly Operational Summary)**

Consultants Required? Consulting services to be determined

## I. Introduction

1. This project paper seeks the approval of the Executive Directors to provide an additional grant in an amount of SDR 145.9 million (US\$200 million equivalent) to the United Nations Children's Fund (UNICEF), in support of the proposed Second Additional Financing (AF2) to the Yemen Emergency Crisis Response Project (ECRP) (P159053) for the benefit of the Republic of Yemen. This project paper also proposes a level-1 restructuring of the original project which will include a revision to the project development objective (PDO), as AF2 will focus on responding to the food crisis in Yemen. Out of the proposed US\$200 million equivalent, US\$125 million equivalent is from the IDA Crisis Response Window (CRW), and US\$75 million equivalent is through recommitment of cancelled IDA grants for Yemen following portfolio restructuring.

2. An IDA grant of US\$50 million equivalent was approved in July 2016, and a first Additional Financing (AF1) in the amount of US\$250 million equivalent was approved in January 2017, to the Yemen Emergency Crisis Response Project (ECRP). The parent project (including AF1) is providing livelihood support to poor communities through labor intensive works. The proposed AF2 will reach the most vulnerable Yemenis, most of whom cannot participate in labor and cannot therefore benefit from the cash for work program supported by the original ECRP (e.g. elderly, disabled, female-headed households, etc.). The AF2 will hence provide direct cash assistance to purchase food and will scale up the impact of the project and target an additional 1.5 million among the chronic poor and most vulnerable households, with targeted cash transfers.

3. Yemen's population is facing an unprecedented food crisis. The UN is predicting famine as a tangible risk in Yemen. The ongoing conflict has disrupted salary payments, Yemen's social safety net programs, and curtailed economic activities, thus decreasing income and the ability of individuals and families to buy food items. Furthermore, the conflict has resulted in the disruption of essential food imports. Importers report increased difficulties in selling the purchased imports in Yemen, citing the drop in purchasing power as a primary reason. Small-volume food importers also find it increasingly difficult to access Letters of Credit and correspondent banks due to the impact of the conflict on the financial and commercial sectors. This is posing a high risk of food availability, in addition to the challenge of affordability.

4. The current conditions have created two immediate imperatives that need to be addressed: (i) developing interim trade finance arrangements to avoid disruptions of critical food imports; and (ii) urgently addressing the limited purchasing power by the most vulnerable Yemenis, threatening their food security. To address the first, the IFC is seeking capital financing to establish a trade finance facility that could be accessed by eligible Yemeni financial institutions to finance imports of wheat and rice by eligible local importers. The second imperative – to address the limited food purchasing power – is best addressed by a country-wide cash transfer program. International experience demonstrates that cash transfers (CTs) are considered among the most appropriate social safety net instruments to use in a crisis situation.

5. The proposed AF2 builds on past IDA support to the CT program and on the ongoing joint donor group initiative – thematic working group for developing modalities to deliver emergency CT. This initiative is co-led by the World Bank, UNICEF and the US State Department, and includes the UK Department for International Development (DFID) and the European Union (EU). The group has developed a coordinated platform on alternatives to resume the CT program and is exploring the



establishment of a multi-donor mechanism for future funding. The group has identified the requirements for preparedness of CT delivery systems. To this end, UNICEF is implementing a US-funded grant<sup>1</sup> with the objective of supporting the readiness of the delivery systems, capacity building, and evidence-based analysis for cash transfers. The US grant will parallel finance technical assistance (TA) activities, capacity building of local institutions, and potentially some of the staffing and operational costs<sup>2</sup>. Dialogue and coordination among the relevant donor group will continue throughout implementation.

## **II. Background and Rationale for Additional Financing**

6. The ongoing conflict in Yemen coupled with insecurity, political instability, blockages to food and fuel deliveries, and economic collapse, has led to a situation of severe economic distress. Yemen's economic and social fabric is under severe stress and the economy has contracted sharply since the conflict erupted. Gross Domestic Product (GDP) is reported to have decreased by 40 percent, underpinned by widespread disruptions of economic activities, with enterprises operating at half the capacity compared to prior to the conflict. An estimated 8 million Yemenis have lost their livelihoods or are living in communities with minimal to no basic services. Civil service salaries are being paid only partially since September 2016. Fiscal revenues are failing, deficit financing is increasingly resorting to arrears build-up, undermining state functions and impairing the environment for private sector activities.

7. The capacity to import has been reduced sharply as foreign reserves were running below one month of imports in late 2016. Aside from the lack of foreign exchange, difficulties in corresponding banks arrangements and issuance of letters of credit have also impacted imports. Any imports can only be effected by resorting to domestic private market actors and using their financial resources and capacity. However, the market is small and private actors are unwilling to assume the risks of an import contract which can take up to six months to conclude under the prevailing circumstances in Yemen.

8. A crisis of alarming proportion is unfolding in the face of the war, with the United Nations predicting famine as a tangible risk in Yemen over the next six months. The conflict has dramatically exacerbated an already difficult situation. The civilian death toll is estimated to have reached more than 7,500 with about 35,000 wounded, and more than two million<sup>3</sup> have been internally displaced. The conflict has had a devastating impact on service delivery, including health and education, weighing heavily on institutional capacity. More than 19 million people lack clean water and sanitation, and approximately two million children are out of school. 462,000 children under five—are suffering from severe acute malnutrition. Furthermore, disruption of essential food imports increases the risk of famine in Yemen.

9. As of March 2017, an estimated 17 million people in Yemen are now food insecure. This translates into 60 percent of the Yemeni population consuming an inadequate diet, compared to 41 percent during the pre-crisis period in 2014. Yemen's annual domestic consumption needs of cereals, primarily wheat, are estimated at 4.75 million MT (metric tons) for 2016, including an estimated 3

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<sup>1</sup> US State Bureau for Near Eastern Affairs (NEA) is providing a one-year grant (totaling US\$6.1 million).

<sup>2</sup> Currently under discussion between UNICEF and US State Bureau for NEA.

<sup>3</sup> OCHA, January 2017.

million MT of wheat, of which Yemen imports over 95 percent. Monthly import needs for wheat and wheat flour are estimated at 350,000 MT per month, and the current total wheat stocks were estimated at the end of January at about one million MT. Despite some availability of food stocks at the national level, accessibility is constrained due to price increases and peoples' purchasing power. Social indicators were already low before the 2015 crisis and are fast deteriorating.

10. Yemen's social safety net system includes two large national programs: a cash-for-work program (CFWs) implemented by the Social Fund for Development (SFD); and a cash transfer (CT) program which is implemented by the Social Welfare Fund (SWF). While the CFW program targets the transitory poor, providing short-term income support during crisis, the SWF program targets the chronic poor and aims to protect them against extreme poverty while promoting investments in human development and economic empowerment of participating households. It therefore engages with the same households over multiple years.

11. Yemen's national cash transfers (CT) targets the poorest and most vulnerable households on a quarterly basis across all 22 governorates and reaches approximately 1.5 million beneficiary households, totaling an estimated 8 million people, which amounts to about 30 percent of the population. Females represent 45 percent of the total SWF direct beneficiary cases, and 24 percent of the beneficiary households (households) are female-headed households. Around 57 percent of the individuals within SWF targeted households are children under 18 years, totaling 4.25 million children. According to a UNICEF survey (2012–2013), at least 70 percent of SWF beneficiaries depended on CTs to purchase food and strengthen their livelihoods; cash assistance prevented vulnerable households from resorting to negative coping strategies; and social cash transfers helped beneficiaries to improve their access to basic social services, including health, nutrition, and education.

12. Since its inception in 1996, the CT program has been funded by the Government of Yemen (GoY) with partial financing from the World Bank, the EU, and the US. Prior to the 2015 conflict, the World Bank has been a lead donor agency financing three major projects, namely: the Social Welfare Fund Institutional Support Project (ISP) (P117608) (2010-2017) (systems reforms); the Emergency Crisis Recovery Project (P133811) (2013-2014); and the Emergency Support to Social Protection Project (P151923) (2014-2016). ISP was instrumental in identifying and addressing a number of key deficiencies in the SWF delivery systems, and through a long-term TA provided by an international firm with World Bank guidance, much progress has been achieved (e.g. shifting to poverty based targeting; cleaning beneficiary registry; improving the management information systems (MIS); and drafting business process steps and protocols).

