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Report No: PAD4292

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED GRANT

IN THE AMOUNT OF SDR 34.9 MILLION  
(US\$50 MILLION EQUIVALENT)

TO THE

UNITED NATIONS OFFICE FOR PROJECT SERVICES

FOR THE

YEMEN INTEGRATED URBAN SERVICES EMERGENCY PROJECT II

MAY 22, 2021

Urban, Resilience And Land Global Practice  
Middle East And North Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective {April 30 2021})

Currency Unit = US Dollar

SDR 0.693285 = US\$1

US\$1.442410 = SDR 1

### FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

APA	Alternative Procurement Arrangements
BCR	Benefit Cost Ratio
CEN	Country Engagement Note
CERC	Contingent Emergency Response Component
CMU	Country Management Unit
CSO	Civil Society Organization
DLA	District Local Authority
DNA	Dynamic Needs Assessment
ECRP	Emergency Crisis Response Project
EHNP	Emergency Health and Nutrition Project
EHS	Environmental, Health, and Safety
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
EU	European Union
FCS	Fragile and Conflict-affected Situations
FCV	Fragility, Conflict, and Violence
FMFA	Financial Management Framework Agreement
GAP	Gender Action Plan
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse gases
GIS	Global Information System
GoY	Government of Yemen
GRID	Green, Resilient and Inclusive Development
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
IDP	Internally Displaced Person
IPF	Investment Project Financing
IUFR	Interim Unaudited Financial Report
LC	Local Corporation
LDC	Least Developed Countries
LFPR	Labor Force Participation Rate
LMP	Labor Management Procedure
LWSC	Local Water and Sanitation Corporations
MENA	Middle East and North Africa
NAMA	Nationally Appropriate Mitigation Actions
NGO	Non-Governmental Organization
OHS	Occupational Health and Safety
O&M	Operations and Maintenance

PDO	Project Development Objective
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PV	Photovoltaic
PWP	Public Works Project
RECA	Remaining Engaged in Conflict Allocation
RISE	Resilient, Inclusive, Sustainable and Efficient Framework
RMF-IU	Road Maintenance Fund Implementation Unit
RoY	Republic of Yemen
RPF	Resettlement Policy Framework
SAP	Safeguards Action Plan
SDR	Special Drawing Rights
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SFD	The Saudi Fund for Development
SME	Small and Medium Enterprises
SMP	Security Management Plan
STEM	Science, Technology, Engineering, and Math
STEP	Systematic Tracking of Exchanges in Procurement
SWM	Solid Waste Management
TC	Technical Committee
TOC	Theory of Change
TOR	Terms of Reference
TPM	Third Party Monitoring
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
UW-PMU	Urban Water Project Management Unit
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization
WOB	Women Owned Business
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant
YIUSEP	Yemen Integrated Urban Services Emergency Project

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## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name		
Yemen, Republic of	Integrated Urban Services Emergency Project II		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P175791	Investment Project Financing	High	Urgent Need or Capacity Constraints (FCC)

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input checked="" type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
07-Jun-2021	31-Dec-2023

Bank/IFC Collaboration

No

### Proposed Development Objective(s)

To restore access to critical urban services and strengthen resilience to shocks in selected cities within the Republic of Yemen.



**Components**

Component Name	Cost (US\$, millions)
Service Restoration	40.00
Implementation Support and Capacity Development	10.00
Contingent Emergency Response	0.00

**Organizations**

Borrower: United Nations Office for Project Services  
 Implementing Agency: UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

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

**SUMMARY**

<b>Total Project Cost</b>	50.00
<b>Total Financing</b>	50.00
<b>of which IBRD/IDA</b>	50.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Grant	50.00

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

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Yemen, Republic of</b>	0.00	50.00	0.00	50.00
National PBA	0.00	50.00	0.00	50.00



<b>Total</b>	<b>0.00</b>	<b>50.00</b>	<b>0.00</b>	<b>50.00</b>	
<b>Expected Disbursements (in US\$, Millions)</b>					
<b>WB Fiscal Year</b>			2021	2022	2023
<b>Annual</b>			0.00	25.00	25.00
<b>Cumulative</b>			0.00	25.00	50.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Urban, Resilience and Land

**Contributing Practice Areas**

Energy & Extractives, Water

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

<b>Risk Category</b>	<b>Rating</b>
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● High
7. Environment and Social	● High
8. Stakeholders	● Substantial
9. Other	
10. Overall	● High





**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

Have these been approved by Bank management?

Yes  No

Is approval for any policy waiver sought from the Board?

Yes  No



**Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

**Legal Covenants**

Sections and Description

This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the Recipient has:

- (a) updated, disclosed and conducted consultations on the ESMF, in the form and substance satisfactory to the Bank; and
- (b) recruited an environmental and social safeguards officer for the PMU.

Sections and Description

The Recipient shall establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the life of the Project, the Project Management Unit (“PMU”) based in the Recipient’s office in the Republic of Yemen which shall be responsible for the day-to-day management and implementation of the Project, including the staffing of core functions, including the technical, fiduciary (i.e., procurement and financial



management), health and safety, social and environmental aspects of the Project, and coordination of all field activities, as detailed in the Project Operation Manual.

**Sections and Description**

No later than three (3) months after the Effective Date, the Recipient shall hire and maintain throughout its Project implementation, Third-Party Monitoring Agent(s), on the terms of reference satisfactory to the Association, to be financed out of the proceeds of the Financing as set forth in the table under Section IV.A. of Schedule 2 to this Agreement, to carry out Third-Party Monitoring of the Project implementation. The Recipient shall share with the Association summary of qualifications of the recommended candidate entity(ies) for the contract of the Third-Party Monitoring Agent(s) prior to their hiring.

**Sections and Description**

To facilitate the implementation of Parts 1.1, 1.2 and 1.3 of the Project, and to sustain and build the skills and capacity of the Recipient’s Yemen Partners, the Recipient shall engage its Yemen Partners pursuant to a partnership arrangement agreed between the Recipient and said Yemen Partners and satisfactory to the Association.

**Sections and Description**

The Recipient shall establish and chair an advisory technical committee to facilitate the investment planning process and cross-sectoral coordination, consisting of representatives of local public sector and other stakeholders, as may be relevant from time to time.

**Sections and Description**

The Recipient shall prepare and thereafter carry out the Project in accordance with the project operations manual (“Project Operation Manual”, or “POM”), setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, inter alia:

- (a) detailed description of the Project and institutional arrangements for implementing the Project;
- (b) monitoring, evaluation, reporting, financial management and accounting, and governance procedures for the Project;
- (c) implementation of environmental and social instruments referred to in the ESCP.

**Sections and Description**

No withdrawal shall be made:

- (a) for payments made for expenditures prior to the date of this Agreement; or
- (b) under Category (3), for Emergency Expenditures, under Part 3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
  - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category 3; and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
  - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
- (c) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association’s knowledge, is prohibited by a decision of the United Nations Security Council taken



under Chapter VII of the Charter of the United Nations.

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**Sections and Description**

The Recipient shall, by not later than four months after the Effective Date, prepare and furnish to the Association an annual investment plan and budget (“Annual Investment Plan”) for the Project for the subsequent year, said Annual Investment Plan of such scope and detail as the Association shall have reasonably requested.

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**Conditions**



## I. STRATEGIC CONTEXT

### A. Country Context

1. **After six years of escalating conflict, the Republic of Yemen (RoY) continues to face an unprecedented humanitarian, social, and economic crisis.** In May 2015, the United Nations (UN) placed Yemen at Level 3 of humanitarian distress, the highest categorization of countries in conflict. Since then, Yemen has been described as the worst humanitarian crisis in the world,<sup>1</sup> with 24 million Yemenis requiring humanitarian assistance, 3.6 million internally displaced<sup>23</sup>, and the worst cholera epidemic in modern history. More than 20 million people are food insecure, of which 10 million are suffering from acute hunger<sup>4</sup>. As per the United Nations Development Programme (UNDP) estimates (2019), there have been 102,000 combat deaths and 131,000 indirect deaths due to lack of food, health services and infrastructure, and many more injuries<sup>5</sup>. The economy has been badly affected by the prolonged conflict, depriving millions of their livelihoods and jobs, and driving poverty levels to over 80 percent. In 2018, Gross Domestic Product (GDP) was estimated at US\$23 billion, and although official statistics are no longer available, evidence suggests that GDP has contracted by about 40 percent cumulatively since 2015.<sup>6</sup> The COVID-19 pandemic is also devastating for the struggling economy, and is compounding the impacts of recent urban flooding and a declining global oil price, which is the only significant export of the country.

2. **Yemen's cities have been very badly impacted by the conflict, with widespread destruction of urban infrastructure. In January 2020, damage in the 16 cities covered by the World Bank's Yemen Dynamic Needs Assessment (DNA) was estimated between US\$6.9 and US\$8.5 billion.**<sup>7</sup> The housing sector has experienced the most damage, with costs ranging between US\$5.1 and US\$6.2 billion, followed by the health (US\$605–740 million) and power (US\$541–662 million) sectors. Estimated damage to Water and Sanitation for Hygiene (WASH), transport, and education infrastructure is also immense, estimated to be in the hundreds of millions. Amongst the 16 DNA cities, Sana'a has suffered the greatest damage, followed by Taiz, with damages estimated at US\$2.4–3.0 billion and US\$1.4–1.7 billion respectively. Aden and Al Hodeidah have also been severely affected by the conflict.

3. **The damage to Yemen's public institutions is immeasurable, causing widespread disruptions in basic urban services across the country.** Agencies responsible for basic service delivery are disintegrating due to a lack of resources, and civil servant salary payments are in arrears for more than three years. Since the start of the conflict, waste collection services have been interrupted, urban roads have been wrecked, critical facilities have been left without electricity, and water, sanitation, and drainage infrastructure has been extensively damaged. Consequently,

<sup>1</sup> UN Secretary-General António Guterres in remarks to donor conference in Geneva on April 3, 2018.

<sup>2</sup> UNHCR, undated. Available from: <https://www.unrefugees.org/emergencies/yemen/>.

<sup>3</sup> Evidence also suggests women are disproportionately IDP. Women represented more than 80.0% of IDPS who left Sana'a and Al Hodeidah, and 55.0% of the people that arrived in Aden. ILO, 2016. Yemen damage and needs assessment: crisis impact on employment and labor market. Beirut. Available from: <https://reliefweb.int/sites/reliefweb.int/files/resources/yemen-damage-and-needs-assessment.pdf>

<sup>4</sup>WFP, undated.

<https://www.wfp.org/countries/yemen#:~:text=Despite%20ongoing%20humanitarian%20assistance%2C%20over,has%20prevented%20catastrophe%20in%20Yemen.>

<sup>5</sup> Moyer et al, 2019. Assessing the Impact of Conflict on Human Development in Yemen, Available from: <https://www.undp.org/content/dam/yemen/General/Docs/ImpactOfWarOnDevelopmentInYemen.pdf> (accessed 11/23/20)

<sup>6</sup> World Bank, April 2018. Yemen Republic Overview. Washington, D.C.

<sup>7</sup>World Bank Group, 2020. Yemen Dynamic Needs Assessment: Phase 3 (2020 Update) (English). Washington, D.C. Available from: [http://documents.worldbank.org/curated/en/490981607970828629/Yemen-Dynamic-Needs-Assessment-Phase-3-2020-Update.](http://documents.worldbank.org/curated/en/490981607970828629/Yemen-Dynamic-Needs-Assessment-Phase-3-2020-Update)



two-thirds of the population lack access to safe water and sanitation, and healthcare services are failing to meet the country's immense needs.

4. **A recent series of disasters has also highlighted the country's exposure to regular flash floods and heavy rainfall, which has compounded the severity of the emergency in urban areas.** From mid-April to August 2020, Sana'a, Al Hodeidah, Abyan, Marib, Amran, Sa'ada, Al Jawf, Ibb, Hajjah, Hadramout, and Al Dhale'e were badly flooded due to heavy rainfall. According to media reports, 172 people died, and many were injured<sup>8</sup>. In addition, an estimated 300,000 people in Yemen were reported to have lost their homes, crops, livestock, and personal belongings<sup>9</sup>. Alongside drought and increased water stress, rainfall intensity and associated flooding is projected to increase with climate change. Risk is highly concentrated in urban areas, particularly coastal cities, due to exposure to storm surge, flash floods, and epidemiological hazards enhanced by flash floods, the depletion of water resources for household consumption, and sea level rise.

5. **The effects of climate change have further aggravated the disaster vulnerability of Yemen.** The Notre Dame – Global Adaptation Initiative (ND-GAIN) ranks Yemen the 26<sup>th</sup> most climate change vulnerable country in the world, and as the 17<sup>th</sup> least ready country to adapt, with its readiness score significantly impacted by the ongoing conflict<sup>10</sup>. While the overall projected precipitation trends for the next 30 years differ among climate models, Yemen's rainfall patterns have shown increasing extremes. On the one hand, mean decreases have resulted in droughts and agricultural losses, and on the other hand, extreme concentrations of rainfall have led to flooding since the mid-1990s. Therefore, both flood hazard and water scarcity are anticipated in Yemen<sup>11</sup>.

6. **The COVID-19 risk to Yemen is very high compared to other countries, as the conflict has taken a heavy toll on the country's capacity to respond to crises.** Lockdowns, quarantines, and the closure of airports have been implemented sporadically, with unknown effect on containing the spread of COVID-19. According to the WHO's COVID-19 Dashboard, as of May 18, 2021, there were 6,572 confirmed cases and 1295 COVID-19 related deaths in Yemen, suggesting a fatality rate as high as 20%<sup>12</sup>. While there is very little data available to quantify the problem, there is a consensus among development agencies on the ground that the figures are significantly underreported. COVID-19 is a threat multiplier as the Yemeni people are among the world's most malnourished, and evidence shows that malnourished individuals are at much higher risk of contracting COVID-19<sup>13</sup>, becoming seriously ill and dying from COVID-19.

<sup>8</sup> More than 260 houses have been damaged, including some in Sana'a's historic Old City which is a UNESCO World Heritage site.

<sup>9</sup> UNHCR, August 2020. Available from: <https://www.unhcr.org/en-us/news/briefing/2020/8/5f3e7faf4/300000-people-lose-homes-incomes-food-supplies-belongings-due-catastrophic.html>.

<sup>10</sup> Notre Dame Global Adaptation Initiative, 2017. "ND-GAIN Country Index." <http://index.gain.org/>.