13. The escalation of the conflict in March 2015 and a follow-on fiscal crisis resulted in full suspension of SWF operations due to lack of public funding and suspension of donor funds (including that of the World Bank). Additionally, the deterioration of the country's political, security and economic situation has had a negative impact on the implementation capacity, governance and overall institutional resilience of the SWF. This has resulted in an interruption of activities that were supporting improvements of the delivery systems under ISP. Additionally, the suspension has resulted in leaving 8–9 million poor and most vulnerable people without social protection support. The challenging political situation, and interrupted salary payments to civil servants have further

weakened the governance structure of SWF and the decision making processes within the organization, making it challenging for donors to support CTs directly through SWF.

14. The proposed AF2 would reach the most vulnerable Yemenis (including the elderly, disabled, female-headed households, etc.), with cash transfers to enable the targeted households to purchase food. The current level of hunger and deteriorating food insecurity justifies the proposal to proceed with an AF to scale up the impact of the emergency response. The AF2 would introduce a restructuring of the parent project, and would include: (a) a revision of the PDO to reflect the scale-up of the parent project to include the cash transfer component; (b) a revision of the results framework to include indicators related to the new component; (c) an introduction of an additional component – Emergency Cash Transfer; and (d) the addition of a new recipient and implementing agency (UNICEF) for the cash transfer program.

15. The parent project is currently performing well, providing livelihood support to poor communities through labor-intensive works. The latest project Implementation Status and Results Report (ISR) rated both progress towards achievement of PDO and overall implementation progress (IP) as satisfactory. Disbursements to date stand at US\$50 million (100 percent of the total financing under the parent project), and approximately US\$61 million under the first Additional Financing (or 24 percent of the AF1).

16. As of April 30, 2017, a total of 1,191 subprojects are under implementation in Yemen's 22 governorates and 279 districts out of Yemen's total 333 districts. These subprojects cover activities in: cash-for-work; labor-intensive community infrastructure; nutrition-sensitive CTs, youth employment for service delivery; and revitalization of the microfinance institutions. Around 33,132 individuals are currently benefiting from wage employment through participating in cash-for-work and labor-intensive public works; around 468,899 work days have been generated (with 30 percent benefiting female participants; 40 percent internally displaced persons (IDPs); and 55 percent youth); about 10,297 pregnant and lactating poor women and children are benefiting from the nutrition-sensitive CTs and nutrition screening and supported to access nutrition services; 590 female youth have been trained, and employed as community health/nutrition workers supporting the nutrition activities; five microfinance institutions have been assisted/revived and over 650 distressed microenterprises and 300 small farmers are being supported to preserve their businesses; and 230 community-based organizations and village development counsels are being formed and supported to establishing self-help mechanisms and community action groups. These are bringing hope and facilitating social cohesion in the project intervention areas.

17. The PDO of the original project (ECRP) is *“to provide short-term employment and access to selected basic services to the most vulnerable; and preserve existing implementation capacity of two service delivery programs”*. The existing PDO will be revised to include the addition of the cash transfer component by adding the following: *“and provide emergency cash transfers to the poor and vulnerable in response to the food crisis”*.

18. While the parent project (including AF1) is being implemented by the United Nations Development Programme (UNDP), UNICEF will implement the AF2, given its experience working with the national CT program since 2011. In particular, UNICEF experience to date includes its current active engagement in implementing a US-funded grant to support the readiness of CT systems,

for which the World Bank is also providing technical support. Additionally, UNICEF has been implementing CT projects using SWF delivery systems and social workers across Yemen. This experience along with its capacity, field presence and social protection mandate, make UNICEF the most suitable partner for the World Bank to implement the proposed AF2. UNICEF currently operates in Yemen with 230 international and national staff at its headquarters in Sana'a, as well as five regional hubs (Sana'a, Ibb/Taiz, Sa'ada, Hodeida, and Aden). UNICEF has a strong field presence and continues to scale up its capacity and program delivery, implementing an ambitious decentralization plan in parallel. Moreover, UNICEF has led the establishment of humanitarian hubs in Ibb and Sa'ada.

19. The proposed AF2 aims at scaling up the impact of the original project by specifically targeting the SWF beneficiary household (chronic poor) with direct cash assistance to improve their purchasing power for food. The AF2 would also help to lay the foundations for full resumption of the cash transfer program and strengthen resilience at the local level.

20. The proposed AF2, which addresses the demand side of food security, will complement ongoing efforts by the World Bank and the international community to address the food supply challenge and mobilize the required cash balances to secure trade finance facility to support access to foreign exchange by Yemeni food importers; as well as an additional financing to the proposed Emergency Health and Nutrition Project which addresses malnutrition through an integrated nutrition package implemented by UNICEF and the World Health Organization (WHO). Furthermore, to maximize the impact of the project on the nutrition status of beneficiary families with children, UNICEF will ensure operational linkages with the Emergency Health and Nutrition project, also funded by IDA. Linkages will be made, where possible through: (a) UNICEF being the implementing agency for both operations; (b) coordinating geographical data on CTs beneficiary households and nutrition services; and (c) engaging the social workers who will undertake a case management function to support relevant beneficiary households access to the nutrition services.

21. The proposed AF2 will protect the targeted poor and conflict-affected families who are under significant stress and at risk of experiencing irreversible damage to their human capital. It therefore establishes a clear linkage to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. The project will also contribute to the pillars: (a) renewing the social contract; and (c) resilience to IDP/refugee shocks, of the World Bank Group's MENA Strategy (October 2015). Moreover, it is fully aligned with the World Bank Group's Country Engagement Note (CEN) for Yemen (FY17-18), which aims to provide emergency support to conflict-affected families and communities in close collaboration with UN institutions. The proposed AF2 contributes to the first objective of the CEN, "provide emergency support to preserve local service delivery capacity to support conflict-affected families and communities".

### **Policy Exceptions and Proposed Waivers**

22. **Waivers:** The project will comply with the Bank's operational policies and procedures for Investment Project Financing. To facilitate implementation of the project by UNICEF as the recipient and implementing agency of the project, Executive Directors are requested to approve the following policy waivers for the proposed AF2:

(a) *Waiver for criteria on eligible recipients under the IDA CRW in order for UNICEF to be a grant recipient.* The CRW program in its design is geared towards IDA sovereigns as recipients, hence, the eligibility criteria and financing terms for CRW are country-based; although the CRW does not have any explicit language that prevents financing to non-sovereign recipients, UNICEF is a public international organization.

(b) *Waiver of application of the Anti-Corruption Guidelines for IDA Grants to UNICEF.* To facilitate the implementation of the project by UNICEF, a waiver is sought of paragraph 20 of BP 10.00, which would otherwise require application of the Bank's Anti-Corruption Guidelines, in favor of relying on the fraud and corruption procedures of UNICEF under alternative arrangements modeled on the integrity provisions of the Fiduciary Principles Accord. UNICEF is uniquely placed to carry out the activities of the project within Yemen at this time, and there is no practical alternative in view of the project's design and focus. The Bank would consequently not have jurisdiction to sanction parties that engage in fraud and corruption in connection with the project, although the Bank would apply its suspension and debarment list to the project for eligibility purposes.

(c) *Waiver of the application of the IDA Commitment Charge to UNICEF for the duration of the Project.* In accordance with Section 3.01 of the IDA General Conditions for Credits and Grants, the Board reviews and sets the Commitment Charge on unwithdrawn financing balances on an annual basis. The IDA Policy, *IDA Commitment Charge for FY2017*, issued and effective July 1, 2016, sets the Commitment Charge for FY17 at zero percent. Given that the current Commitment Charge is zero percent, the financial impact of this proposed waiver is expected to be negligible.