<sup>11</sup> Republic of Yemen, 2018. Third National Communication to the Conference of the Parties of United Nations Framework Convention on Climate Change. Available from: [https://unfccc.int/sites/default/files/resource/Yemen\\_TNC\\_%202018.pdf](https://unfccc.int/sites/default/files/resource/Yemen_TNC_%202018.pdf); Republic of Yemen - Environmental Protection Agency (2008): National Adaptation Programme of Action (NAPA), [https://www.adaptation-undp.org/sites/default/files/downloads/yemen\\_napa.pdf](https://www.adaptation-undp.org/sites/default/files/downloads/yemen_napa.pdf)

<sup>12</sup> WHO, 2021. Available from: <https://covid19.who.int/region/emro/country/ye>

<sup>13</sup> Development Initiatives, 2020. Global Nutrition Report: Action on Equity to End Malnutrition. Bristol, UK: Development Initiatives. Available from: <https://globalnutritionreport.org/reports/2020-global-nutrition-report/2020-global-nutrition-report-context-covid-19/>



7. **Women are disproportionately affected by the hardships in Yemen due to pre-existing inequalities related to tribal and patriarchal systems and norms.** Gender disparities are extreme<sup>14</sup> and economic opportunities are extremely limited, with a labor force participation rate (LFPR) of only 6.2%, compared to 65.4% for men<sup>15</sup>. The effects of the conflict have disproportionately impacted women's access to and participation in the economy, with job losses at an average of 28 percent, as opposed to 11 percent among men (.).<sup>16</sup> For those women who are in the labor force, 25 percent are unemployed compared to 12 percent of men and, of the small share of women in the workforce, over sixty percent are in vulnerable employment which puts them at risk of poor working conditions and lack of social protection.<sup>17</sup> A combination of low education attainment, coupled with limited mobility and public interactions due to restrictive norms and security concerns, make it difficult for women to identify work opportunities and ultimately qualify for formal, paid employment. Additionally, the conflict and recent flooding have extensively damaged water and sanitation infrastructure, with a particularly heavy burden on women, who spend three to six hours a day fetching water in parts of Yemen. Children (especially girls) reportedly missed school to help their mothers<sup>18</sup>. The World Health Organization (2017) have also found that of acute watery diarrhea (AWD) and cholera cases deaths, 49% were women, and 34% were children under five<sup>19</sup>. Because Yemeni women are also largely absent from political life and have very low literacy rates at only 35% (compared with 73% of men<sup>20</sup>), their ability to influence resource allocation and decision-making is extremely limited.

## B. Sectoral and Institutional Context

8. **The humanitarian response in Yemen continues to support the basic immediate needs of a significant share of the population.** The World Bank is supporting the most affected and vulnerable groups with approximately US\$2 billion of grant financing for ten complementary emergency operations in the areas of critical health and nutrition services, response to cholera outbreaks including water and sanitation interventions, smallholder agricultural production enhancement, access to electricity, restoration of urban services, social protection and complementary income opportunities and cash transfers.<sup>21</sup>

9. **In November 2017, the World Bank approved the US\$150 million Yemen Integrated Urban Services Emergency Project (YIUSEP) with the objective of restoring access to critical urban services of selected cities within the RoY.** YIUSEP is being implemented through the United Nations Office for Project Services (UNOPS) in partnership with

<sup>14</sup>The country ranks last globally in the World Economic Forum's Global Gender Gap Index (153rd place). Yemeni women are also largely absent from political life, and have very low literacy rates at only 35%, compared with 73% of men, which further limits their opportunities to be beneficially and professionally employed, impacting their earning potential.

<sup>15</sup>ILO, 2015

<sup>16</sup>Al Ammar and Patchet, 2019. The Repercussions of War on Women in The Yemeni Workforce, Policy Brief. Available from: [https://sanaacenter.org/files/Rethinking\\_Yemens\\_Economy-policy\\_brief\\_13.pdf](https://sanaacenter.org/files/Rethinking_Yemens_Economy-policy_brief_13.pdf)

<sup>17</sup>ILO indicates that in 2014, the female employment to population ratio of the 15+ in Yemen was 4.5 percent. Available from: <https://ilostat.ilo.org/topics/women/>

<sup>18</sup>World Bank-UNOPS, 2019. United Nations – World Bank Partnership Framework for Crisis-Affected Situations. Washington D.C. Available from: <http://documents1.worldbank.org/curated/en/542911571851125027/pdf/United-Nations-World-Bank-Partnership-Framework-for-Crisis-Affected-Situations-2019-UN-WB-Partnership-Monitoring-Report.pdf>

<sup>19</sup>They most likely have higher "occupational exposure" through greater amount of household work.

<sup>20</sup>This also limits their opportunities to be beneficially and professionally employed, impacting their earning potential. World Economic Forum, 2020. Global Gender Gap Report 2020

<sup>21</sup>World Bank, undated. Yemen Republic Overview. Available from: <https://www.worldbank.org/en/country/yemen/overview>.



local implementation partners<sup>22</sup>, and adopts an area-based approach to investments in tertiary municipal services, solid waste management, water, sanitation, roads, and electricity. As of March 2021, all targets under YIUSEP have been achieved, access to critical services has been rehabilitated for more than three million beneficiaries, generating more than 1.5 million person days of temporary employment, rehabilitating 258 kilometers roads, and generating 89,000 MWh of energy. The integrated and spatially targeted approach to YIUSEP, and implementation in strong cooperation with local partners, has proved highly successful, providing tangible improvements to people's everyday lives. Despite the success of YIUSEP, and other ongoing support from the World Bank and development partners, Yemen's unmet urban infrastructure and service delivery needs are immense due to the extent of damage to infrastructure and institutions caused by the ongoing conflict. The 2020 flooding has also further exacerbated damages and has impacted humanitarian assistance and the COVID-19 response, as well as increased the price of basic commodities.

10. **YIUSEP will close on June 30, 2021.** UNOPS has received repeated requests for additional support from urban communities and the YIUSEP local implementation partners, including priority interventions for WASH, municipal services and urban roads, sectors which represent a significant part of the urgent needs on the ground. These priority requests from local counterparts form the basis for this new project, which has been prepared based on the evidence from the 2020 Yemen DNA study. It builds on the very successful area-based approach adopted during YIUSEP's implementation and the key lessons learned, such as the need for greater focus on capacity building of local partners to support long-term sustainability. Ultimately, supporting the restoration of services in these priority sectors is expected to allow conflict affected people to address their most basic needs and increase their agency, thereby providing increased development opportunities. Additionally, bolstering urban services will help ensure adequate medical care and reduce the risk of disease during the current emergency.

11. **This new project is designed to be two and a half years in duration.** This ambitious timeline is achievable, because YIUSEP II is effectively a continuation of YIUSEP, and: i) it will commence before YIUSEP closes in order to ensure overlap and continuous deployment of a UNOPS team on the ground; ii) there are numerous quick-win and small-scale interventions which can be readily implemented, and which do not require long lead times in terms of design and/or procurement<sup>23</sup>; iii) all engineering designs and related environmental and social safeguard documents for the WASH sub-projects are ready and have been through the consultation process; and iv) there are already effective and established working relationships between the World Bank team, UNOPS, and the local partners across the country with proven success in sub-project implementation.

#### **(a) Tertiary Municipal Services<sup>24</sup> and Solid Waste Management**

12. **Basic municipal urban services have significantly deteriorated due to the ongoing conflict.** Neighborhood roads, local water and sanitation networks, and public spaces which were damaged during the conflict, remain unrepaired. Given the low capacity and lack of resources at the municipal level, rehabilitation of the urban environment is limited in most cities. YIUSEP has funded basic public works in eight cities, including the collection of over one million cubic meters of accumulated waste and repair of local sanitation networks. Despite these efforts,

<sup>22</sup> Also referred to as Yemeni partners. These include the Public Works Project (PWP) in the municipal services sector, the Urban Water Project Management Unit (UW-PMU) in the water and sanitation sector, and the Roads Maintenance Fund in the urban roads sector.

<sup>23</sup> These were planned as part of YIUSEP but had to be put on hold due to security concerns. These issues on the ground have now been resolved and the local partners are ready to support implementation.

<sup>24</sup> Tertiary refers to neighborhood-level public works, for example, neighborhood streets, sanitation, drainage, parks, stone paving, etc.





untreated sewage water continues to overflow in streets and garbage accumulation continues to block drains in most cities, contributing to the spread of communicable diseases. The lack of provision of basic municipal services is a critical challenge in most cities and will continue to be addressed under the proposed project.

13. Urban flooding is a major issue in Yemeni cities because of a combination of increased natural hazards from climate change and the ongoing conflict; the latter has destroyed municipal drainage infrastructure and has left local authorities with very limited capacity to repair or maintain infrastructure. Urban flooding has also created major pressure on the healthcare system, as it provides a perfect vector for waterborne diseases, and can prevent the population from reaching medical care due to roads being submerged.<sup>25</sup> Recent flooding has also likely contributed to the spread of COVID-19 in Yemen, as it has forced thousands of people to flee from their homes, and Internally Displaced Person (IDPs) to move from settlements.<sup>26</sup> YIUSEP has helped address urban flooding through investments in stormwater flood protection, including box culverts, stormwater pumps and the suctioning of stagnant flood water from urban areas in Aden. Amran city, whose urban infrastructure has been continuously damaged during monsoonal rains in recent years, benefited significantly from stormwater investments under YIUSEP, averting loss of life and assets. Since climate change is projected to increase rainfall variability, intensity, and flooding in Yemen, building resilience to urban flooding is a priority of the proposed project and will contribute to public health and economic benefits.

#### (b) Urban Water and Sanitation

14. **Yemen suffers from acute water scarcity due to its arid climate, over-extraction, and rapid population growth, which is expected to worsen due to the impacts of climate change.** Prior to the conflict, half of the urban population was covered by the public water supply network, but this has now been reduced to only a third, with a significant portion of the urban population reliant on unregulated privately operated water tankers that supply water of questionable quality at a high price. The lack of access to safe water in many cities in Yemen, including Aden, Taiz and Sana'a, makes it difficult to contain the spread of COVID-19 as basic handwashing and hygiene practices are constrained. YIUSEP has helped through investments in water pumping stations and water treatment stations in 10 cities. To support health improvements, address the COVID-19 pandemic, and adaptation to climate change, the proposed project will help restore the operation of damaged water wells and water and sanitation networks, as well as reduce water losses (Non-Revenue Water, NRW) and improve water quality in major cities. The capacity building component will strengthen the capacity of the respective Local Water and Sanitation Corporations (LWSCs) to help with managing non-revenue water and improving water quality.

15. **There is a sanitation crisis in Yemen. According to UNICEF, as of October 2020, about 18 million people lacked adequate access to sanitation<sup>27</sup>.** YIUSEP has helped to improve water and sanitation in 10 cities, including repairing sewage and wastewater pumping stations, and rehabilitating/ replacing collapsed sewer pipelines. However, much remains to be done, and given the immense development gains and gender benefits from water and

<sup>25</sup> Republic of Yemen, 2018. Third National Communication to the Conference of the Parties of United Nations Framework Convention on Climate Change.

<sup>26</sup> UNHCR, August 2020. Available from: <https://www.unhcr.org/en-us/news/briefing/2020/8/5f3e7faf4/300000-people-lose-homes-incomes-food-supplies-belongings-due-catastrophic.html>.

<sup>27</sup> The damaged WASH facilities includes water treatment plants (WTPs), waste water treatment plants (WWTPs), house connections, water tower/tanks, desalination plant, sewage pressure trucks, sewage lifting stations, pumping stations, storage reservoirs, water/sanitation offices, water laboratories, buildings, and equipment, machinery and equipment, sewage pumping stations, sanitation laboratory, etc.



sanitation investments in cities, the proposed project will continue to restore WASH services.

### (c) Urban Roads and Transport

16. Yemen's road network grew by 200 percent from about 5,000 kilometers in 1990 to about 16,000 kilometers in 2015<sup>28</sup>, with major benefits for the population and the economy. **Unfortunately, due to the conflict, major road links and bridges, and urban roads in major cities including Sana'a, Aden, Ibb, Taiz, Al Hodeidah, Sa'ada and Amran, have been severely damaged or destroyed.** The damage to urban roads has rendered large segments of the road network inaccessible for people and vehicles, with negative impacts on trade, mobility, and access to localized services such as markets, health facilities and schools. The recent floods have also caused extensive damage to urban road infrastructure, and several locations along key lifeline road corridors have been severely damaged. YIUSEP has successfully rehabilitated 234 kilometers of urban roads in eight cities, with three quarters of the road sub-projects carried out in Aden and Sana'a. According to the 2020 Update of the Yemen DNA, however, Sa'ada and Taiz have been badly affected by the conflict with more than half of intra-urban roads damaged. The proposed project will continue to help restore road access to critical infrastructure and vulnerable urban communities throughout the country, based on climate-resilient design approaches.

### (d) Energy

17. Even before the conflict, Yemen had one of the lowest per capita levels of electricity consumption and the lowest electricity access in the Middle East North Africa (MENA) region at between 52 percent and 72 percent in 2014<sup>29</sup>. **As a result of the conflict, public grid electricity supply has been largely shut down across the country. Light emissions visible from satellite imagery indicate that electricity consumption has decreased by about 75 percent.** A recent phone survey commissioned by the World Bank found that, as of end-2019, only 12 percent of the population had access to public electricity<sup>30</sup>. The population and the economy are suffering greatly due to ongoing fuel scarcity, lack of adequate electricity generation and supply, and the disintegration of the national grid into multiple subnational systems. Major cities including Sana'a, Al Hodeidah and Taiz are very badly affected. The impact on critical facilities reliant on electricity has been devastating. The country is struggling to deal with the COVID-19 pandemic, because many of the country's hospitals and clinics have been damaged or destroyed by the conflict, and those remaining face frequent shortages of electricity. Under YIUSEP, solar photovoltaic (PV)-based electricity supply systems and diesel generators have been installed and/or rehabilitated in 208 health and education facilities, and for water wells in the target cities<sup>31</sup>. This proposed project will continue to support off-grid power generation to the country's critical health and WASH infrastructure and build the resilience of urban areas and increase the capacity to respond to COVID-19.

### (e) Institutional Capacity

18. **Traditional public sector institutions (line ministries and local authorities) are currently unable to fulfill their public service mandates for urban service delivery and infrastructure development.** Since the conflict began,

<sup>28</sup> <http://documents1.worldbank.org/curated/en/636961508411397037/pdf/120532-WP-P159636-PUBLIC-Yemen-Transport-Input-Note-4-10-17WE.pdf>

<sup>29</sup> This includes on and off grid solutions.

<sup>30</sup> World Bank Group, 2020. Yemen Dynamic Needs Assessment: Phase 3

<sup>31</sup> YIUSEP also introduced PV-based energy-efficient light-emitting diode (LED) streetlights, indoor LED bulbs and solar water heaters.



the local authorities have been struggling to provide local services, including health, electricity, security, and education, because of loss of revenue and technical support. At the local level, district-level authorities used to have autonomous authority to administer some local services through LWSCs and local cleaning funds.<sup>32</sup> The proposed project will provide direct institutional support to local service providers in urban areas, including LWSCs and local cleaning funds, so they can continue to sustain service delivery and rehabilitate damaged infrastructure.

### C. Higher Level Objectives to which the Project Contributes

19. **The proposed project is aligned with the World Bank Group’s (WBG’s) strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.** As three-quarters of Yemen’s population live in poverty and 40% have lost their primary source of income, restoring access to public infrastructure will greatly improve living and sanitary conditions, while also helping to support economic recovery. The conflict has increased the vulnerability of Yemeni women, and this project will contribute to the three pillars of the **Bank’s Gender Strategy directly and indirectly**, through: i) improved access to human endowments; ii) creation of more and better jobs for women; and ii) enhanced access to voice and agency.

20. By focusing on restoring critical services, the project directly contributes to the **WBG’s enlarged MENA regional strategy**, which aims to achieve peace and stability in the region by promoting social and economic inclusion, recovery and reconstruction, and resilience to IDP/refugee shocks. The project is fully aligned with the IDA paper “**IDA18 Towards 2030: Investing in Growth, Resilience, and Opportunity**” and its special theme on fragility, conflict and violence (FCV), as its integrated approach to service delivery restoration and activities across several sectors offers best-fit solutions that are appropriate given the current complexities of operating in Yemen. The proposed project also responds to the study by the World Bank and the United Nations titled “**Pathways for Peace: Inclusive Approaches to Preventing Violent Conflicts**”<sup>33</sup>, as the proposed project is expected to restore Yemeni citizens’ confidence in local institutions through a perception of fairness and inclusiveness in service delivery.

21. **The project is consistent with the World Bank’s Country Engagement Note (CEN) (FY20-FY21) for the RoY**, as it responds to the objective of *Continued support for basic service delivery and institutional preservation* of the CEN, including health, electricity and urban services, and income generation. Activities under the project will support scaling up basic urban services and will help build capacity and strengthen the resilience of national and local institutions. The proposed project is also aligned with the recently effective **Yemen Remaining Engaged in Conflict (RECA)** priorities of preserving human capital and will continue to preserve the capacity of local institutions for service delivery.

22. **The project supports the goals of the Bank’s new FCV Strategy 2020-2025.** The Project’s activities are aligned to Pillars 2, 3 and 4 of the strategy. Under Pillar 2: Remaining engaged during conflict and crisis situations<sup>34</sup>, the operation illustrates that the Bank is committed to support the country, whilst under Pillar 3: Helping countries transition out of fragility, the proposed project has a strong focus on capacity building of the local government

<sup>32</sup> These local authorities used to receive more than 90 percent of their total revenues from the central authority in the form of “current and capital subsidies” (central subsidies), with the remaining revenue generated through local taxes and tariffs.

<sup>33</sup> United Nations and World Bank, 2018. Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict. Executive Summary booklet. Washington D.C.

<sup>34</sup> Yemen qualifies for RECA based on 108,977 conflict related deaths from 09/04/2020 – 09/04/2021 according to ACLED. This is about 1 death per 290 persons based on 29 million population, which exceeds the ACLED base criterion of ten or more conflict-related deaths per 100,000 people.



institutions involved in urban service delivery, with the goal of directly engaging with these institutions once the conflict is resolved. Furthermore, through Pillar 4: Mitigating the spillovers of FCV, the project will support local communities in place by providing basic services, and thereby help to prevent further increases in the spillovers of refugee and displaced persons to neighboring countries.

23. **The project and the proposed approach of engaging through UNOPS also meet the criteria for IDA19.** The project supports a country in dire need of development assistance because of the ongoing conflict and related health emergencies. The project will also actively seek to rebuild local capacity and is approaching these ideas with the objective of guaranteeing long-term sustainability. The project will be financed through the Yemen IDA19 envelope, which helps to respond to the dynamic needs of IDA Fragile and Conflict-affected Situations (FCS) clients, such as the GoY, with greater agility.

24. The project is closely aligned with the **World Bank’s 2025 Climate Change Targets**, as the project is expected to lower the current risks and vulnerabilities posed by climate change. The project also addresses the key principles of sustainability in “scaling up selectively for impact” articulated in the WBG COVID-19 Crisis Response Approach Paper. Pillar 4: Strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery by Rebuilding Better will be addressed by investing in: i) sustainability and climate change mitigation and adaptation; ii) resilient health, education and public administrative buildings; and iii) increasing employment and economic activity, through construction and public works. The project also aligns with the **Resilient, Inclusive, Sustainable and Efficient (RISE)** framework recently developed by the Bank, which aims to help mitigate the economic and human impact of the COVID-19 pandemic, and with the recently approved Green, Resilient and Inclusive Development (GRID), keeping environmental sustainability and resilience at the core of all investments in restoration and rehabilitation of urban infrastructure. The project provides an opportunity for *Building Forward Better* through investing in resilience and low carbon infrastructure<sup>35</sup>.

25. **Despite the urgency of armed conflict, the GoY has recognized the importance of climate change mitigation and adaptation for the development of the country.** In 2018, Yemen’s Third National Communication identified intensifying hazards to public health, water resources, coastal zones, agriculture, and ecotourism as key challenges for climate change adaptation, as Yemen is likely to be subject to higher temperatures, more frequent and longer heat waves, more frequent extreme storms and associated floods, increased potential for landslides, rising sea levels with accompanying higher storm surges and recurrent drought. Further, Yemen identified mitigation measures such as Rooftop PV systems as part of its Nationally Appropriate Mitigation Actions (NAMAs), among others, to address its Nationally Determined Contributions to the 21<sup>st</sup> Conference of the Parties (Paris Climate Agreement) which aimed at a 14% reduction of GHG emissions by 2030.<sup>36</sup>

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<sup>35</sup> <https://blogs.worldbank.org/arabvoices/building-forward-better-mena-how-infrastructure-investments-can-create-jobs>



## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

26. To restore access to critical urban services and strengthen resilience to shocks in selected cities within the Republic of Yemen.

#### PDO Level Indicator

27. The achievement of the Project Development Objective (PDO) will be measured against the following proposed key results:

- a) People provided with restored access to rehabilitated water supply services (Number) (Disaggregated by gender)  
*-of which adopt climate resilient infrastructure approaches*
- b) People provided with restored access to rehabilitated sanitation services (Number) (Disaggregated by gender)  
*- of which adopt climate resilient infrastructure approaches*
- c) People benefiting from restored electricity supply to health facilities (Number) (Disaggregated by gender)
- d) People benefiting from improved urban roads (Number) (Disaggregated by gender)
- e) People benefiting from reduced flood risk (Number) (Disaggregated by gender)
- f) Sub-projects that adopt climate resilient infrastructure design approaches (Percentage)

### B. Project Components

28. **The project will be financed through an IDA grant of SDR 34.9 million, in an amount equivalent to US\$50 million.** It will finance the restoration of critical urban infrastructure damaged by the conflict and recent flooding (Component 1), whilst strengthening the capacity of local institutions to provide continuity, resilience to shocks<sup>37</sup>, and sustainability of urban service delivery (Component 2). A tentative first year investment pipeline has been prepared, based on technical and sustainability criteria, including: (i) the ability to address the unmet needs in targeted cities; (ii) the impact on COVID-19 response; (iii) the potential to build resilience to urban flooding; (iv) feasibility (considering access to goods and supplies, conflict, capacities) and the potential for integration with other activities; (v) potential for local job creation; and (vi) potential positive impact on highly stressed communities. A core project principle is to prioritize investments which offer the greatest value for money and maximize the number of beneficiaries, including vulnerable groups. Based on the lessons learned from YIUSEP, this is best achieved through a spatially targeted and integrated approach to investments, with multisectoral coordination and participatory identification and planning of interventions. To retain flexibility and adaptability, sub-project selection will occur on

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<sup>37</sup> In the context of this project, reference to “shocks” will include floods, flash floods and pandemics, such as cholera and COVID 19, which can benefit from investments enhancing resilience in urban infrastructures.



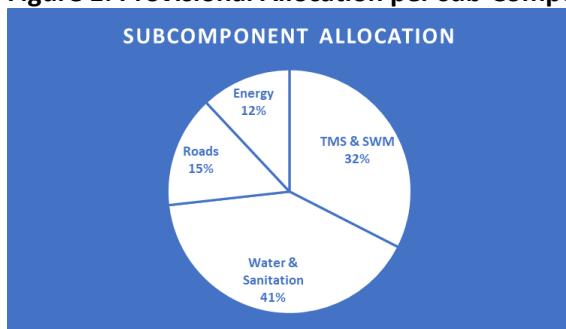
an incremental basis to respond to changing needs on the ground<sup>38</sup>. Notwithstanding the above, fair distribution of resources across the different cities and sectors during the two and a half years of project implementation is also a key consideration in project design.

29. The cities where sub-projects are proposed include Sana’a, Aden, Dhamar, Amran, Sa’ada, Al Hodeidah, Zinjibar, Al Mukalla, Al Dhale’e, Taiz and Lahj<sup>39</sup>. These cities represent more than 60% of the urban pre-crisis population, and more than 20% of the pre-crisis population. They have been included based on criteria that were applied to both YIUSEP and this proposed operation, i.e., a pre-crisis (2014) population of 50,000 people or more<sup>40</sup> or were a part of the third phase of YIUSEP. Sana’a, Aden, Taiz and Al Hodeidah have been most damaged by the conflict, and there are reports of a rapid deterioration of urban services, particularly in Aden. Sana’a, Amran, Al Dhale’e, Sa’ada and Al Hodeidah have also suffered from extensive flooding in recent months. Zinjibar’s infrastructure has been badly affected by recent conflict and its institutional capacity needs are immense. Support for Lahj is particularly vital, as it is a southern gateway and plays a key role in the country’s supply chain and logistics.

### Component 1: Service Restoration (US\$40 million)

30. This component will finance the preparation and implementation of infrastructure investments. To support the COVID-19 response, attention will be given to WASH and restoring power to hospitals, and labor-intensive works. The preliminary selection of activities is based on the priority needs identified by UNOPS, in consultation with the Urban Water-Project Management UNIT (UW-PMU), LWSCs, relevant District Local Authorities (DLAs) and other local partners, with the provisional breakdown by sub-component shown in Figure 1. The final list of sub-projects will be informed by a citizen engagement process involving local councils/communities and key stakeholders at the grassroots level, and the establishment of beneficiary committees with equal male and female representation. Involving Yemeni women in sub-project selection is a priority, given the immense development benefits the project offers for women<sup>41</sup>.

Figure 1. Provisional Allocation per sub-Component



<sup>38</sup> Selection criteria will be further detailed in the Project Operations Manual (POM).

<sup>39</sup> Other cities which qualify for inclusion in the project based on the criterion include Bajil, Bayhan, Bayt al-Faqih, Ibb, Rida, Say’oun, Shihr, and Yarim. There are currently no investments proposed for these cities, but this could change subject to changing circumstances and needs on the ground.

<sup>40</sup> For this estimate, district-level population data from the 2004 census was extrapolated to the 2014 pre-crisis level using average population growth and urban population growth. These estimates were then cross-checked with the LandScan database of the Oak Ridge National Laboratory, which has global population distribution data available at 1km resolution.

<sup>41</sup> For instance, involving women in road sub-project selection is vital as they are much more likely to walk as their primary means of transport (56%), compared to men (15%), and thus have a vested interest in optimizing road safety and walkability for pedestrians.



### ***Sub-Component 1.1: Tertiary Municipal Services and Solid Waste Management***

31. **Supporting the preparation and implementation of investments in neighborhood-level municipal infrastructure in Yemeni cities to address unmet and urgent needs, *inter alia*, (i) flood management interventions, (ii) solid waste management initiatives, and (iii) rehabilitation of neighborhood sanitation infrastructure, including complementary targeted infrastructure investments.** Specifically, this sub-component will finance<sup>42</sup>: i) flood management interventions in Aden, Amran, Sada'ah and Taiz; ii) SWM initiatives in Sana'a, Dhamar, Mukhalla and Sada'ah (including supply contracts for equipment, rehabilitation of waste transfer stations, landfill rehabilitation measures); and iii) rehabilitation of neighborhood sanitation infrastructure in Amran, Aden, Hodeida, Taiz and Lahj. By rehabilitating drains and clearing blockages, **this sub-component helps to mitigate flooding in urban areas in response to increasing occurrences of flash floods and heavy rainfall related to climate change.** Most of these interventions are labor-intensive sub-projects, which are also contributing to the response to the economic fallout from the COVID-19 pandemic, providing much needed work opportunities to skilled and unskilled labor in areas where jobs became even scarcer due to the pandemic. Complementary spatially targeted investments will further contribute to climate change adaptation and mitigation, including stone paving of neighborhood streets, and rehabilitation of local parks and green spaces to better manage stormwater runoff and help reduce the urban heat island effect.

### ***Sub-Component 1.2: Urban Water and Sanitation***

32. **Supporting the response to the COVID-19 pandemic and building gender-related resilience through improvements to access to clean water and sanitation, *inter alia*, (i) replacement of critical assets such as pumps, generators, water treatments units, related facilities and spare parts; (ii) rehabilitation of pipes, water tanks, existing wells, and wastewater treatment plants; and (iii) service delivery maintenance support at the city level.**

33. This sub-component aims to restore access to clean water and sanitation service delivery at the city level. The cities of Lahj, Taiz, Amran, Sana'a, Dhamar, Al Dhale'e, Al Mukalla and Al Hodeida will benefit from support to urban water supply, whilst investments in wastewater and sanitation are proposed for Aden, Al Mukalla, and Al Hodeida<sup>43</sup>. To support public health improvements, rehabilitation of the water and sanitation laboratories are proposed for Sa'ada and Zinjibar. The investment plan, prepared by UNOPS in close coordination and consultation with the technical counterparts (specifically with LWSCs at the decentralized level), includes key interventions to be implemented in the target cities<sup>44</sup>. Sub-projects have been prioritized based on the needs on the ground. Under this project, water and sanitation response to COVID-19 will be addressed through the restoration / rehabilitation and operationalization of the damaged water wells and water and sanitation networks, as well as reduced water losses and improved water quality in major cities. In addition, the integrated interventions designed under this project will include climate-resilience measures, such as flood drainage. Solar energy will also be used to operate key water facilities, providing safe and clear water, with lower emissions. Under this sub-component, the rehabilitation of water

<sup>42</sup> Sub-project selection will be finalized in coordination with the relevant DLAs and local communities.