### III. Proposed Changes

<b>Summary of Proposed Changes</b>	
The AF2 proposes the following key revisions: a modification of the Project Development Objective to include a provision of "emergency cash transfers to the poor and vulnerable in response to the food crisis"; an introduction of a new component "Emergency Cash Transfer"; a revision of the results framework to include indicators related to the new component; an introduction of a new recipient and implementing agency (United Nations Children's Fund - UNICEF) to implement the Second Additional Financing.	
Change in Implementing Agency	Yes [ X ] No [ ]
Change in Project's Development Objectives	Yes [ X ] No [ ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ ] No [ X ]
Change in Loan Closing Date(s)	Yes [ ] No [ X ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ X ] No [ ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ X ] No [ ]
Change in Financial Management	Yes [ X ] No [ ]
Change in Procurement	Yes [ X ] No [ ]
Change in Implementation Schedule	Yes [ ] No [ X ]
Other Change(s)	Yes [ X ] No [ ]
<b>Development Objective/Results</b>	
<b>Project's Development Objectives</b>	
Original PDO	
The Project Development Objective is to provide short-term employment and access to selected basic services to the most vulnerable; and preserve existing implementation capacity of two service delivery programs.	
<b>Change in Project's Development Objectives</b>	
Explanation:	

The PDO of the parent project will be revised to incorporate the addition of the cash transfer program.

**Proposed New PDO - Additional Financing (AF)**

The Project Development Objective is to provide short-term employment and access to selected basic services to the most vulnerable; preserve existing implementation capacity of two service delivery programs; and provide emergency cash transfers to the poor and vulnerable in response to the food crisis.

**Change in Results Framework**

Explanation:

The results framework will be revised to include additional indicators in line with the newly introduced emergency cash transfer component. Indicators will be added at the PDO and intermediary level that will measure the achievements of the cash transfer provision.

**Compliance**

**Change of EA Category**

Original EA Category: Partial Assessment	Current EA Category: Partial Assessment	Proposed EA Category: Partial Assessment
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**Covenants - Additional Financing (Yemen Emergency Crisis Response Project - Additional Financing 2 - P163729)**

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		

**Conditions**

Source Of Fund	Name	Type
<b>Description of Condition</b>		

**Risk**

Risk Category	Rating (H, S, M, L)
1. Political and Governance	High
2. Macroeconomic	High
3. Sector Strategies and Policies	High
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	High

8. Stakeholders	High									
9. Other										
OVERALL	High									
<b>Finance</b>										
<b>Loan Closing Date - Additional Financing (Yemen Emergency Crisis Response Project - Additional Financing 2 - P163729)</b>										
<b>Source of Funds</b>	<b>Proposed Additional Financing Loan Closing Date</b>									
IDA Grant	30-Jun-2019									
IDA Grant from CRW	30-Jun-2019									
<b>Change in Disbursement Arrangements</b>										
Explanation: Disbursement arrangements will remain unchanged under the ongoing parent project; however, under the AF2, UNICEF will carry out disbursements under all activities of the newly added cash transfer component (Component 3). Funds for sub-component 3.1 under the new component will be transferred to a Special Account dedicated to the Cash Transfer activities and the Payment Agency(ies) fees from the UN account.										
<b>Change in Disbursement Estimates (including all sources of Financing)</b>										
Explanation: The overall project disbursement schedule will be modified to incorporate the additional financing amount of US\$200 million. This amount is expected to be disbursed by the closing date of the parent project of June 30, 2019.										
<b>Expected Disbursements (in USD Million) (including all Sources of Financing)</b>										
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual	110.00	300.00	90.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	110.00	410.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Allocations - Additional Financing (Yemen Emergency Crisis Response Project - Additional Financing 2 - P163729)</b>										
Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)						
			Proposed	Proposed						
IDAT	USD		75,000,000.00	100.00						
		<b>Total:</b>	75,000,000.00							
IDWT	USD		125,000,000.00	100.00						
		<b>Total:</b>	125,000,000.00							
<b>Components</b>										
<b>Change to Components and Cost</b>										



Explanation:

A new component - emergency cash transfer - will be added to the AF2 for a total amount of US\$200 million. This component will include two subcomponents: (i) cash transfers; and (ii) project management and monitoring (PMM).

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Labor Intensive Works and Community Services	Labor Intensive Works and Community Services	285.40	285.40	No Change
Project Management and Monitoring	Project Management and Monitoring	14.60	14.60	No Change
	Emergency Cash Transfer	0.00	200.00	New
	<b>Total:</b>	300.00	500.00	

#### Other Change(s)

#### Change in Implementing Agency

Explanation:

The implementing agency (UNDP) under the parent project will remain unchanged; the new component – emergency cash transfer - will be implemented by the United Nations Children’s Fund (UNICEF).

Implementing Agency Name	Type	Action
UNDP	Implementing Agency	No Change
UNICEF	Implementing Agency	New

#### Change in Institutional Arrangements

Explanation:

Institutional arrangements will remain unchanged under the ongoing parent project, while UNICEF will implement all activities under the new cash transfer component (Component 3).

#### Change in Financial Management

Explanation:

While financial management arrangements under the parent project are subject to the application of the Fiduciary Principles Accord (FPA), the financial management arrangements under the proposed AF2 will be governed by the Financial Management Framework Agreement (FMFA). UNICEF is a co-signatory to the FMFA between the World Bank and UN Agencies, which provides for the use of the UN’s Financial Regulations. The nature of the CT program renders it high risk due to the delivery of cash to a large number of beneficiaries, over a large geographical area, with several entities involved in implementation. The risk is further compounded due to the ongoing conflict and the volatile political situation. These factors thus pose significant financial management challenges and increase risk of errors and leakages. The project’s design will include controls and accountability mechanisms to help mitigate key risks to ensure that the full amount of eligible cash benefits is delivered to the eligible beneficiaries in a timely manner. These mechanisms include: (i) analysis and control of the database of beneficiaries and list of payments; (ii) rapid assessment of selected payment agents; (iii) defined financial management arrangements for transfer of funds and

required financial reports for payment; (iv) third party monitoring (TPM); and (v) grievance redress mechanism. Selection of payment agents (microfinance institutions/banks) involved in the cash delivery to the beneficiaries will be agreed by UNICEF and the World Bank based on agreed terms of reference (TORs).

Flow of Funds and Disbursement Arrangements. Disbursement arrangements under the AF2 are simplified to ensure timely availability of funds. Withdrawals from the IDA grant will be made on the basis of Interim unaudited Financial Reports (IFRs) and written notice of withdrawals submitted by the designated officials of UNICEF to the World Bank. UNICEF will prepare and submit IFRs in accordance with the format and periodicity agreed with the World Bank. The IFR is designed to provide meaningful information to facilitate project monitoring. In addition to the expenditure categories, the IFR will provide pertinent information on household profiles, geographical distribution, etc. and will be fully reconciled against the lists of payments made by the payment agencies. The first notice of withdrawal will cover projected expenditures for activities for the first six months of implementation, covering cash benefits for two quarters and related management and monitoring costs. UNICEF will open and operate a US\$ designated account (Special Account) solely for Component 3.1 of the project, through which all transfers and all payment agenc(ies) fees will be made.

#### **Change in Procurement**

Explanation:

The procurement arrangements under the parent project are subject to the application of the Fiduciary Principles Accord (FPA). Under the proposed AF2, Alternative Procurement Arrangements will be applied, in line with the Bank's new procurement framework given that UNICEF's procurement procedures were assessed and found acceptable to the World Bank under other agreements as allowed by the New Procurement Framework Policy Section III. F. The main activity under the AF2 is the CT program which does not involve procurement activities that would need additional or external capacity Under subcomponent 3.2, UNICEF will procure a number of consultancy services, including a TPM agency as part of the monitoring activities to follow up on the implementation of the CT program and ensure that the agreed upon procedures are followed and to report on any deviations. The TORs for this TPM will be developed and agreed upon by UNICEF and the Bank. The TPM agency reports will be shared with the World Bank, and will include the actions taken to address the implementation issues identified by the TPM agency, if any.

#### **Other Change(s)**

Explanation:

Change in Grant Recipient: While the United Nations Development Programme (UNDP) is the recipient and implementing agency for the ECRP, it is proposed that the United Nations Children's Fund (UNICEF) would implement the AF2, given its experience working with the SWF since 2011, including its current active engagement in implementing a US-funded grant to support the readiness of cash transfer systems, for which the World Bank is also providing technical support. Additionally, UNICEF has been implementing humanitarian cash transfer projects using SWF delivery systems and social workers across Yemen. This experience along with their capacity, field presence and social protection mandate, make UNICEF the most suitable partner for the World Bank to implement the proposed AF.

### **IV. Appraisal Summary**

#### **Economic and Financial Analysis**

Explanation:

This project is an emergency project responding to the food crisis in Yemen. In line with the project objectives, the US\$200 million grant under the AF2 will directly benefit 1.5 million households in Yemen, with a conservative estimate of 8 million individuals. To ensure sustainability, additional external support will continue to be needed and efforts are underway to mobilize funding from other donors.

The project is estimated to yield a substantial return overall, given its response to an emergency. The calculated rate of return of the invested resources is linked to assisting poor families, including mothers and children to cope with famine, and temporarily afford a minimum food intake. It is presumed to be life saving for about 30 percent of the target group. It therefore yields a calculated return of about 70 percent, particularly due to the alleviation of famine for mothers and children. Assuming a full funding of the CT program for one year, a by far higher return could be achieved (roughly four times higher).

### **Technical Analysis**

#### **Explanation:**

The proposed AF2 targets 1.5 million poor and vulnerable households across all of Yemen's 22 governorates, including women-headed households, elderly, people with a disability, and chronically poor families. The target group of the AF2 complements that of the original project, which targets mostly the transitory poor and families with members who are able to participate in labor. The design of the proposed AF2 builds on established design parameters of the national CT program (SWF) that existed pre-conflict. Targeting is based on poverty indicators using the proxy means test (PMT). Based on the CT program's targeting policy, the inclusion error is estimated at 14 percent, which is considered acceptable given the current widespread food security crisis in Yemen. The beneficiary list will further be examined and corrected for duplication and verified for consistency prior to cash delivery. The project will include a case management process, whereby cases of lost identification cards or death of the main recipient will be reviewed and supported with issuance of a replacement card as applicable. Engaging social workers at the district and village level, with previous experience with SWF, will also help facilitate case management. The benefit amount will be that of the national program (average of YR5,000 per family per month). Maintaining a benefit amount consistent with that of SWF pre-crisis is considered the most favorable option for two main reasons: (i) it will avoid potential operational and communication challenges that may be posed by changes in rapid response which could lead to future unforeseen challenges when the SWF program resumes its operations; and (ii) due to resource limitations, an increase to the benefit amount would result in either less coverage or a shorter duration of coverage. The benefit amount under AF2 is estimated to assist beneficiary households to meet about 46 percent of the cost of the minimum food basket (for a family of five), as defined by the World Food Programme (WFP) food monitor.

UNICEF will engage consultancy firms to support implementation in key delivery areas. Managing the beneficiary database and case management will be supported by an international CT firm, with technical expertise and international experience in CT delivery systems, as well as extensive experience in Yemen's CT program. The TORs for consultancy firms will be developed and agreed upon by UNICEF and the Bank. The firm will provide technical support and day-to-day implementation support, including through a local service provider hired by the firm. Grievance redress mechanism (GRM) will also be supported by a firm, and an independent agency will be hired to perform CT performance audit (TPM). Additionally, field facilitation will be supported by a consultancy firm. To the extent possible, the management of the delivery cycle will be automated to minimize the potential for errors and support accountability. Cash delivery will be performed through contractual arrangement with financial institutions with experience in delivering cash assistance and will demonstrate adequate geographical coverage to reach beneficiaries. To the extent possible, payment agents will be encouraged to use technology in cash delivery, including mobile banking. The payment delivery arrangement will benefit from the existing experience of the original ECRP under the cash-for-work program. Social accountability and risks of leakage/fraud will be mitigated through a multi-layered implementation and monitoring process: secure electronic beneficiary list will be transferred to payment agency through secure data exchange protocols; implementing a GRM mechanism; and TPM which will include assessing beneficiary experience with regards to the benefits received as well as the delivery processes.

## Social Analysis

### Explanation:

Gender and Social Inclusion. The proposed AF2 is expected to have a positive impact and increase food consumption of the targeted poor households who will receive the financial support. The total number of beneficiaries is about 1.5 million households already listed in the largest social protection program in the country prior to the conflict, of whom 40 percent have a woman as a head of the household. The total number of individuals to benefit from the cash assistance is estimated about eight million persons, of which 52 percent are females. The program was designed to target the chronically poor, orphans, and vulnerable children, widows, persons with disabilities, the elderly and female-headed households. Field facilitation will be supported by social workers, mostly women, to ensure reaching out to female beneficiaries; and the TPM agency will include female workers to also reach women and ensure that they are able to voice any potential concerns or complaints. Finally, social workers will play a role in facilitating the coordination between the CT program and UNICEF's nutrition interventions (also funded by the World Bank under the Emergency Health and Nutrition project) to link CT beneficiary households with health and nutrition supply interventions.

Social Safeguards. OP/BP 4.12 (Involuntary Resettlement) will not be triggered under the proposed AF2 due to the fact that the project activities will not entail land acquisition, restriction to access and/or impact on livelihood of beneficiaries. Given the nature of the project, consultations with the relevant stakeholders and intended beneficiaries will be critical under the current circumstances of the country. The TPM will capture the beneficiaries' experiences with the cash transfer activities. In addition, UNICEF will develop and implement a GRM system where complaints will be received through several channels. The GRM system will react to all complaints received and ensure that all grievances are addressed efficiently and effectively.

Social Accountability. Social accountability will be taken into consideration through: (i) the ability of beneficiaries to voice complaints and provide feedback through well-established GRM; (ii) dissemination of information about the resumption of the CT program to the intended beneficiaries who were already listed in the program database prior to the conflict and to relevant communities; (iii) independent verification through the TPM agency; and (iv) UNICEF's field monitoring activities.

## Environmental Analysis

### Explanation:

The proposed Additional Financing will follow the environmental category of the parent project and the first additional financing. The category is maintained as B.

## Risk

### Explanation:

The nature and level of risks as identified in the parent project remain valid and relevant under the AF2 with a High overall risk rating, which stems from the exceptional context of this emergency operation and the ongoing conflict in Yemen. The new risk factors affecting Component 3 are primarily related to limited institutional capacity for implementation, fiduciary concerns, and technical design. The institutional capacity risk rating is high, reflecting: (a) UNICEF, as with other agencies, has limited prior experience in delivering cash transfers on a *national* scale in Yemen, despite UNICEF's existing overall capacity and experience in implementing cash transfers; (b) the challenges UNICEF may face in identifying highly qualified service providers due to the security situation. To mitigate these risks, UNICEF will enlist the services of qualified consulting firms to support management and monitoring of CT administration and engage a wide network of social workers with previous experience with CT beneficiaries that exist in all

districts; (c) potential lack of capacity of the national financial system to exchange and absorb the US dollars required in the envisioned timeframe; and d) increased financial counter-party risks as a result of the funds being brought into the country. The ratings on political, governance, fiduciary, and technical risks remain unchanged (High), but new risks have been identified. *Political* risk of potential disruptions to payment delivery and supervision will be mitigated through robust security protocols based on local knowledge on security threats and involving political actors at the national, governorate, and local level in communication and payment facilitation. The *governance* risk of elite capture will be mitigated through robust beneficiary identification procedures, use of TPM and exploring the use of mobile banking for implementation. The *fiduciary* risks related to the financial management structure, corruption, and fraud will be mitigated through engagement of an independent payment delivery agency with transparent and robust internal controls and oversight procedures. UNICEF will consult with the World Bank to determine the most appropriate financial partners (i.e. banks) and the banking risks. *Technical design* risk factors relate to the operational challenges that are likely to affect payment delivery; these will be managed through: (a) engagement of payment delivery agencies with extensive networks of local agents, robust internal controls and a proven track record of handling large volumes of payment transfers; and (b) providing operational guidance and capacity building of payment agencies. Annex 4 provides an in-depth discussion of risks and the corresponding mitigation strategies.

## V. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

### Annex 1: Results Framework

Project Name:	Yemen Emergency Crisis Response Project - Second Additional Financing (P163729)	Project Stage:	Additional Financing	Status:	
Team Leader(s) :	Afrah Alawi Al-Ahmadi	Requesting Unit:	MNC03	Created by:	Maya El-Azzazi on 28-Mar-2017
Product Line:	IBRD/IDA	Responsible Unit:	GSP05	Modified by:	Maya El-Azzazi on 08-May-2017
Country:	Yemen, Republic	Approval FY:	2017		
Region:	MIDDLE EAST AND NORTH AFRICA	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P159053	Parent Project Name:	Yemen Emergency Crisis Response Project (P159053)		

#### **Project Development Objectives**

##### Original Project Development Objective - Parent:

The Project Development Objective is to provide short-term employment and access to selected basic services to the most vulnerable; and preserve existing implementation capacity of two service delivery programs.