<sup>43</sup> For investments in sanitation, the team will ensure the entire supply chain from collection to final treatment is made functional.

<sup>44</sup> Including rehabilitation of wells, water pumping stations, water tanks, water quality laboratories, rehabilitation of water and sanitation networks, provision of equipment, tools, materials, various water pumps, submersible motors, riser pipes, control panels, and submersible cables with accessories, supply and installation of solar panels, submersible pumps, diesel electrical generators of various capacities for wastewater pumping stations and water wells.



and sanitation systems will be combined with other interventions, such as cleaning the rainwater drainage canals, rehabilitation of box culverts, and suction of stagnant water bodies accumulating from flash flood events.

### ***Sub-Component 1.3: Urban Roads***

34. **Improving access and mobility within the target cities through the rehabilitation of selected intra-urban roads.** The sub-component will improve access and mobility within the target cities of Sana'a, Aden, Lahj, Taiz, Al Mukalla, Dhamar and Amran, through the rehabilitation and repair of selected major entrances and main streets in these cities, and neighborhood streets. Planned interventions include the rehabilitation of road assets damaged by the recent flooding in Sana'a and Amran. This sub-component will have wider economic benefits, as it will help revive national contracting and consulting industries and supply chains, supporting local livelihoods by maximizing the use of manual labor and creating short-term employment opportunities. Lack of road access has also partially contributed to increasing deforestation, as rural populations do not have access to fuel<sup>45</sup> - a trend that is undermining the country's climate change adaptation and mitigation efforts. Activities under this sub-component include spot and pothole repairs, crack sealing, patch works, asphalt resurfacing, road safety improvement works and intersection rehabilitation. All rehabilitation works will consider the climate risks that the roads are exposed to and will adopt build back better resilience principles.

### ***Sub-Component 1.4: Energy for Critical Services***

35. **Carrying out the restoration of electricity supply to hospitals, clinics and other medical facilities in selected cities, including (i) rehabilitation of existing conventional (diesel) generation systems; (ii) installation of new off-grid generation using diesel, renewable energy, or diesel-solar photovoltaic (PV) hybrid technologies; (iii) restoration of fuel supply in critical service facilities; (iv) installation of solar PV and light-emitting diode (LED) streetlights; and (v) undertaking other energy efficiency improvements.**

36. This sub-component will restore electricity supply to hospitals, clinics, and other medical facilities, in the cities of Sana'a, Dhamar, Amran, Sa'ada, Hodeida, Zinjibar, Al-Dhale'e, Taiz, Lahj and Al Mukalla. It will be closely coordinated with relevant UN agencies, local partners, and Sub-component 1.2 (which restores electricity for critical water and wastewater assets). To contribute to climate change mitigation, renewable and clean power generation will be encouraged as far as possible. This includes rooftop or ground-mounted solar PV based generation (with battery storage), and diesel- solar PV hybrid systems. Wherever feasible, energy efficient LED lights in buildings and solar water heaters will be integrated with the electricity supply interventions. Although preference will be given to the installation of solar PV and hybrid generation technologies, given the severity and urgency of the situation in Yemen, rehabilitation of existing conventional diesel generators may be unavoidable in some instances. For instance, diesel generation systems will be required for some hospital buildings and health facilities (and a small number of educational facilities). Nonetheless, it is expected that renewable energy solutions under the project can showcase their feasibility and pave the way for increased use of renewables in future private construction and energy efficiency in public buildings.

## **Component 2: Implementation Support and Capacity Development (US\$10 million)**

### ***Sub-Component 2.1: Project Implementation and Management Support***

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<sup>45</sup> <https://www.scidev.net/global/news/yemen-s-forests-another-casualty-of-war-amid-fuel-crisis/>





37. Facilitating Project implementation, administration, management and monitoring and evaluation, including: (i) Recipient's Indirect Costs; (ii) Recipient's Direct Costs for management and supervision; (iii) provision of consultancy services required for Project monitoring, evaluation and coordination at the city level; (iv) provision of consultant's services required to conduct GIS based expenditure tracking and activity information dissemination system; (v) conducting independent audits of Project activities; and (vi) provision of consultancy services for the establishment of a Grievance Redress Mechanism ("GRM")<sup>46</sup> system in the Recipient's office within the Republic of Yemen.

### ***Sub-Component 2.2: Enhanced Capacity Building***

38. Providing technical assistance, capacity building, and training to the local implementing partners, contractors, small and medium enterprises, and other agencies at the local level in key Project areas with specific focus on technical skills for all sectors under the Project, as well as on technical, non-Project-related aspects to allow local institutions to more effectively assume their service delivery mandate, including (i) developing and rolling out of a public communication plan, (ii) facilitating citizen engagement in the identification and prioritization of investment projects, and (iii) supporting gender-sensitive workplace training (including GBV), capacity building, and training on non-discriminatory hiring and recruitment<sup>47</sup>.

39. The ongoing protracted armed conflict has impacted the capacity of the local service providers / institutions at the decentralized level, such as LWSCs. YIUSEP focused on strengthening institutions' capacities to plan and implement project activities, including maintenance and sustainability of the infrastructure built. Responding to lessons from YIUSEP, the proposed YIUSEP II will broaden the scope to include training on technical and managerial aspects to support local institutions<sup>48</sup>, so that they are better equipped to perform their service delivery functions beyond the scope of the project. Training topics to be included are procurement and contract management, operational health and safety (OHS), social and environmental safeguards, low carbon and climate resilient infrastructure design approaches, grievance redress, and other critical capacity building needs which may be identified, such as operational and managerial skills required to support successful implementation of activities. Capacity building for LWSCs and similar local institutions will include on-the-job training through engagement during the entire project cycle, from the identification of priority interventions / sub-projects, design of sub-projects, implementation, supervision, and operation and maintenance of facilities.

40. **Capacity building action plan.** UNOPS is currently conducting capacity building needs assessments for a variety of local partners, which will inform the development of a capacity building action plan under this sub-component. In the water and sanitation sector, UNOPS has already conducted four rapid assessments on LWSCs to evaluate capacity needs. Additional rapid reviews will be conducted on the remaining seven LWSCs to review existing needs and propose suitable capacity building and training activities. Similar reviews will be conducted for the Public Works Project (PWP), the Road Maintenance Fund Implementation Unit (RMF-IU), UW-PMU and selected local

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<sup>46</sup> The GRM system will be focused on selection and implementation of sub-projects under the project.

<sup>47</sup> This is important to help create opportunities for prospective female employees and improve conditions for existing female employees given the gap between men and women's labor force participation rates, and the absence of women from professional and technical roles within the local institutions.

<sup>48</sup> The beneficiaries of the training and capacity building include local Implementing Partners and agencies in the respective cities e.g. local water and sanitation corporations (LWSCs), local offices of RMF-IU, DLAs, PWP, local CFs.



cleaning funds. These reviews are scheduled to be completed in the next few months. Priority will be given to local partners that will be involved in the implementation of the first-year sub-projects.

41. This sub-component will include traditional training activities to be delivered in person and/or virtually, preparation of operation manuals, handbooks, and brief guidelines to support the training. It will engage local partners and targeted operators in workshops, group discussions, and hands-on simulations, and will provide the necessary IT equipment and/or software to perform each activity. Capacity building activities will also be made available to interested private sector actors and local research and academic institutions. The sub-component will be designed and delivered by international experts with support from local experts. It will also support citizen engagement, communication, and the project Gender Action Plan (GAP), including facilitation of a bottom-up process for the prioritization of needs at the local level.

42. Beyond institutional capacity building, the project will also provide training and support to local contractors, small and medium enterprises (SMEs) and prospective entrepreneurs, including women owned businesses (WOB). The aim is threefold: (i) reduce project risks and improve local skills and competencies among local firms and contractors engaged in the project on topics such as OHS and GBV; (ii) promote local economic development by providing training and support to prospective local businesses in the urban sector, including WOBs, on topics such as registering a business, procurement and financial management; and (iii) reduce the gender gap by providing women with opportunities to start a business.

### ***Sub-Component 2.3: Third Party Monitoring***

43. **UNOPS will engage a Third-Party Monitoring (TPM) agent to undertake independent results verification of sub-projects and activities funded under the project.** The TPM agent will include female staff. On a quarterly basis, the TPM agent will report on activity outputs, the restoration of services for the intended beneficiaries, and the fiduciary and safeguard processes followed by the local partners. The Terms of Reference (TORs) for the TPM agent will be developed by UNOPS and agreed with the World Bank. To ensure the independence of the TPM agent, it will share its monitoring reports with UNOPS, subsequently UNOPS will share them the World Bank within five calendar days, along with any comments. UNOPS will also share a report with the World Bank on the actions taken to address any implementation issues identified by the TPM agent within two weeks from the date of submission of the monitoring report.

### **Component 3: Contingent Emergency Response (US\$0)**

44. **Providing immediate response to an Eligible Crisis of Emergency, as needed.** The objective of this component is to support the country's response capacity in the event of an emergency, following the procedures governed by IPF Directive and Policy paragraph 12 (Situations of Urgent Need or Capacity Constraints). There is a possibility that, during project implementation, a natural disaster, epidemic or other emergency may occur, which would cause a major adverse economic and/or social impact. In anticipation of such an event, the Contingent Emergency Response Component (CERC) allows UNOPS to receive support by reallocating funds from other project components or serving as a conduit to process additional financing from other funding sources for eligible emergencies to mitigate, respond to and recover from the potential harmful consequences arising from the emergency. Disbursements under this component will be subject to the declaration of emergency by the RoY, the international community, or the UN.



### C. Project Cost and Financing

45. The project will be financed by a US\$50 million equivalent IDA grant to UNOPS as a non-sovereign recipient and implementing agency<sup>49</sup>.

### D. Project Beneficiaries

46. The project is expected to reach approximately one million beneficiaries and includes the residents and IDPs of cities where infrastructure investments are being implemented, urban services are restored, and the capacity of local institutions is supported. Of the above beneficiaries with access to urban services and assets restored, a subset of approximately 300,000 beneficiaries will benefit from enhanced resilience through interventions in the WASH, transport, and energy sectors.

### E. Results Chain

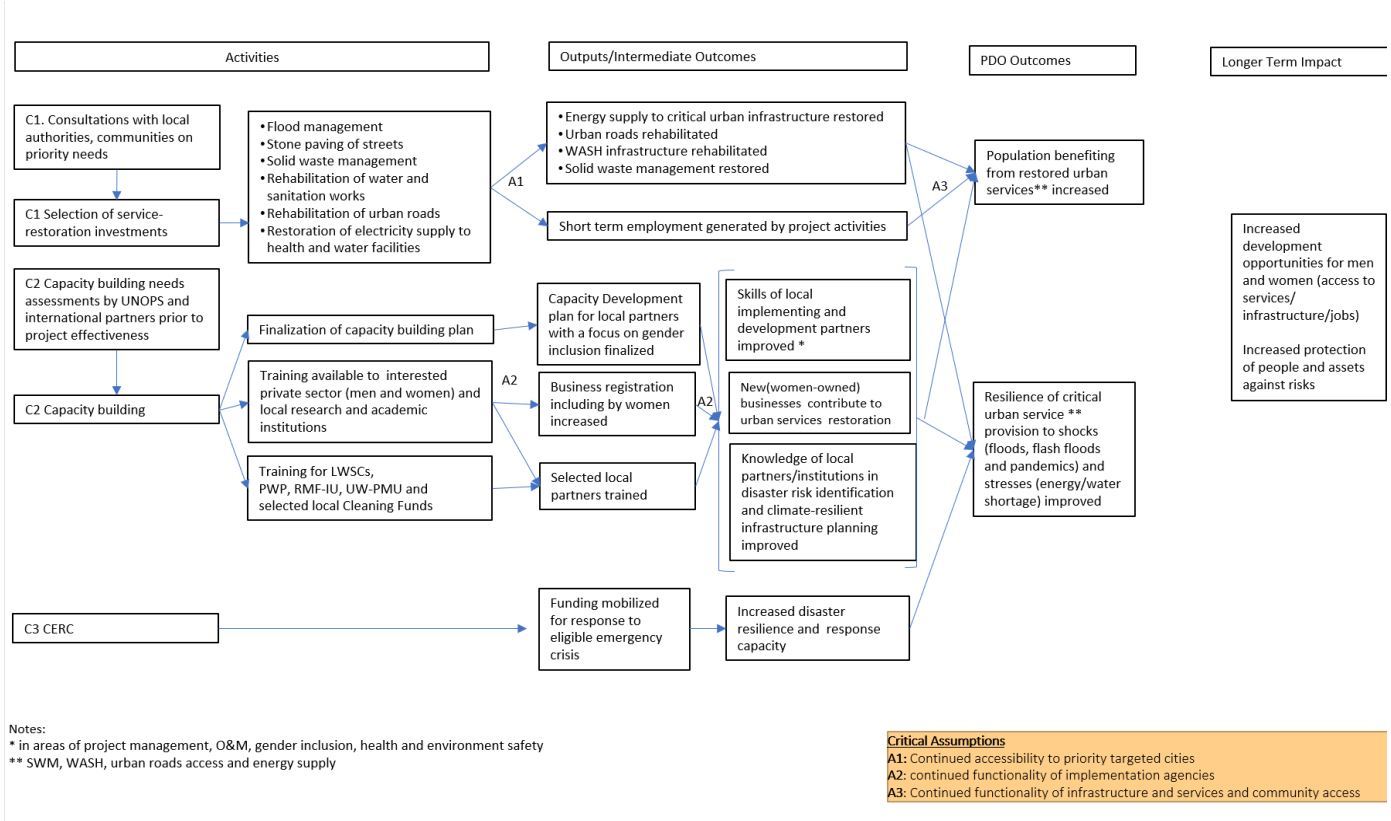
47. The assumption underpinning the project's theory of change (TOC) is that by supporting cities in the provision of improved basic urban service delivery, combined with institutional capacity building targeted at local service delivery agencies, the country will be in a better position to recover from the devastating effects of the conflict. Complementary benefits from the project are increased resilience to future shocks due to the restoration of basic urban infrastructure, and increased development opportunities available to Yemenis, including women. Figure 2 shows the TOC employed by the project. Preliminary analysis identifies a list of exogenous risk factors, such as the intensification of conflict, persistence of the COVID-19 pandemic, and institutional changes that could potentially jeopardize the ability to reach the overall outcomes and impact. These critical assumptions will require close monitoring.

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<sup>49</sup> Additional financing will be sought when the project is implementing, given the immense needs on the ground. Any additional financing will depend on the project meeting the policy requirements for additional financing and availability of resources.



Figure 2. Theory of Change for the Integrated Urban Services Emergency Project II



### F. Rationale for Bank Involvement and Role of Partners

48. **The proposed YIUSEP II aims to ensure continued World Bank engagement in the urban sector in Yemen, which is critical not only for restoring critical urban services, but also in terms of supporting the country’s fragile public institutions through capacity building and training.** The rationale for YIUSEP II is based on the following: (i) by building on the ongoing operation, it will leverage the effective implementation arrangements and local partnerships developed, and the excellent results achieved; (ii) the proposed project will be able to incorporate the lessons learned in responding to unmet priority needs, given the ongoing conflict; (iii) it will respond to COVID-19 recovery needs by rehabilitating WASH facilities<sup>50</sup>; (iv) it will build resilience to flooding and flash-flood risks in the most vulnerable cities; and (v) it will complement other Bank and donor projects, including in the health and energy sectors. Furthermore, a project such as YIUSEP II can serve as a “platform” for providing municipal urban services and can help to leverage additional funding from other development partners.

<sup>50</sup> According to the WHO: “The provision of safe water, sanitation and waste management and hygienic conditions is essential for preventing and for protecting human health during all infectious disease outbreaks, including of coronavirus disease 2019 (COVID-19). Ensuring evidenced-based and consistently applied WASH and waste management practices in communities, homes, schools, marketplaces, and healthcare facilities will help prevent human-to-human transmission of pathogens including SARS-CoV-2, the virus that causes COVID-19”. Available from: <https://www.who.int/publications/i/item/WHO-2019-nCoV-IPC-WASH-2020.4>  
 Other resources by the WBG: <https://www.worldbank.org/en/topic/water/brief/wash-water-sanitation-hygiene-and-covid-19>



49. **The project is designed to complement existing WBG emergency operations in Yemen, and to become an integral part of the World Bank emergency response in Yemen.** YIUSEP II will complement the Bank's current portfolio of ten operations in the subsectors or geographic areas in need of sustained support. For example, the project will increase support in the water and sanitation and roads sectors, which are also addressed through the Emergency Crisis Response Project (ECRP, P159053), but with an increased focus on urban areas. The Emergency Electricity Access Project (EEAP, P163777) focuses on providing off-grid power in rural and peri-urban areas, whereas YIUSEP II focusses on restoring power sustainably to healthcare facilities in large urban areas. Similarly, the Emergency Social Protection Enhancement and COVID-19 Response Project (P173582) supports cash transfers and temporary employment activities through community infrastructure works, whereas this project will focus on infrastructure rehabilitation in urban settings and will thus help generate temporary jobs. The Emergency Health and Nutrition Project (P161809) also supports the provision of basic health, essential nutrition, water, and sanitation services, but focuses on cholera affected areas, including in peri-urban areas. In addition, the project will coordinate with the recently approved Yemen Food Security Response and Resilience Project (P176129).

50. To avoid duplication of activities across the supported sectors, UNOPS will coordinate closely with other donors and partners, including all UN agencies involved in the water sector (such as UNICEF, WHO and UNDP), as well as the WASH cluster and national institutions, such as the Saud Fund for Development (SFD), and the European Union (EU).

#### G. Lessons Learned and Reflected in the Project Design

51. **The proposed project design directly builds on the lessons learned during the preparation and implementation of YIUSEP.** It also builds on the World Bank's experience in conflict-affected countries and is informed by the ongoing engagements in Yemen.

52. **The World Bank can achieve results in FCV situations, where the government lacks capacity, by instituting direct third-party implementation arrangements.** The World Bank has demonstrated an increasing ability to work effectively through UN partners in complex FCV environments and has successfully collaborated with UN agencies in Yemen. The relationship between the World Bank and UNOPS under YIUSEP has proven particularly effective. Under YIUSEP, **UNOPS has demonstrated strong capacity to deliver a multi-sectoral investment project in both the urban and FCV context, despite extremely challenging circumstances.** Accordingly, this project will maintain the same implementation arrangements as YIUSEP.

53. **Local implementation partners play an important role in building local-level resilience and recovery.** World Bank engagement in various countries has demonstrated that relying on existing local-level resilience and recovery mechanisms can support service delivery restoration and offer a cost effective and efficient way to deliver services. In line with this principle, YIUSEP piloted an innovative implementation arrangement, whereby UNOPS worked with local partners across multiple cities to implement activities. This arrangement maximized development impact on the ground, whilst helping to preserve and build local institutional capacity, creating a platform for larger-scale reconstruction efforts in the future. This project will retain the same arrangement.

54. **Local implementation partners in Yemen need additional support to strengthen their capacity.** This operation will build on YIUSEP's capacity building innovations, with a focus on the local level. YIUSEP helped build the capacity of UNOPS and the local partners to manage multi-sectoral activities. UNOPS is now able to develop the



capacities of local institutions in preparation for the “day after” peace returns to Yemen. Under YIUSEP, several capacity building and training sessions on investment prioritization, technical design, monitoring and safeguards, and occupational health and safety (OHS) were carried out for local partners. The same training will be consolidated throughout the project to improve sustainability, as well as to further strengthen their capacity in critical areas such as financial management, operations and maintenance, and planning for climate change.

55. **OHS risks are real, and addressing these risks is extremely challenging in Yemen**, due to the limited awareness of OHS requirements. Even with all necessary safeguard and training requirements related to OHS in place under YIUSEP, there were three fatalities. Accordingly, the proposed project will include enhanced OHS training for all contractors’ workers and managers to broaden health and safety culture, and to reduce the risks for workers and the community.

56. **An integrated, area-based approach is an effective project design feature.** YIUSEP pioneered an area-based approach, whereby project activities were prioritized if they achieved inter-sectoral and spatial linkages. For instance, for power and water supply restoration to a hospital, priority was given to repairing the access road to the hospital to make it a functional facility. This approach to clustering of small-scale investments helped maximize the development impact for beneficiaries, whilst achieving value for money. The proposed project will follow this same approach as far as possible by refining activities to maximize positive effects and promote greater social cohesion between local communities and groups.

57. **Evolving conditions in FCV contexts demand adaptable and flexible project design.** YIUSEP had notional funding envelopes allocated per city and sector from the outset, however these were adapted during implementation to respond to emerging needs, the security situation on the ground, and the absorptive capacity of local implementing partners. Similarly, this project will develop an annual investment plan, with sub-projects revised periodically to allow flexibility.

58. **Building Forward Better.** The World Bank’s experience in post-crisis engagement worldwide highlights that the recovery period offers an opportunity to address and rectify previous weaknesses to ensure a sustainable recovery. This requires developing and implementing adequate bottom-up and participatory community engagement mechanisms for the design and implementation of project interventions, as well as engaging women and vulnerable groups more proactively in project planning and implementation.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

59. **The proposed project is an emergency operation processed under OP 2.30 and IPF Policy and Directive paragraph 12 ‘Situations of Urgent Need or Capacity Constraints’.** The proposed project will be implemented by UNOPS, which will act as the non-sovereign recipient of IDA funds and alternative implementation agency on an exceptional basis under the Financial Management Framework Agreement (FMFA) between the World Bank and UN agencies. The financial management arrangements will be governed by the FMFA, which provides for the use of the UN’s Financial Regulations. UNOPS will follow its own procurement procedures as Alternative Procurement Arrangements (APA) allowed by the World Bank’s Procurement Framework Policy Section III.F.



60. **The project will be implemented by UNOPS through direct implementation as well as project cooperation agreements with local partners.** UNOPS will: (i) take responsibility for project implementation; (ii) monitor the project targets and results in coordination with the local partners; (iii) handle relevant procurement, financial management, and disbursement management including the preparation of withdrawal applications under the project; and (iv) ensure that all reporting requirements for IDA are met as per the Project Financing Agreement.

61. **World Bank implementation support and oversight.** The World Bank task team, in close coordination with the Yemen Country Management Unit (CMU) and participating Global Practices, will conduct scheduled implementation support for the project. The World Bank will coordinate closely with UNOPS for the implementation and overall oversight of the project. It will conduct regular “reverse” implementation support missions<sup>51</sup> with UNOPS to discuss progress, implementation arrangements, investment prioritization criteria for sub-projects, and the investment plans. These missions will be conducted every six months to: (i) review implementation progress and achievement of the PDO and intermediate indicators; (ii) provide support for any implementation issues that may arise; (iii) provide technical support related to implementation, achievement of results, and capacity building; (iv) discuss relevant risks and mitigation measures; and (v) monitor overall project performance through progress reports, audit reports, and field visits, if and when they become possible.

62. **Technical Committee (TC).** UNOPS will chair a TC composed of representatives from the local partners (PWP, RMF-IU and UW-PMU). Other members will be engaged during the project, as needed. The World Bank will join the TC as an observer. The TC’s main tasks will include: (i) conducting a periodic review of project implementation progress and providing recommendations for improvement, as necessary; (ii) reviewing proposed sub-projects for the yearly investment plans and recommending a shortlist; (iii) accelerating import of supplies, goods, equipment as well as clearances at entry points and facilitating ground transportation; and (iv) strategically communicating with other donors and stakeholders on the project.

63. **Local Partners.** UNOPS will work with PWP, RMF-IU, and UW-PMU as local partners for implementation, leveraging on the existing cooperation under YIUSEP. These local partners will play a critical role on technical aspects, such as coordinating with local stakeholders, identifying initial investments, and preparing initial specifications, as well as carrying out the assigned activities in accordance with the procurement plan. UNOPS may engage additional local partners, if deemed necessary and in consultation with the World Bank.

64. **The detailed Project Operations Manual (POM)** prepared under YIUSEP is expected to serve as a basis for the preparation of the POM for the proposed operation.

## **B. Results Monitoring and Evaluation Arrangements**

65. UNOPS will be responsible for results monitoring and will ensure the frequent monitoring of project implementation through regular follow-up with its local partners, site visits, and assessing progress in achieving the end targets of the indicators in the results framework (see Section VI). UNOPS will ensure that results monitoring is responsive to the changing circumstances on the ground. As part of the reporting process, UNOPS will provide updated GIS maps of the project areas to help monitor progress of infrastructure-related activities. The local partners will prepare quarterly progress reports that will be reviewed by UNOPS and shared with the World Bank. UNOPS will

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<sup>51</sup> Given security restrictions, missions will take place in Amman, Jordan, where UNOPS regional headquarters is located. If COVID-19 is limiting travel, missions will be held virtually.



submit technical and financial progress reports on project activities to the World Bank every six months in accordance with an agreed template. The technical report will include: (i) a summary of the progress and the context within which the project is implemented; (ii) activities carried out during the reporting period; (iii) any challenges encountered and measures taken; (iv) changes introduced during implementation, including changes in the budget; (v) achievements and results of the project with reference to the indicators; and (vi) the work plan for the subsequent reporting periods.

66. In addition, UNOPS will engage a TPM agent as described under Sub-component 2.3 to undertake independent results verification of sub-projects.

67. The World Bank will conduct regular (every six months, or more frequently as needed) “reverse” implementation support missions with UNOPS to discuss progress, implementation arrangements, investment prioritization criteria for the sub-projects, and the investment plans. These missions will: (i) review implementation progress and achievement of the PDO and intermediate indicators; (ii) provide support for any implementation issues that arise; (iii) provide technical support related to implementation, achievement of results, and capacity building; (iv) discuss relevant risks and mitigation measures; and (v) monitor overall project performance through progress reports, and audit reports. The World Bank’s role in results monitoring and evaluation will also extend to identifying relevant lessons for future World Bank activities in similar contexts.

### C. Sustainability

68. **The proposed project will promote the sustainability of its activities in a variety of ways.** It aims to preserve and support the implementation capacity of national institutions by using local partners to facilitate project implementation and by working closely with local institutions for the delivery of critical services. The project will involve communities to identify the most pressing needs of the urban population in Yemen. It will restore the integrity of key elements of the disrupted service delivery system, provide inputs to facilitate the restoration of service delivery, and support operations and maintenance functions. While funding allocations to sub-components will be kept flexible, the biggest allocation is projected to go to the urban water and sanitation sub-component to respond to the COVID-19 pandemic.

## IV. PROJECT APPRAISAL SUMMARY

### A. Economic Analysis

69. The project’s intended economic and social benefits are expected to be achieved by addressing urgent basic needs, including municipal services, water, and sanitation, roads, and energy for critical services, in selected cities. The project yields economic value by producing social benefits because of its outputs (e.g., services resulting from assets) as well as by providing paid work, which is particularly relevant for poor households.

70. A conventional cost benefit analysis is not possible or appropriate in this case, because of major data limitations and because qualitative benefits are poorly reflected within a strictly quantitative framework. A tailored analytical framework to discuss the various benefits of YIUSEP II has therefore been used, and the project’s economic impact has been evaluated by a sector analysis, where the sectors are categorized according to their labor intensity to determine the economic benefits to poor households: roads and tertiary municipal services on the one hand, and





water and energy for critical services on the other. A specific model was tailored for this purpose<sup>52</sup>, along with an overall qualitative analysis to reflect the compounded social impact of the various project activities.

71. Urban roads and tertiary municipal services are labor intensive: according to the model, these activities will provide some US\$6.8 million in wages to poor beneficiaries, representing 24 percent of the project costs for these sectors<sup>53</sup>. In contrast, water and energy for critical services are not labor-intensive activities. Accordingly, the model predicts that three percent of the project costs will benefit poor households directly in the form of wages<sup>54</sup>. Overall, the project is estimated to inject some \$7.7 million to poor households and provide numerous business opportunities for local SMEs. In YIUSEP, the average contract value was of \$0.5 million and provided business to some 350 contractors. There are estimated to be over 100 for this project.