##### Proposed Project Development Objective - Additional Financing (AF):

The Project Development Objective is to provide short-term employment and access to selected basic services to the most vulnerable; preserve existing implementation capacity of two service delivery programs; and provide emergency cash transfers to the poor and vulnerable in response to the food crisis.

#### **Results**

Core sector indicators are considered: Yes

Results reporting level: Project Level

#### **Project Development Objective Indicators**

Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	The number of direct beneficiaries of wage employment (core indicator: # of beneficiaries of safety net programs)	<input type="checkbox"/>	Number	Value	0.00		400000.00
				Date	19-Jul-2016		30-Jun-2019
				Comment			
No Change	Share of female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		30.00
No Change	Share of IDPs/Returnees	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		20.00
No Change	Share of Youth beneficiaries (age 16-35)	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		35.00
No Change	The number of people provided with access to key services	<input type="checkbox"/>	Number	Value	0.00		2500000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Share of female	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	40.00		40.00
No Change	Number of people (women and children) who benefitted from the nutrition services (total)	<input type="checkbox"/>	Number	Value	0.00		85000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change			Percentage	Value	100.00		100.00

	The percentage of core staff positions	<input type="checkbox"/>		Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	SFD	<input type="checkbox"/>	Number Sub Type Supplemental	Value	185.00		185.00
No Change	PWP	<input type="checkbox"/>	Number Sub Type Supplemental	Value	53.00		53.00
New	Beneficiary households of cash transfers	<input type="checkbox"/>	Number	Value	0.00		1500000.00
				Date	30-Apr-2017		30-Jun-2019
				Comment			
New	Female	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		40.00
New	Beneficiaries of social safety net programs	<input checked="" type="checkbox"/>	Number	Value	0.00		8000000.00
				Date	30-Apr-2017		30-Jun-2019
				Comment			
New	Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)	<input checked="" type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		8000000.00
				Date	30-Apr-2017		30-Jun-2019
				Comment			
New	Beneficiaries of social safety net programs - Female	<input checked="" type="checkbox"/>	Number Sub Type Supplemental	Value	0.00		4000000.00

### Intermediate Results Indicators



Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Number of working days created	<input type="checkbox"/>	Number	Value	0.00	123.00	7000000.00
				Date	20-Jul-2016	30-Apr-2017	30-Jun-2019
				Comment			
No Change	Share of Youth	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		35.00
No Change	IDPs/Returnees	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	38.00	20.00
No Change	Female	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	123.00	30.00
No Change	Indirect beneficiaries from the income support (family members of the workers)	<input type="checkbox"/>	Number	Value	0.00		1000000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Cubic meters of water schemes constructed /rehabilitated	<input type="checkbox"/>	Cubic Meter(m3)	Value	0.00		300000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Area of agriculture land and terraces rehabilitated	<input type="checkbox"/>	Hectare(Ha)	Value	0.00		1900.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Length of roads improved	<input type="checkbox"/>	Kilometers	Value	0.00		200.00
				Date	20-Jul-2016		30-Jun-2019

				Comment			
No Change	Number of working days created	<input type="checkbox"/>	Number	Value	0.00		2000000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Share of IDPs/Returnees	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		30.00
No Change	Indirect beneficiaries from the income support (family members of the workers)	<input type="checkbox"/>	Number	Value	0.00		700000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Cubic meters of water schemes constructed/rehabilitated	<input type="checkbox"/>	Cubic Meter(m3)	Value	0.00		200000.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Area of agriculture land protected	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	8339.00	7000.00
				Date	20-Jul-2016	30-Apr-2017	30-Jun-2019
				Comment			
No Change	Number of classrooms rehabilitated	<input type="checkbox"/>	Number	Value	0.00	2000.00	820.00
				Date	20-Jul-2016	30-Apr-2017	30-Jun-2019
				Comment			
No Change	Number of microfinance clients (SMEs) supported	<input type="checkbox"/>	Number	Value	0.00	800.00	4000.00
				Date	20-Jul-2016	30-Apr-2017	30-Jun-2019
				Comment			
No Change	Female	<input type="checkbox"/>	Percentage Sub Type	Value	0.00		50.00

			Supplemental				
No Change	Number of individuals who benefited from farm, fishery and animal production-based wage employment (short or long term, including informal)	<input type="checkbox"/>	Number	Value	0.00	5.00	26000.00
				Date	20-Jul-2016	30-Apr-2017	30-Jun-2019
				Comment		800 farmers identified with anticipated 6400 beneficiaries	
No Change	Female	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		20.00
No Change	Number of micro-finance institutions that benefited from the project	<input type="checkbox"/>	Number	Value	0.00		9.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Percentage of registered grievances that are addressed within the timeframe specified in the project implementation manual	<input type="checkbox"/>	Percentage	Value	0.00		90.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
No Change	Percent of surveyed beneficiaries who expressed satisfaction with the project participatory approach	<input type="checkbox"/>	Percentage	Value	0.00		70.00
				Date	20-Jul-2016		30-Jun-2019
				Comment			
New	Number of surveyed beneficiaries who report receiving full amount of benefit	<input type="checkbox"/>	Percentage	Value	0.00		100.00
				Date	30-Apr-2017		30-Jun-2019
				Comment			

## Annex 2: Project Costs

Component (Parent Project + AF2)	Proposed Revised Cost (Parent + AF2) (US\$ million)		Action
<b>1. Labor Intensive Works and Community Services</b>	<b>285.40</b>		No change
<i>1.1 Cash-for-Work and Youth Targeted Community Services</i>	180.40		
<i>1.2 Small Community Infrastructure</i>	85.00		
<i>1.3 SNE Revitalization and Employment Generation</i>	20.00		
<b>2. Project Management and Monitoring</b>	<b>14.60</b>		No change
<i>2.1 UNDP Indirect Cost</i>	9.66		
<i>2.2 UNDP Direct Cost</i>	4.24		
<i>2.3 TPM and Evaluation</i>	0.70		
<b>3. Emergency Cash Transfer</b>	<b>IDA Grant</b>	<b>US Grant.<sup>4</sup></b>	New
<b>Emergency Cash Transfer Total</b>	<b>200.00</b>	<b>0.00</b>	
<b>3.1 Cash Transfers</b>	<b>191.10</b>	<b>0.00</b>	
• Cash transfers	185.50	0.00	
• Payment Agency Fees	5.68	0.00	
<b>3.2 Project Management and Monitoring (PMM)</b>	<b>8.90</b>	<b>4.60</b>	
• <b>Consultancy services</b>			
• Third Party Monitoring (TPM)	1.55	0.00	
• CT Technical and Operational Support	0.00	0.80	
• Grievance Redress Mechanism (GRM) and Case management	0.00	2.10	
• Communication and facilitation	0.00	0.75	
• <b>UNICEF Direct Cost</b>			
• Staffing, Incremental Operational expenses	3.35	0.95	
• <b>UNICEF Indirect Costs</b>	3.92		
<b>Total Project Cost</b>	<b>500.00</b>	<b>4.60</b>	

<sup>4</sup> US Grant to UNICEF for Emergency Reactivation of Cash Transfer. Amounts are indicative and subject to change pending further discussions between UNICEF and the US Department of State.