72. YIUSEP's impact assessment reporting can be used to account for social benefits. There is strong anecdotal evidence that all YIUSEP sectoral interventions yield significant social benefits since the sub-projects were designed and prioritized to respond to a social demand. The water investments yielded high social rewards, as 88 percent of the respondents claimed to make savings on water trucking expenses and 84 percent of respondents claimed time savings for water collection. The tertiary municipal services interventions, especially sewerage, has satisfaction levels of 76.8 percent. Roads and other tertiary municipal services activities had satisfaction rates between 51 and 59 percent. Between 48 and 90 percent of respondents (across roads and tertiary municipal services sub-components) believe that these activities increased property values.

73. A specific model was developed to quantify benefits related to the WASH activities. Given the numerous and large data uncertainties, a probabilistic approach has been adopted<sup>55</sup>. The model output of the Benefit Cost Ratio (BCR) of the WASH activities is represented by its cumulative probability distribution represented below. Since WASH activities are prioritized under YIUSEP II and constitute most of the investments, the approach is deemed representative.

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<sup>52</sup>Ravaillon's seminal work on economic analysis of workfare programs: *Appraising Workfare Programs*, Policy research working paper 1955 (World Bank, 1998)

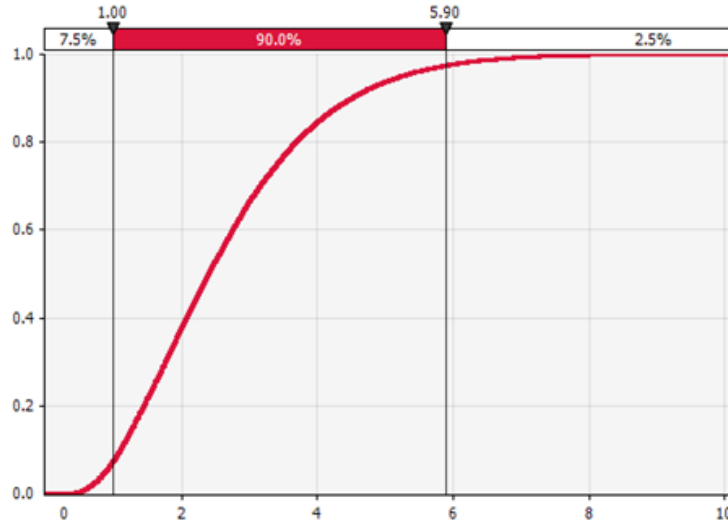
<sup>53</sup> Assuming a poverty rate of 75%, the minimum Benefit Cost Ratio (BCR) required for labor intensive projects is 68% to be economically superior to a uniform cash transfer and 76% compared to a targeted (to poor households) cash transfer.

<sup>54</sup> The minimum BCR required for labor intensive projects is 0.96 for uniform cash transfer and 0.97 for a targeted (to poor households) cash transfer.

<sup>55</sup> The Monte Carlo method, which essentially consists in replacing the model inputs, which are numbers in a static model, by random variables. These are modelled as probability distributions. The model output is also a probability distribution that results from the compilation of a large number (50,000) of iterations of the model using the various inputs according to their respective distributions.



Figure 3: Cumulative Probability Distribution of the Benefit Cost Ratio for Water Supply



74. The average BCR is 2.6, with only 6.6 percent probability to fall below the requested threshold of 0.96 (c.f. above, i.e., the 0.04 “premium” resulting from cash flows to poor households). With a probability of 90 percent, the BCR will lie between the unity and 5.9, while 2.5 percent are above - best case scenarios.

75. The project will yield further value through the compound impact of its various components. These relate primarily to health, which is addressed through WASH, SWM, drainage and other flood prevention works, energy for health facilities and road works that remove stagnant water. This is expected to reduce the occurrence of cholera outbreaks and dengue fever and help to contain the spread of the COVID-19 pandemic. Other areas of compounded impact relate to the specific function of urban centers as “enabling environments”, which is a salient aspect of the Yemeni context where cities can be perceived as hubs providing safer access to aid and opportunities. The project also promotes stability in a volatile context, by strengthening citizen engagement, local governance, and public accountability.

### B. Technical Analysis

76. **The proposed YIUSEP II aims to ensure continued World Bank engagement in the urban sector in Yemen, which is critical not only for restoring critical urban services that are severely damaged by the conflict and more recently by natural climate hazards, but also in terms of supporting the country’s fragile public institutions through capacity building.** The proposed project strengthens YIUSEP’s area-based approach but focuses on longer-term sustainability by building capacity at the local level. To ensure cross-sectoral coordination, the project promotes cooperation among service providers and through co-location of complementary services. The project is also investing in capacity building for local partners and other stakeholders on project implementation as well as project design and management, in order to build and develop capacities beyond this project. It also supports IDA’s COVID-19 response by helping save lives by providing electricity to healthcare facilities and by protecting the poor by creating jobs and restoring water supply and sanitation.



77. The design of the project is based on lessons learned from previous experience in Yemen (especially from YIUSEP), and from other Bank experience with emergency response operations in FCV settings. These lessons include the benefits gained by promoting local resilience and supporting local institutions to preserve their capacity, and a flexible project design that allows for quick wins, as well as geographic and sectoral scalability. The project's conscious design of including numerous cities and documenting the municipal infrastructure needs highlighted by infrastructure providers and beneficiaries, provides additional evidence to support the DNA study, and can serve as a solid platform for future investments in the municipal sector.

78. UNOPS has significant experience in managing complex projects in FCV environments with expertise in the urban infrastructure sectors (demonstrated during the implementation of YIUSEP). It has a proven track record in project management, procurement, and financial management in Yemen and elsewhere, as well as the ability to quickly scale up its operational presence in FCV contexts.

### C. Climate Change, Gender and Citizen Engagement

79. **Climate Change Co-Benefits.** A large majority of the activities to be carried out within the project will contribute to climate change adaptation, while some activities will contribute to climate change mitigation. Component 1 will have a strong focus on WASH and rainwater drainage rehabilitation works to support the country's adaptation to the expected increase in the severity and variability of precipitation. Improvement in WASH infrastructure will also reduce vulnerable communities' exposure to disease and illness, including those induced by climate change events. The small-scale rehabilitation of urban roads with stone paving, culverts and swales, local parks and green spaces will support flood mitigation by introducing improved infrastructure designs and materials. Parks will reduce vulnerability to the urban heat island effect, which has become a growing concern in Yemeni cities, particularly Sana'a.<sup>56</sup> The CERC Component will increase the country's capacity to respond to climate change and other natural disasters, reducing recovery times. The project is expected to contribute to a reduction of GHG emissions through the replacement of fossil-fuel based grid electricity supply by off-grid cleaner, renewable energy (such as rooftop or ground-mounted solar PV panels or diesel-solar PV hybrid technologies)-based electricity generation, along with energy efficient LED lights and solar water heaters in hospital buildings, health and educational facilities and water wells. The rehabilitation of urban roads and access to electricity is also likely to reduce the stress on local forestry resources for fuel, the preservation of which will provide adaptation and mitigation benefits.

80. **Gender.** Cultural and social norms, combined with the extremely challenging FCV context, severely limit Yemeni women's economic activity and earning potential. Women's access to Science, Technology, Engineering, and Math (STEM) careers is also restricted due to a combination of prejudice, gender stereotypes, barriers to education for women, and reports of sexual harassment during fieldwork<sup>57</sup>. Gender bias in the economic sphere is widespread: according to the World Values Survey 2014; 93 percent of men and 73 percent of women believe men have more rights to a job than women, and 88 percent of men compared to 59 percent of women believe men make better executives than women. Currently, only 6 percent of the workforce of the participating local government partners is

<sup>56</sup> Lehmann, S., & Sharifi, E., 2014. Local measures to mitigate the urban heat island effect in hot and humid climate: comparative case study of Sana'a, Bushehr and Dubai Marina. *International Journal of Development and Sustainability*, 3(1), 38-54.

<sup>57</sup> Jatou and Zakhm, 2019. Supporting Female Scientists in Yemen. Available from: [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)32088-9/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)32088-9/fulltext) Accessed 12/13/20.



female, which reflects the limitations for women in the engineering fields<sup>58</sup>. Unfortunately, there is no opportunity for the local government partners to increase the share of the female workforce any time soon (or any part of its workforce), due to inability to pay existing civil servants' salaries. However, this project includes a significant training and capacity building program for local partners, which includes training on gender-bias in the workplace, with the goal of increasing understanding of the value of gender diverse workplaces and the need for women in leadership<sup>59</sup>. Studies have shown that employer and employee training to combat gender biases can improve attitudes and raise awareness on the importance of anti-discrimination and diversity in the workplace. While behavior change may not be an immediate result, such attitudinal shifts are necessary steps toward achieving gender equality. Furthermore, although the conflict disproportionately affected working women initially, with reports of WOBs shutting down, and the LFPR declining 28% for women compared to 11% for men, as the conflict has been prolonged many women have been forced back into the workplace and have started informal businesses out of economic necessity.<sup>60</sup> The project therefore aims to sustain and expand positive gains in women's employment and economic prospects in the private sector, by actively encouraging<sup>61</sup> local WOBs to participate in the project.<sup>62</sup> UNOPS will encourage unregistered businesses to register by providing them training, information and technical support. The project to train at least 60 percent of prospective female business owners to register their own businesses. UNOPS has also set a prerequisite of at least five percent female employment for any firm or contractor applying for tenders under the project.

81. **The project also offers strong potential for women to reduce their vulnerability and health-burden through improved access to WASH and critical infrastructure such as clinics and hospitals, and for their mobility to increase through investments which reduce flooding of urban roads, increase street lighting and pave footpaths.** The challenge in Yemen is that women are rarely given the opportunity to participate in public decision-making. The project therefore actively encourages women to exercise voice and agency in the investment prioritization process through gender-sensitive participation forums.

82. **Citizen engagement.** UNOPS will facilitate opportunities for citizens to contribute to discussions on what they would like for their neighborhoods; help identify and prioritize potential sub-projects; agree on the design and implementation approach; and the monitoring of investment projects. Beneficiary committees with equal male and female representation will contribute to sub-project selection in the cities. Given the current constraints on citizen engagement due to the COVID-19 pandemic and social distancing, small focus group meetings are the preferred modality for citizen engagement in the respective cities, with the aim of 700 beneficiaries providing input to sub-project selection through gender segregated forums.<sup>63</sup> With NGO support, these consultations will include women, youth, people living with disabilities and other marginalized groups to enhance their voice in the participatory planning process for investment sub-projects. This will help ensure that restored services meet the specific needs of

<sup>58</sup> Unfortunately, disaggregated data on what percentage of their roles are technical, managerial, or administrative is not available.

<sup>59</sup> IFC, 2018. Increasing Gender Diversity from the Workforce to the Boardroom, Unlocking Opportunities for Women and Business. A Toolkit of Actions and Strategies for Oil, Gas, and Mining Companies

<sup>60</sup>Regional variations are however significant. For instance, more women are working in Aden compared to Sana'a. Available from: [https://sanaacenter.org/files/Rethinking\\_Yemens\\_Economy-policy\\_brief\\_13.pdf](https://sanaacenter.org/files/Rethinking_Yemens_Economy-policy_brief_13.pdf)

<sup>61</sup> According to recent World Bank analysis, in MENA women-led businesses have a higher share of full-time female workers (38 percent) than male-led businesses (22 percent) and so prioritizing these businesses contributes to the broader objective of more and better jobs. Recent analysis of firms revealed that WOBs are two and a half times more likely to hire female employees, and so building capacity of this group through the project supports long term prospects for female employment.

<sup>62</sup> The project also hopes to reserve tenders for WOB's, but at this stage this cannot be included as an indicator in the results framework as the availability and capacity of relevant WOBs in the areas of services required by the project are not yet known.

<sup>63</sup> Other modalities to increase participation (and to involve hard to reach groups) will include telephonic consultation, town halls (subject to adequate health and safety considerations), and online voting platforms.



these marginalized groups<sup>64</sup>. The project will also provide support for an accessible and responsive beneficiary feedback/grievance redress mechanism, which will serve as an avenue for beneficiaries, project stakeholders and the general public to share their feedback (including queries, suggestions, complaints and compliments) on project activities. Feedback will be addressed and responded to within stipulated timeframes that will be publicly communicated by the project.

#### D. Financial Management

83. **FM Arrangements:** The project will utilize the FM arrangements implemented by UNOPS under YIUSEP, while adopting mitigation measures agreed with the Bank during project implementation. YIUSEP was subject to a project specific audit that covered its transactions since it was declared effective till end of March 2020. The project audit opinion was Unmodified (clean), with a Satisfactory internal control rating.

84. **Accounting and financial reporting:** UNOPS will: (i) maintain an acceptable FM system, including records and accounts, adequate to reflect the transactions related to project activities, in accordance with the requirements of UN Financial Regulations; (ii) maintain a separate ledger account (Grant Control Account) in its books to record the financial transactions of this project; (iii) prepare, Interim Unaudited Financial Reports (IUFs) on a semi-annual basis, in accordance with accounting standards established pursuant to the UN Financial Regulations and in the format agreed with the Bank, that are adequate to reflect expenditures related to the project. The IUFs will be provided to the World Bank no later than 45 days after the end of the semester.

85. **Flow of funds.** The project will use the IUF based disbursement method for the flow of funds. The form and substance of the IUF report currently used under the ongoing operation have been updated for use under the proposed project. For this project, UNOPS will use the Direct Disbursement and Reimbursement modalities to the extent possible. Funds will flow from the Bank to UNOPS and then to the ultimate beneficiaries/recipients without going through intermediary accounts.

86. **Use of advances to Implementing Partners should be limited.** In cases where advances are used, UNOPS will ensure that proper controls are in place, such as: (i) the advances should not exceed agreed thresholds; (ii) no new advances to be released to implementing agents, unless previous advances are fully settled (in cases of partial settlement, additional funds may be provided within the limit of the partial settlements made); (iii) all original supporting documents for expenditures incurred under the project will be maintained by the recipient; and (iv) all advances will have proper audit trails.

87. **UNOPS will exert all efforts to ensure that funds reach the ultimate beneficiaries with sufficient evidence provided.** It will ensure that no funds are transferred to the central government or the personal accounts of individuals unless those individuals are the legitimate recipients of cash for work or services rendered. **Conversion to Yemeni Rials (YR) is made directly by the UN implementing agency if the payment is made directly by the UN agency to the beneficiaries.** In case the payment is made by the implementing partner, the partner will convert the amount when the payment is made using the UN exchange rate. In case the implementing partner is a government

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<sup>64</sup> Given that social norms in Yemen limit women and girls voice and agency, robust efforts will be undertaken to identify and overcome gender barriers that may limit female participation, such as convening discussions in venues that are accessible to women and close to their neighborhoods, arranging meetings during time slots that are less likely to encroach on their household responsibilities, organizing female-only discussions, etc.



entity at the decentralized level, the amount will be transferred from the UN agency to the governorate office in YR and the conversion will be done by the UN agency.