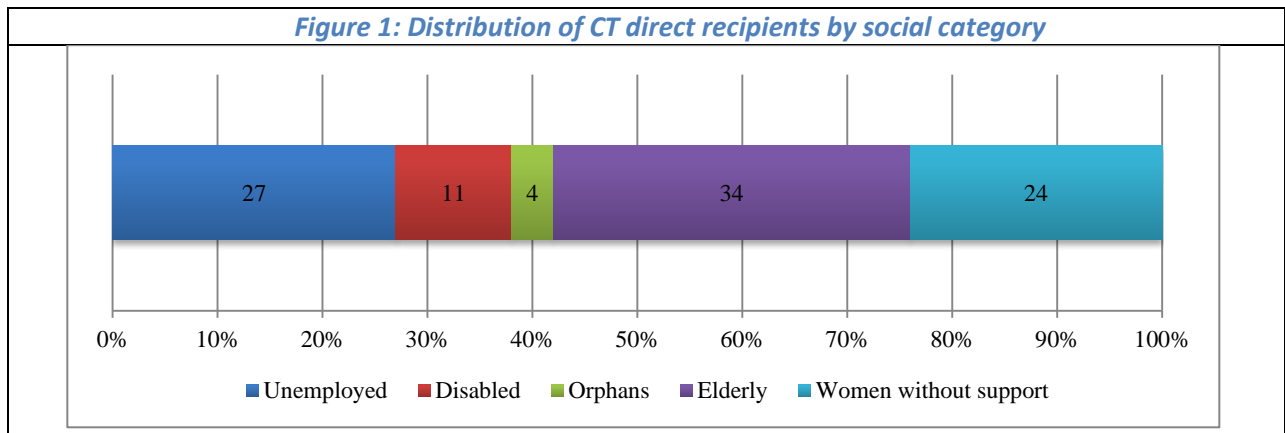
### Annex 3: Detailed Project Description

1. The second additional financing (AF2) will add a new component (Component 3- Emergency Cash Transfers) to the ongoing ECRP. Component 3 will deliver emergency cash assistance to about 1.5 million poor and vulnerable households; and finance interventions associated with the management, administration and monitoring of the cash transfers. While the parent project is implemented by UNDP, the new component funded by AF2 will be implemented by UNICEF.

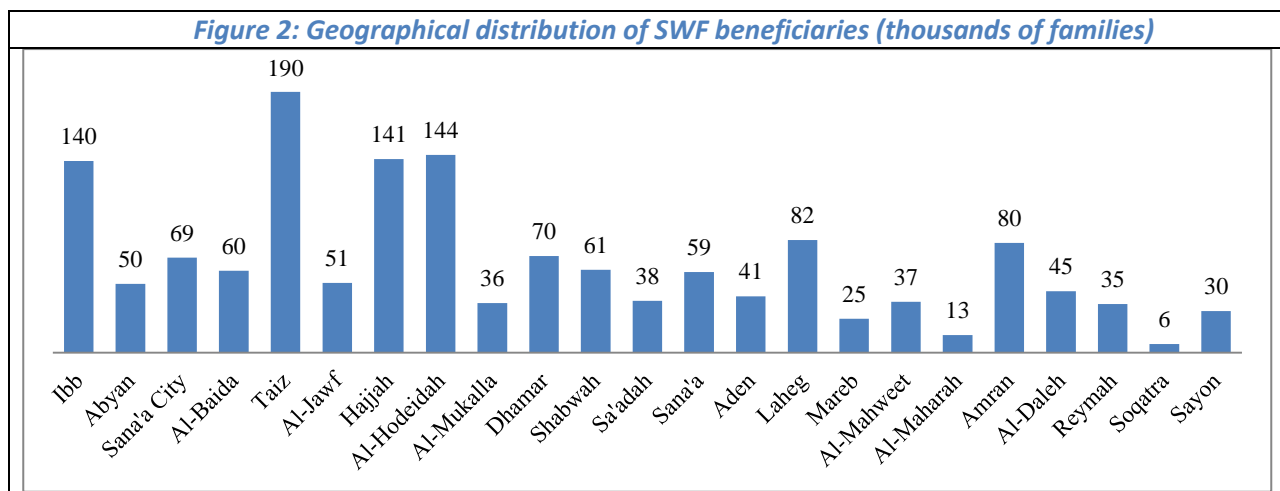
2. Component 3 will include two sub-components: cash transfers (subcomponent 3.1); and project management and monitoring (PMM) (subcomponent 3.2).

3. **Subcomponent 3.1: Cash transfers (US\$191.1 million).** This subcomponent will finance cash transfer for six months to 1.5 million households with an average benefit amount of YR 5,000 (equivalent to US\$20 when established) per household, per month, delivered on a quarterly basis. The amount remains fixed in Yemeni Rials. The subcomponent will also finance the associated fee for delivering the cash through a private sector payment agency (microfinance institutions/banks). The design parameters (targeting, benefit calculation formula, frequency of delivery, coverage, etc.) of the cash transfers build on those of the national CT program – Social Welfare Fund as of quarter 4 of 2014.

4. **Beneficiaries.** The direct beneficiaries of the project are those currently in the SWF beneficiary list, identified through poverty targeting and meeting criteria for social vulnerability: elderly, female headed households, orphans, etc. (Figure 1).



5. The total estimated number of households to benefit from the cash assistance is 1.5 million (equivalent to an estimated 8 million individuals, with women accounting for 52 percent of all (direct and indirect) beneficiaries). The cash transfer will cover beneficiaries in all 22 governorates (Figure 2).



6. *Transfer amount.* The amount of CT benefit received by a given household will vary between YR 3,000 to YR 6,000 per household, per month, depending on the size of the household, averaging YR 5,000 per family per month. *Table 1* illustrates the benefit levels by household size.

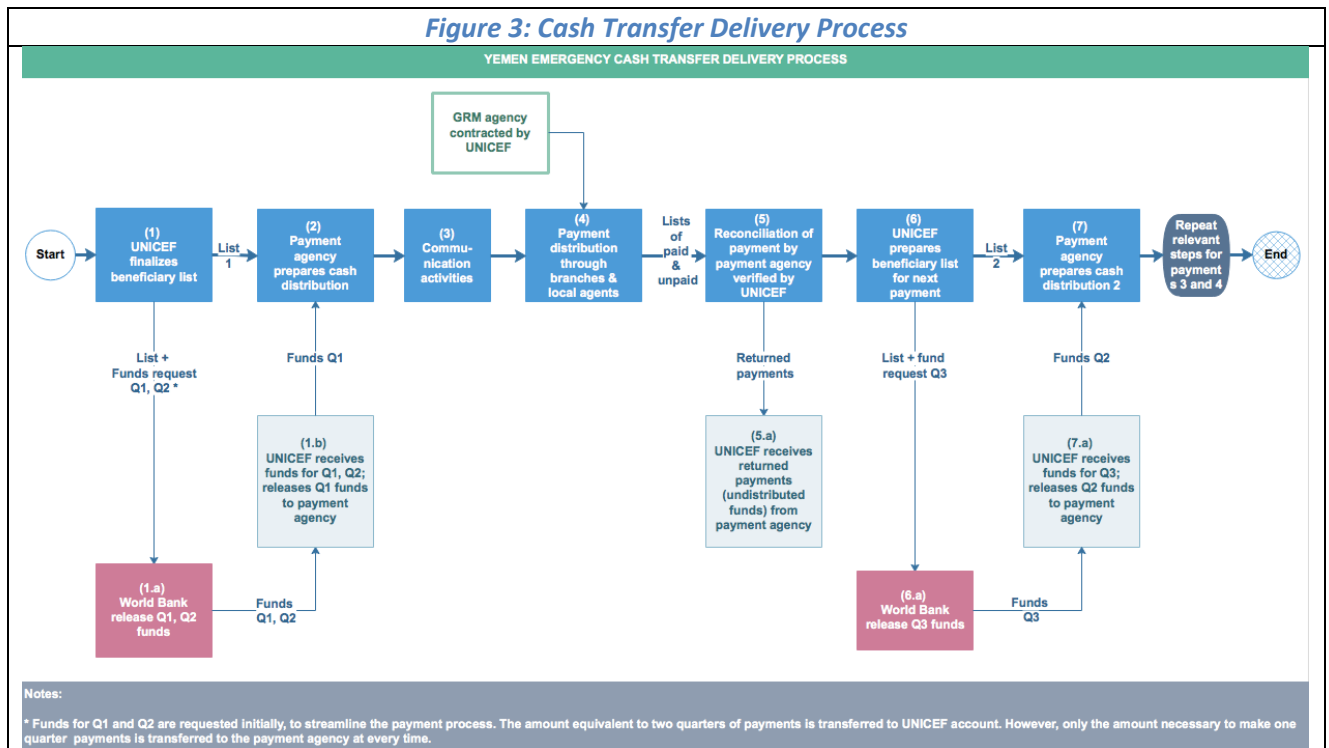
**Table 1. Monthly cash transfer benefit amount by family size in Q4 of 2014 (Yemeni Rials)**

	Family size					
	1 person	2 persons	3 persons	4 persons	5 persons	> 5 persons
<b>Amount</b>	3,000	3,600	4,200	4,800	5,400	6,000

7. *Targeting.* The project will not conduct separate targeting but will rather rely on the existing list of SWF beneficiaries, which in turn is based on a proxy means test (PMT).<sup>5</sup> All the households currently in the SWF beneficiary list will be eligible for the emergency cash transfer. Even though some of the households in the list (18 percent of the total number of beneficiaries) were above the poverty line at the time of the list's creation (2005/6 Household Budget Survey), poverty in Yemen has since doubled and the likelihood that these households are vulnerable is high, particularly considering the current humanitarian crisis.