88. **Audit.** UNOPS shall ensure that the audit of its Respective Part of the Project is carried out exclusively under its Financial Regulations and Rules. In addition, UNOPS shall carry out any additional due diligence as agreed with the Bank under separate terms of reference.

89. **Supervision Plan.** The Bank will carry out biannual (or more frequent if necessary) supervision of the project. The supervision will include desk work, which will incorporate the review of financial reports provided by the recipients and TPMs, and field visits to review samples of supporting documentation for expenditures and the control procedures applied.

#### **E. Procurement**

90. **UNOPS will apply its own procurement procedures as APA found acceptable to the Bank under other agreements and allowed by the Procurement Framework Policy Section III. F.** Currently UNOPS is implementing two Bank funded projects in Yemen under the APA arrangements. The Bank's procurement oversight of the APA under these projects has not raised concerns on procurement implementation.

91. UNOPS will be responsible for: (i) implementing the procurement plan as agreed with the Bank; (ii) preparing a quarterly report on the progress of procurement implementation; (iii) reporting on the indicators in the results framework; (iv) providing other relevant performance information to the World Bank, as requested; and (v) ensuring pre-screening of companies/individuals prior to award of any contract financed by the Project against the Bank's lists of sanctioned or temporarily suspended companies and will ensure that all Implementing Partners have procedures in place for such screening.

92. **Local Implementing Partners.** UNOPS will work with PWP, RMF-IU, and UW-PMU as local partners for implementation. UNOPS has assessed these local partners' technical, fiduciary, procurement, and safeguards capacity. The latest assessment was carried out by UNOPS in September 2020. Accordingly, UNOPS will decide on an appropriate contractual arrangement with each entity in accordance with its own operational guidelines. UNOPS has project cooperation agreements in place with the local partners under the predecessor project (YIUSEP) and these will be extended to cover YIUSEP II. UNOPS will retain full fiduciary responsibility and accountability for procurement carried out by the local implementing partners. During project implementation, UNOPS may engage additional local partners, if deemed necessary.

93. **Procurement Management.** For the purposes of this project, UNOPS will ensure that the procurement unit is staffed with a qualified international procurement staff and at least two qualified national procurement specialists to conduct day-to-day procurement functions. UNOPS should ensure that all Implementing Partners have sufficient and experienced procurement staff with adequate skills to carry out the procurement functions under the Project.



94. **Project Procurement Strategy for Development (PPSD), Systematic Tracking of Exchanges in Procurement (STEP) and Procurement Plan (PP).** As an emergency operation, PPSD may be deferred to the implementation phase. The use of STEP is not recommended for this project due to the unique nature of the project arrangements. In addition, there will be no contract subject to World Bank prior review, and UNOPS has its own tracking system that can generate procurement progress reports as required. The Procurement Plan is to be prepared by UNOPS using the agreed template and the Bank has cleared the initial procurement plan.

**F. Legal Operational Policies**

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

**G. Social (including Safeguards)**

95. The proposed project is expected to have significant social benefits through the restoration of critical urban facilities and improved access to basic social services in selected cities. The type of planned interventions under this project are on existing footprints and will not cause land acquisition or economic displacement.

96. Potential social impacts that could occur under Component 1 are related to civil work activities, e.g., loss of assets, labor influx from outside the target communities by private contractors, and community health and safety such as injuries, sexual harassment, and sexual exploitation and abuse (SEA). Project activities may have social impacts on livelihoods (mainly informal businesses and waste pickers in landfill sites). If there are encroachers or squatters within the location or proposed area of any activities who need to be relocated, those activities will not be implemented. However, as a precautionary measure, the resettlement policy framework (RPF) which was prepared for YIUSEP has been updated to provide general resettlement guidelines and for the management of potential social impacts at the sub-project level. Based on sub-project impact screening and assessment, specific compensation and relocation interventions will be developed and documented in site-specific resettlement action plans.

97. Social risks during project implementation include: (i) elite capture of investments by powerful and/or better-connected beneficiaries, thus excluding some segments of society (especially disadvantaged and marginalized groups); (ii) labor influx and associated GBV risks (including sexual harassment and SEA), and community health and safety (such as injuries); and (iii) risks associated with community participation in the identification and implementation of priority activities due to social conflict. Based on the above expected project risks and impacts, the social risks are rated substantial.

98. **Consultations.** Public consultations are a significant challenge in FCV contexts like Yemen and are even more difficult due to the COVID-19 pandemic. A suitable approach in this context is to consider individual interviews and small focus group meetings in safe places, or via phone calls, text messages or WhatsApp using limited questionnaires. The objective of the meetings with communities will be to identify key issues and determine how concerns of all parties will be addressed. Meetings with female beneficiaries will be carried out by a female consultant and will be carried out throughout the duration of the project.



99. **GRM.** UNOPS has already established a unit in its Sana'a office to handle project activity-related complaints with dedicated focal points. Multiple access points (telephone, complaint box, website, email, text message, etc.,) have been provided so that beneficiaries will have different ways to voice their concerns. The contact information of the GRM focal point(s) will be posted in the local language at the local level. The local Implementing Partners can also receive and register grievances through their GRM systems and forward them to UNOPS on a timely basis.

100. The UNOPS Project Manager will have the overall responsibility of addressing concerns brought to the attention of the focal points regarding any environmental and/or social impacts of project activities. Complaints received by UNOPS shall be registered, tracked, investigated, and promptly resolved. Copies of complaints shall be recorded in the activity files and the progress reports, including the number and type of complaints and the results of their resolution.

101. Measures will be taken to develop the GRM to also become an uptake mechanism for reporting on Sexual Exploitation and Abuse (SEA) and GBV cases, by training the GRM dedicated focal point in SEA and GBV reporting and reporting pathways, as well as safe referrals to adequate services for SEA and GBV survivors. SEA and GBV cases will be registered and investigated separately as per the UNOPS reporting and investigation protocol for such cases, to maintain survivor confidentiality and a survivor-centered approach.

102. **Gender-Based Violence (GBV).** A GBV risk assessment has been undertaken for the Project during the preparation stage to have a sense of potential SEA/SH risks. The assessment was conducted to cover activities under Component 1, where there may be interaction between male workers and female beneficiaries and laborers provided by contractors. UNOPS has prepared a stand-alone GBV Action Plan, which will be finalized prior to the grant becoming effective.

#### **H. Environment (including Safeguards)**

103. **Environmental risks are considered 'Substantial'.** The project will have positive environmental impacts, as it will support interventions which aim to restore access to critical urban services and infrastructure, including water and sanitation, transport, clean energy, and solid waste management (SWM).

104. Potential environmental impacts may be generated during the implementation of Component 1. Such environmental impacts are expected to be site-specific, limited, reversible and mitigable. The interventions may generate risks and impacts related to construction works, such as dust emissions, debris and other solid waste generation, ground/surface water contamination, social annoyance and community safety due to traffic increase, blocked streets, noise, dust, unsafe construction sites, etc., as well as workers safety including OHS, and other standard risks and impacts of construction. Although, the environmental risks and impacts are expected to be of low magnitude that can be mitigated through appropriate measures, based on the implementation experience of YIUSEP there is nonetheless a significant risk of fatal incidents and/or serious injuries under the proposed project as significant OHS gaps were identified under YIUSEP and were managed through the implementation of Safeguards Corrective Action Plans. Furthermore, there is a risk of COVID-19 transmission among community workers if worksites are not managed appropriately.





105. To ensure proper management of potential environmental impacts that may result from project implementation, the Environmental and Social Management Framework (ESMF) of the YIUSEP has been updated by UNOPS and cleared by the World Bank. The ESMF outlines the objective and principles to be followed in addressing environmental and social impacts and recommends specific mitigation measures for environmental impacts – including OHS – that may result from project activities.

106. The ESMF will also include procedures for screening, assessment, and monitoring of interventions. Following the screening procedures, subsequent environmental and social assessment instruments will be prepared and implemented (if required) before the commencement of any physical activities. In the same manner, and before the approval of any proposed SWM intervention, a landfill site suitability assessment will be prepared to evaluate the status of the landfill and confirm the availability of minimum environmental and social mitigation measures; or recommend remedial activities that can be implemented to address any existing deficiency and bring the landfill environmental and social measures to at least the minimum requirements that qualify the landfill to be used under the project.

107. The following environmental and social instruments have been prepared and submitted by UNOPS to the Bank: (i) ESMF; (ii) Resettlement Framework (RF); (iii) Stakeholder Engagement Plan (SEP); (iv) Labor Management Procedure (LMP); (v) Security Management Plan (SMP); (iv) Gender-Based Violence (GBV) Action Plan; and (vii) Environmental and Social Commitment Plans (ESCP). All instruments have been cleared and were disclosed in May 2021 in the World Bank project external website. The versions of all documents will be disclosed in country by the end of May, both in English and in Arabic.

### **I. Waiver of Specific Operational Policies**

108. The following waiver is sought from the IDA Board of Executive Directors for third-party implementation: a waiver to the application of the Anti-Corruption Guidelines for the grant from IDA. Specifically, the waiver is sought for the Bank Directive for Investment Project Financing and Section 5.14 of the IDA General Conditions for Credits and Grants for Investment Project Financing, which would otherwise require application of the World Bank's Anti-Corruption Guidelines, in favor of relying on the fraud and corruption procedures of UNOPS.

## **V. GRIEVANCE REDRESS SERVICES**

109. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, because of World Bank 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 GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## VI. KEY RISKS

110. **The overall residual risk to achieving the PDO is rated High. Fiduciary and Environmental & Social risks are rated High, while all other risks are rated either Substantial or Moderate.** Risks rated either High or Substantial, and the corresponding mitigation measures are discussed below.

111. **The residual Political and Governance risks are rated ‘Substantial’.** The control of geographical areas of the country by different political or armed factions has left a complex set of political stakeholders. This complexity means that external interventions to help may inadvertently create further tension. The injection of resources into a local area can also detrimentally affect local power dynamics. To mitigate these risks, UNOPS will adopt the same approach taken for YIUSEP: (i) it targets the same sectors and many of the same (or adjoining) locations for investments; (ii) when allocating resources between different political geographies, as far as practical the project will balance need with equity; (iii) UNOPS will continue to adopt political neutrality and objectivity when working with local entities and stakeholders; and (iv) UNOPS will continue to engage local communities in investment selection and prioritization, using context-specific and inclusive citizen engagement processes.

112. **Macroeconomic risks are rated ‘Substantial’.** The economic impact of the crisis has been devastating for Yemen, aggravating an already weak pre-conflict economic performance. After six years of conflict, the country continues to face significant risks of renewed macroeconomic volatility<sup>65</sup>, exacerbated by the COVID-19 pandemic. These risks cannot be mitigated through this project, however the project can make a modest contribution to maintain urgently needed public services. Exchange rate fluctuations are a risk that can be mitigated through the project’s design by having a short overall project lifetime, and a list of works or activities that can be quickly adapted and completed. Furthermore, most contract payments are expected to be in currencies with minimal fluctuation. The successful implementation of YIUSEP also shows that this approach mitigates exchange rate related risk.

113. **Sector Strategies and Policy risks are rated ‘Substantial’.** Yemen’s institutions are operating in emergency mode and lack long-term sector strategies or policies. The project will build the capacity of local entities and stakeholders to ensure adequate inter-sectoral prioritization, as well as coordination with similar emergency interventions in the country. A remaining risk which cannot be mitigated by the project is the lack of resources at the local level and lack of motivation among some civil servants due to salary arrears, which undermines the achievement of their basic mandate and could compromise project implementation. This situation will be monitored closely by UNOPS.

114. **Fiduciary risks are rated ‘High.’** There is a risk of corruption and potential fraudulent behaviors on the part of individuals, contractors, and local partners. UNOPS will be responsible for managing fiduciary risks, establishing a set of financial management procedures based on its policy to address fraud, and providing reasonable assurances that funds are used for the intended purposes. During YIUSEP, UNOPS demonstrated timely and effective implementation of the World Bank Anti-Corruption Guidelines. UNOPS has also established a real-time oversight, transparency, and accountability mechanism through a GIS-based expenditure tracking system which will also be used for this project.

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<sup>65</sup> World Bank Group, 2020. Yemen Dynamic Needs Assessment: Phase 3



115. **Risks related to procurement and the corresponding mitigation measures have been discussed in the section on Procurement in Annex 2.**

116. **Environmental and Social risks are rated ‘High.’** Operational, health and safety are key risks, as there were three fatalities under YIUSEP. **This will be mitigated through increased training under Sub-Component 2 and implementing the lessons learned from the Safeguards Corrective Action Plans under YIUSEP.** This rating is also due to possible elite capture of investments by powerful and/or better-connected beneficiaries. Social exclusion risk will be mitigated by relying on a participatory, bottom-up, prioritization process to identify project activities. Robust implementation guidelines will be detailed in the POM to ensure proper targeting, inclusiveness, fairness, and active gender-sensitive citizen engagement in the participatory approach promoted by the project. The ESMF and the related GRM will also help mitigate potential adverse environmental and social impacts stemming from the selection and implementation of activities. The TPM agent will monitor environmental and social safeguards compliance, with scope expanded to cover labor/working conditions, security and GBV risks. As the project will support SWM interventions and considering that most SWM assets have been degraded by the crisis, the improper disposal of solid waste may pose some health and environmental risks. To ensure the proper disposal of solid waste collected under the project - and prior to any investment in SWM in any city - a site suitability assessment will be undertaken of the landfill in that city, if such an assessment had not been undertaken under YIUSEP. Furthermore, to avoid potential health and environmental risks associated with the lack or improper treatment) of collected wastewater, investments in sanitation will only take place if the entire supply chain from collection to final treatment can be made functional through project investments.

117. **Stakeholder risk is rated ‘Substantial’.** The lack of trust between many groups in society due to the ongoing conflict presents a substantial stakeholder risk environment, and opposition is possible from stakeholders who do not benefit from investments. This risk will be mitigated by encouraging local partners to consult DLAs and/or local communities for investment selection. The project will also partially mitigate this risk by promoting transparency and mapping all activities in a GIS-based portal. Citizens may register grievances of potential elite capture through the project’s GRM.