8. *Cash transfer delivery process.* Figure 3 presents a diagram of the CT delivery process. UNICEF will be supported by an international consultancy firm with experience in CT systems throughout project implementation. The firm will support the development of detailed procedures of all delivery processes, training material and oversee training of all involved entities including the TPM firm, GRM firm, payment agencies, etc.

<sup>5</sup> The PMT methodology, developed with technical assistance from the Bank, aims to improve pro-poor targeting based on a clear and observable household characteristic that has been shown empirically to correlate with poverty. Variables such as individual/household characteristics and household ownership of durable goods are collected and are assigned a series of "weights" based on their individual contribution to measuring household welfare.



9. *Step 1: Finalization of beneficiary payment list:* UNICEF will make use of the payment list from the SWF beneficiary database (the pre-crisis distribution list of 2014 Q4). Based on this payment list, UNICEF will calculate the total budget required for the transfer in Q1 and Q2 and submit a funds request to the World Bank. The funds request will reflect the total value of cash transfers and the payment agency fee. An amount equivalent to two quarterly disbursements will be transferred to UNICEF’s account in order to streamline the delivery of the second tranche of cash transfers in Q2 by eliminating the need to request funds again. Parallel to submitting the disbursement request to the World Bank, UNICEF will forward the payment list to the payment agencies. This list will contain the following information: (a) recipient name; (b) program ID number; (c) national ID number; (d) beneficiary location: governorate, district, village; and (e) transfer amount.

10. *Step 2: Preparation of Q1 payment delivery.* Once the payment agency receives funds from UNICEF, the payment agency prepares the payment delivery. Preparation involves creation of individual (virtual) accounts for beneficiaries according to the payment agency’s internal procedures, planning logistics of payment delivery, communicating with and training their staff and agents, and ensuring adequate liquidity levels. Communication and training will be based on the project operational manual prepared by UNICEF.

11. *Step 3: Communication.* Once a payment distribution plan prepared by the payment agency and the UNICEF has been agreed on and approved, UNICEF (through the communication and facilitation consultancy with support from UNICEF field offices) will inform the recipients about the upcoming transfer. Communication to beneficiaries will be done through social workers at the

district level who will disseminate the information about the timing, modality of payment distribution to beneficiaries and GRM procedures.

12. *Step 4: Payment distribution.* Payment distribution will be performed by one or more payment agencies. The agencies will be commercial payment service providers contracted by the UNICEF. Selected agencies will need to meet a number of criteria, specifically: (a) have experience in payment transfers; (b) ability to handle large volume of transactions; (c) have access to a large network of agents covering all areas of the country; and (d) operate robust data management and internal control systems. Experience in working with UNICEF and other CT programs will be considered an advantage. The exact payment delivery modality – or a mix of multiple modalities - will be proposed by the payment agency. Among possible options are: (i) distribution of physical cash through agents and branch offices, and through mobile teams; and (ii) cashless electronic payments via mobile banking accounts. The latter is a potentially attractive option given the existing liquidity constraints.

13. A given payment service provider will be assigned to a governorate (or district within a governorate) to deliver cash transfers. Assignment will be based on the ability of the payment agency to provide services in a given district and the appropriateness of the specific payment modality the agency is able to implement. For instance, mobile cash distribution teams would be optimal in remote and hard to reach areas. Payment delivery will take place over a period of one month, allowing sufficient time for beneficiaries to learn about the resumption of CT and arrange to collect their benefits from the nearest location, especially for those who may have been displaced. During which time beneficiaries will visit the payment delivery location, regardless of the exact payment delivery modality.

14. *Step 5: Reconciliation of Q1 payment.* Upon the completion of the payment distribution period, the payment agency prepares a payment delivery report, indicating the payment status of each beneficiary (paid or not paid) as well as the total value of paid and unpaid benefits. The payment agency submits the payment delivery report to UNICEF for reconciliation. Reconciliation will consist of comparing the disbursed benefit amounts to those in the original payment list and discrepancies (if any) in planned and disbursed amounts will be investigated. The payment agency will refund the value of unpaid transfers that could not be disbursed to beneficiaries due to no-show, lack of proper IDs, etc., to UNICEF's account. These funds will be available for collection in the next round of payment distribution (Q2 payment).

15. *Step 6: Preparation of payment list for Q2 payment delivery.* UNICEF will prepare the payment list for the second round of payment (Q2) and forward it to the payment agency. The payment list will reflect the amount of transfer corresponding to the second quarterly installment plus any uncollected payments from the first round (Q1). If a third round of payment is made available, the above describes cycle repeats.

16. ***Subcomponent 3.2: Project Management and Monitoring (US\$8.9 million).*** The sub-component will support the implementation of the AF, management and M&E to ensure that the program is successfully and efficiently implemented in conformity with the design. The subcomponent will finance: (a) UNICEF's direct cost including staffing and operational expenses; (b) UNICEF's indirect cost – General Management Support; (c) consultancy services required for



technical assistance, implementation support and generation of lessons learned. The consultancy services will include: CT technical and operational support firm; TPM firm; GRM and case management firm; and communication and field facilitation firm. Key tasks and responsibilities of these consultancy firms are explained in the following sections.

17. *Cash transfer technical and operational support.* The firm will support the development of detailed procedures of all delivery processes, training material and oversee training of all involved entities. The firm will also perform analysis, verification and controls of the beneficiary list as the program database and will generate the final beneficiary list for the payment agents; develop and support manage the project MIS; support case management related to updates of household data, as needed; and perform overall implementation and technical support, including assisting UNICEF in the preparation of TORs of all other service providers.

18. *Third Party Monitoring (TPM).* To ensure adequate supervision of the payment distribution process, TPM will be conducted by an independent consultancy firm. TPM will have three functions: (i) ongoing monitoring of the payment distribution processes; (ii) post-transfer monitoring; and (iii) investigation of specific cases as recommended by UNICEF. Ongoing TPM will involve spot-check visits to payment distribution and GRM sites to monitor the presence and performance of payment agents and GRM staff. Post-transfer TPM will include a performance audit to identify strengths and weakness in the implementation of the payment delivery. The performance audit will survey a sample of locations to capture beneficiary experiences with respect to awareness about the transfer, amounts received and ease of payment delivery procedures.

19. *Grievance redress mechanism (GRM) and support to case management.* The GRM function will be carried out by local firm/s or NGOs contracted by UNICEF. The GRM will allow beneficiaries and non-beneficiaries to report their complaints about the program. GRM officers will classify complaints and take appropriate action depending on the type of complaint. Actions will range from providing information, to referring cases to case management (CM) to referring cases of fraud to UNICEF for investigation. For CM, officers will collect needed data/updates based on a pre-prepared form to be recorded and processed by UNICEF with the support of the CT technical and operational support firm. All complaints cases will be recorded and reported to UNICEF, acted upon, and feedback will be provided to complainants via the GRM social workers and/or UNICEF field coordinators.

20. *Terms of Reference* for all hired firms will be agreed upon with the Bank prior to cash delivery (in May 2017). The project will maintain a monitoring and risk management system, which entails frequent data collection from the field with the use of digital technology when possible, collecting and reporting on stories, establishing grievance redress procedures, and through quarterly visits and reports from the TPM agent. Quarterly progress and financial reports will be prepared by UNICEF and submitted to the Bank no later than 45 days after the end of each reporting period. Financial reports will be submitted to the Bank in accordance with the FMFA. Additionally, final reports of the TPM agency will be shared with the Bank.

21. **Implementation schedule.** Overall, the implementation schedule for Component 3 will follow the parent project’s timeline. The timing of component-specific activities is detailed in Table 2 below.

*Table 2: Schedule of Activities under Component 3*

Key project activities	2017										2018		
	4	5	6	7	8	9	10	11	12	1	2	3	
Procurement of CT technical and operational support firm by UNICEF*	■												
TOR development for UNICEF's contracts	■	■											
Finalization of beneficiary payment list		■											
Preparation for payment delivery		■	■		■								
Communication			■	■	■	■	■	■	■	■	■	■	
Payment distribution				■			■						
Payments Reconciliation					■			■					
Grievance redress **			■	■	■	■	■	■	■	■	■	■	
Case management **				■	■	■	■	■	■	■	■	■	
Third party monitoring				■				■					

Notes:

\*Prior to IDA Grant effectiveness using US grant.

\*\*Activity will continue beyond the second payment to allow for the possibility of a follow up operation.

## **Annex 4: Risk Assessment**

1. The implementation of the proposed project involves a number of risks: political and governance, macroeconomic, sector strategies and policies, fiduciary, environment and social, and stakeholder risks. Mitigation measures will be built into the project design and UNICEF will monitor whether the identified risks are being adequately managed, using a working matrix which will be shared with the World Bank and reviewed during reverse implementation support missions. The World Bank will carry out reverse implementation support missions to review with UNICEF project progress, twice a year.

### ***Political and Governance***

2. These stem from a number of factors: first, the fact that different areas of the country are controlled by different political actors can interfere with project implementation as the reach of the traditional SWF payment distribution modality is limited; second, there is a risk of elite capture, i.e. that the transfers will be used by local elites or factions controlling a given area to advance their political agenda or extract economic benefit.

3. The project will address both risks through a careful selection of payment delivery agencies and robust design of the payment delivery procedures. Specifically, the project will seek to engage a politically neutral payment agency, which will increase the chances of working across political divides. Effective communication and facilitation arrangements (as detailed in the section on security risks) will also be central to mitigating political and elite capture risks.

4. Elite capture represents a serious source of risk that is difficult to manage in a fragmented and constantly shifting political landscape of Yemen, especially in areas with active conflict. Managing this risk will involve: (a) carefully negotiating security and non-interference at distribution sites with the key de facto political forces; (b) avoiding distribution in areas where such guarantees cannot be achieved and making funds available for collection in the more secure areas; (c) using TPM and audits to identify and investigate such instances; (d) implementing robust recipient identification procedures; (e) prohibiting collection of benefits by proxies; and (f) promoting mobile banking for implementation where possible.

5. Project activities will be suspended in areas where political and governance risks cannot be effectively managed.

### ***Fiduciary***

6. Managing fiduciary risks involves establishing a set of financial management procedures that would assure that beneficiary funds reach the final beneficiary. Major fiduciary risk factors are related to the financial management structure, corruption, and fraud. In order to mitigate fiduciary risks, the project will engage an independent payment delivery agency with transparent procedures and robust accounting and internal control practices, which will minimize project's exposure to potentially corrupt, compromised, or dysfunctional government institutions. At the local level, social workers will play the role of monitors and will not handle payments. TPM

arrangements and grievance redress and accountability mechanisms will also contribute to transparency and help control corruption and fraud. To this end, the roles and activities of the TPM and GRM firms will be clearly outlined in the operations manual and respective ToRs. The responsibilities of payment agencies will be similarly clearly spelled out in their ToRs and the operations manual with the objective of ensuring compliance with fiduciary control standards.

### ***Social***

7. *Risk of social tension due to possible exclusion of poor and vulnerable households.* The project will deliver cash transfers to existing SWF beneficiaries without enrollment of new recipients. There is a general consensus in the country that the existing beneficiary list includes poor and vulnerable households; nevertheless, the list does not cover all the poor households in Yemen. This exclusion is the result of widespread poverty in Yemen that makes it impossible to cover all the poor households with available financial resources; while change in the economic situation of many Yemeni households that have taken place since the recertification of existing beneficiaries and registration of new cases based on poverty targeting was performed in 2008, compounded and amplified by the ongoing active conflict, also likely have contributed to the exclusion error.

8. Consequently, the use of the SWF beneficiary list can lead to the dissatisfaction of excluded households who might feel eligible for a poverty-based cash assistance. This in turn, might complicate payment distribution due to the risk of unrest at payment delivery sites and overwhelming numbers of inquiries and complaints from non-beneficiaries.

9. To mitigate these risks, the project will: (a) implement focused campaigns to disseminate information about the timing and location of the payment delivery to beneficiaries by social workers; (b) clearly communicate that the cash transfer represents a resumption of an existing transfer scheme rather than a new transfer; and (c) allocate dedicated staff within the grievance redress mechanism to handle non-beneficiary complaints.

### ***Other***

10. *Security.* The greatest security risks associated with the ongoing conflict in many locations are the threat of physical violence for individuals involved in the implementation of the project and beneficiaries (at payment sites or while traveling to payment locations), potential damage to property of implementing agencies, and the risk of forced expropriation of CT funds from beneficiaries and payment agent at payment sites or while traveling to them. The project will introduce a series of measures to mitigate these risks: (a) UNICEF will establish a clear mechanism to identify security threats to the project and to communicate changes in threat levels to the various parties involved in project implementation; (b) the project will put in place communication and facilitation arrangements that enlist the support of all relevant political actors at the national, governorate, and local levels to promote safe and politically neutral implementation of the cash transfer.

11. At the national and governorate level, these arrangements will include regular interactions between all relevant political actors and UNICEF project leadership and liaison officers, while at

the local level, facilitation groups will be formed comprised of local community leaders to raise the acceptance of the CT, diffuse potential tensions, and foster the acceptance of the project. These communication and facilitation arrangements will serve as information channels for the timely monitoring of the security situation. Furthermore, the use of an independent entity to distribute payments will help de-politicize transfer distribution and reduce the likelihood of politically motivated violence against recipients. Reliance on a network of local agents with established relations within communities to deliver cash will further reduce the risk of violence through improved knowledge of the security situation on the ground. Context-specific distribution planning and making funds available at multiple locations and over a period of time will allow beneficiaries a degree of flexibility in choosing a safer window of time for collecting their transfers and will help avoid crowding during payment distribution.

12. Apart from the threat of violence, insecurity undermines the ability of the project staff or the designated third party monitor to supervise the process of payment distribution in certain locations. To maintain the integrity of the supervision arrangements, the entities involved in monitoring will be included in the communication on security threats. Furthermore, the decision to suspend transfer distribution due to the threat of violence will take into account the ability of the monitoring entity to provide supervision. To the extent possible, the project intends to engage local social workers for facilitation functions – this will also allow adjusting project activities to the shifting security situation on the ground based on local knowledge.

13. *Operational risks.* Operational risks include other threats to project implementation that are not linked to violence, politics, or fiduciary concerns. Among these, several risk factors stand out: difficult geographical terrain, availability of liquidity in sufficient quantities; potentially limited capacity and quality of consultancy firms related to project implementation and monitoring support. These may be related to: (a) limited number of qualified bidders; (b) limited banking and market capacity; and (c) limited supply of field staff to be hired by sub-contracted firms. These factors may complicate or delay project procurement. Additional operational risks may involve network outages that can affect payment distribution activities by disrupting payment data transfer.

14. To mitigate these adverse factors, the project will engage one or more payment delivery agencies that can distribute cash through a network of local agents; at the same time the project will explore the option of mobile payments. Both of these solutions circumvent or mitigate the problem of difficult terrain and remoteness as well as mitigate liquidity constraints as agents will likely have access to local liquidity markets. The risk of procurement challenges due to limited local capacity and quality will be mitigated through market research and proactively inviting potentially qualified firms to submit bid, robust training and capacity development of the firms' staff at the preparation stage. The risk of data network outages can be mitigated by adding short message service channels for exchanging payment data, detailed mapping of network coverage, and exploring the possibility of other proofs of stored value for mobile money accounts (paper passbooks; stored-value cards).

15. The final transfer of funds from the agent to the beneficiary is potentially vulnerable to manipulation by agents themselves and to problems with payment recipient verification. These risks will be managed by ensuring that the payment delivery agency establishes robust internal

control mechanisms that carefully document the transfer of funds and ensure that strong yet flexible and appropriate payment recipient identification procedures are put in place.