**VII. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

**COUNTRY: Yemen, Republic of**  
**Integrated Urban Services Emergency Project II**

**Project Development Objectives(s)**

To restore access to critical urban services and strengthen resilience to shocks in selected cities within the Republic of Yemen.

**Project Development Objective Indicators**

<b>Indicator Name</b>	<b>PBC</b>	<b>Baseline</b>	<b>End Target</b>
<b>Beneficiaries with restored access to critical urban services (Number)</b>			
People provided with restored access to rehabilitated water supply services (Number)		0.00	300,000.00
Of which are women (Number)		0.00	144,000.00
Which benefit from climate resilient infrastructure approaches (Number)		0.00	180,000.00
People provided with restored access to rehabilitated sanitation services (Number)		0.00	300,000.00
Of which are women (Number)		0.00	144,000.00
Which benefit from climate resilient infrastructure approaches (Number)		0.00	180,000.00
People benefiting from restored electricity supply to health facilities (Number)		0.00	250,000.00
Of which are women (Number)		0.00	120,000.00



Indicator Name	PBC	Baseline	End Target
People benefiting from improved urban roads (Number)		0.00	200,000.00
Of which are women (Number)		0.00	96,000.00
People benefiting from reduced flood risk (Number)		0.00	100,000.00
Of which are women (Number)		0.00	48,000.00
Subprojects that adopt climate resilient infrastructure design approaches (Percentage)		0.00	60.00

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Services Rehabilitation</b>				
Tertiary municipal services activities implemented. (Number)		0.00	15.00	35.00
Urban roads rehabilitated. (Kilometers)		0.00	20.00	60.00
Energy generation supported through the Project (Megawatt hour(MWh))		0.00	10,000.00	39,000.00
Critical urban facilities using solar power generation (Number)		0.00	20.00	35.00
Beneficiaries that participated in consultative forums to inform sub-project selection. (Number)		0.00	700.00	700.00
of which are women (Percentage)		0.00		336.00
Percentage of beneficiaries that participated in consultative forums who reported that their feedback informed sub-project selection.		0.00		85.00



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
(Percentage)				
women's responses (Percentage)		0.00		85.00
Percentage of grievances that are addressed in 28 days (Percentage)		0.00	90.00	90.00
Percentage of project financing executed by local contractors or suppliers (Percentage)		0.00	60.00	60.00
Person-days of temporary employment created under the Project. (Number)		0.00	150,000.00	380,000.00
Participating contractor and consulting firms must have a minimum of 5% of staff who are women (Text)		No		Yes
<b>Component 2: Implementation Support and Capacity Development</b>				
Number of managers and staff trained among local partners, local consultants and contractors. (Number)		0.00	300.00	400.00
Increased understanding among employers who participated in the training, of the importance of gender diversity in their workforce and women's economic empowerment. (Percentage)		0.00	75.00	75.00
COVID-19 awareness building/training sessions in project locations. (Number)		0.00	8.00	11.00
Share of trained unregistered business owners who complete a formal business registration - for female owned businesses (Percentage)		0.00		60.00



**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People provided with restored access to rehabilitated water supply services	This indicator measures the total number of beneficiaries of water supply restoration activities financed under the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local implementation partners.	Estimation of beneficiaries based on population in catchment area of sub-projects. This indicator will be measured disaggregating for gender. When aggregating the number of beneficiaries across the various project activities efforts will be made to ensure that there is no double counting	UNOPS/ UW-PMU/ TPM
Of which are women	This indicator measures the total number of female beneficiaries of water and sanitation activities financed under the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local implementation partners.	Estimation of beneficiaries based on population who are women in catchment area of sub-projects. When aggregating the number of beneficiaries across the various project activities efforts will be made to ensure that there is no double	UNOPS/ UW-PMU/ TPM



				counting.	
Which benefit from climate resilient infrastructure approaches	This sub indicator measures the total number of beneficiaries of water supply investments that use climate resilient infrastructure approaches.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local implementation partners.	Estimation of beneficiaries based on population in catchment area of sub-projects that use climate resilient approaches. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting. Climate resilient infrastructure is defined as having quality assurance and control in place to ensure materials and technologies used will be suitable for local environmental conditions, and will achieve resilience to climate change related events.	UNOPS/ UW-PMU/ TPM
People provided with restored access to rehabilitated sanitation services	This indicator measures the total number of	Bi-Annual	Monitoring and	Estimation of beneficiaries based on	UNOPS/ UW-PMU/





	beneficiaries of sanitation activities financed under the project.		Evaluation Reports. TPM reports. Estimates from local implementation partners.	population in catchment area of sub-projects. This indicator will be measured disaggregating for gender. When aggregating the number of beneficiaries across the various project activities efforts will be made to ensure that there is no double counting	TPM
Of which are women	This indicator measures the total number of female beneficiaries of sanitation activities financed under the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local implementation partners.	Estimation of beneficiaries based on population who are women in the catchment area of sub-projects. When aggregating the number of beneficiaries across the various project activities efforts will be made to ensure that there is no double counting.	UNOPS/ UW-PMU/ TPM
Which benefit from climate resilient infrastructure approaches	This sub indicator measures the total number of beneficiaries of sanitation	Bi-Annual	Monitoring and Evaluation	Estimation of beneficiaries based on population in	UNOPS/ UW-PMU/ TPM



	investments that use climate resilient infrastructure approaches.		Reports. TPM reports. Estimates from local implementation partners.	catchment area of sub-projects that use climate resilient approaches. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting. Climate resilient infrastructure is defined as having quality assurance and control in place to ensure materials and technologies used will be suitable for local environmental conditions, and will achieve resilience to climate change related events.	
People benefiting from restored electricity supply to health facilities	This indicator measures the total number of beneficiaries of health facilities which have energy supply restored through the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local	Estimation of potential user population of health facilities in the area of sub-projects. This indicator will be measured disaggregating for	UNOPS/ TPM



			implementati on partners.	gender. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting.	
Of which are women	This indicator measures the total number of women beneficiaries of health facilities which have energy supply restored through the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Esti mates from local implementati on partners.	Estimation of potential user population who are women of health facilities in the area of sub-projects. This indicator will be measured disaggregating for gender. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting.	UNOPS/ TPM
People benefiting from improved urban roads	This indicator measures the total number of beneficiaries of roads works done under the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Esti mates from	Estimation of beneficiaries based on projected users of rehabilitated roads. When aggregating the number of beneficiaries	UNOPS/ RMF-IU/ TPM



			local implementation partners.	across the various project activities, efforts will be made to ensure that there is no double counting. This indicator will be measured disaggregating for gender.	
Of which are women	This indicator measures the total number of female beneficiaries of roads works done under the project.	Bi-Annual	Monitoring and Evaluation Reports. TPM reports. Estimates from local implementation partners.	Estimation of female beneficiaries based on projected users of rehabilitated roads. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting.	UNOPS/ RMF-IU/ TPM
People benefiting from reduced flood risk	This indicator measures the total number of beneficiaries of flood risk mitigation works.	Bi-Annual	Project monitoring. Individual reports and estimations of all sub projects.	Estimation of beneficiaries based on population in catchment area of sub-projects. This indicator will be measured disaggregated for	UNOPS



				gender. When aggregating the number of beneficiaries across the various project activities, the team will ensure that there is no double counting.	
Of which are women	This indicator measures the total number of women beneficiaries of flood risk mitigation works.	Bi-Annual	Individual reports and estimations of all sub projects.	Estimation of beneficiaries who are women based on population in catchment area of sub-projects. This indicator will be measured disaggregating for gender. When aggregating the number of beneficiaries across the various project activities, efforts will be made to ensure that there is no double counting.	UNOPS/ UW-PMU, RMF-IU/ PWP/ TPM
Subprojects that adopt climate resilient infrastructure design approaches	The indicator measures the percentage of works financed under the project that have adopted climate resilient approaches as part	Bi-Annual	Individual reports and estimations of all sub projects.	Project monitoring. Climate resilient infrastructure is defined as having quality assurance and	UNOPS/ UW-PMU/ RMF-IU/ PWP/ TPM



	of their design.			control in place to ensure materials and technologies used will be suitable for local environmental conditions, and will achieve resilience to climate change related events.	
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Tertiary municipal services activities implemented.	This indicator measures the number of tertiary municipal subprojects (solid waste management, stone paving, neighborhood sanitation, parks and green spaces, rainwater drainage) implemented.	Quarterly	Project quarterly progress reports, Supervision engineer’s reports, TPM verification reports.	Review of engineering supervision reports and contractor reports.	UNOPS/PWP/TPM
Urban roads rehabilitated.	This indicator measures the cumulative length of all rehabilitated urban roads in participating cities.	Quarterly.	Project quarterly progress reports, Supervision Engineer’s	This will include the length of roads that have undergone rehabilitation of their: road surface, stone paving, sidewalk and/or	UNOPS/ RMF-IU/ TPM



			Monthly Progress Reports and TPM Reports.	shoulders, road safety signs, road markings and paints, road-side drains including culverts and side ditches. When aggregating the number of Km across the various project activities, efforts will be made to ensure that there is no double counting.	
Energy generation supported through the Project	This indicator measures the energy capacity supported by the project, for both existing and newly installed generation capacity. Generation capacity may include conventional and renewable energy.	Quarterly.	Onsite verification reports, Project quarterly progress reports, Supervision Engineer's Monthly Progress Reports and TPM Reports	The indicator will estimate the total amount of energy generated cumulatively through the various types of energy sources provided under the project since their installation.	UNOPS/TPM
Critical urban facilities using solar power generation	This indicator measures the number of critical facilities which benefit from uninterrupted electricity	Quarterly.		Onsite verification reports.	UNOPS/TPM



	through solar power investments supported by the project. Critical facilities includes hospitals, clinics, schools, water pumps, wastewater pumping stations etc.				
Beneficiaries that participated in consultative forums to inform sub-project selection.	This indicator will measure if project beneficiaries participated in consultative forums to provide their inputs for investment plans.	Yearly	Project monitoring reports, and transcripts and minutes of consultative meetings and interviews	The indicator will measure the total number of participants in forums. Forums could include in-person meetings and phone-based interviews and discussions, subject to COVID-19 restrictions. These forums will be organized in at least 11 cities. Between 55 to 65 participants per city (gender segregated), adding up to estimate of 700 participants.	UNOPS.
of which are women	This sub indicator measures the level of engagement of women in sub-project selection.	Mid-term and end project	Mid-term and end project evaluation reports. Project monitoring, beneficiary	Will measure the cumulative number of women beneficiaries participating via the various participation avenues. These consultative forums must be separate from	UNOPS





			assessments.	men’s and must accommodate their specific needs.	
Percentage of beneficiaries that participated in consultative forums who reported that their feedback informed sub-project selection.	This indicator is intended to assess whether beneficiaries who respond to the follow up feedback survey are satisfied that their contributions during the consultative forums informed sub-project selection.	Once at end of project	Surveys, polls, phone interviews, focus groups, subject to the security situation.	Analysis of data compiled through questionnaires and transcripts	UNOPS
women's responses	This feedback sub indicator supports women’s voice and agency, by measuring the satisfaction level among the women who participated in the consultative forums, specifically whether they felt their contributions influenced the sub-project selection.	At the end of the project	Surveys, polls, phone interviews, focus groups, subject to the security situation.	Analysis of data compiled through questionnaires and transcripts.	UNOPS
Percentage of grievances that are addressed in 28 days	This indicator measures the transparency and accountability mechanism established by the project. Grievances would need to be registered and responded to by 28 days.	Bi-annual	Mid-term and end project evaluation	UNOPS and local implementation partners must have a database of grievances received and proof to verify that these have been addressed. This will be based on the methodology specified	UNOPS, RMF-IU, PWP



				in the POM.	
Percentage of project financing executed by local contractors or suppliers	This indicator measures the percentage of project financing for works and supplies under Component 1 executed by local contractors or local suppliers.	Annually	Mid-term and end project evaluation	Expenditure tracking system	UNOPS
Person-days of temporary employment created under the Project.	This indicator measures the number of days of temporary employment generated by labor-intensive roads and tertiary municipal services interventions under this Project.	Bi-annual.	Administrative data, progress reports.	The values will be broken down by city. The indicator will measure the cumulative number of work days resulting from employment as part of project financed activities. A person-day of work would count the ideal amount of work done by one person in one working day.	UNOPS
Participating contractor and consulting firms must have a minimum of 5% of staff who are women	This indicator measures that at least 5% of the workforce within contractor and consulting firms participating in the project are women.	Bi-annual	Tendering documents	Indicator will be measured as part of the tendering process. Will be achieved if selected firms comply with requirement.	UNOPS / TPM



<p>Number of managers and staff trained among local partners, local consultants and contractors.</p>	<p>This indicator measures the number of beneficiaries of training under the project.</p>	<p>Bi-annual</p>	<p>Project quarterly progress reports, TPM verification reports</p>	<p>This would include the total cumulative amount of people that underwent training through the project. On topics which will include procurement, financial management, contract management, reporting, monitoring and supervision, social and environment safeguard management, OHS, project management, planning, budgeting, asset management, climate resilient infrastructure principles, gender diverse workplaces, prevention of sexual exploitation and abuse (PSEA) etc.</p>	<p>UNOPS/ UW-PMU/ RMF-IU/ PWP/ TPM</p>
<p>Increased understanding among employers who participated in the training, of the importance of gender diversity in their workforce and women’s economic empowerment.</p>	<p>This indicator measures whether the employers and managers in participating entities who were involved in the gender sensitive workplace training, reported a greater understanding of</p>	<p>Bi-annual</p>	<p>Surveys, polls, phone interviews, focus groups, subject to the security situation.</p>	<p>The indicator would measure the cumulative amount of employers reporting in post training surveys, focus groups, interviews, etc, to have</p>	<p>UNOPS</p>



	the need for gender diversity in their workforce and among their leadership.			a higher understanding of the need for gender diversity in their workforce.	
COVID-19 awareness building/training sessions in project locations.	The indicator will measure the amount of training sessions in project locations in which project beneficiaries and project related workers informed of COVID 19 risks.	Bi-annual	Project quarterly progress reports, TPM verification reports	The indicator will count the cumulative amount of activities carried out which raise COVID risk awareness. These sessions will be conducted through various means as the conditions on the ground permit, taking into consideration COVID 19 safety precautions.	UNOPS
Share of trained unregistered business owners who complete a formal business registration - for female owned businesses	This indicator measures the percentage of trained female owned businesses that register their businesses.	Bi-annual	Project quarterly progress reports, TPM verification reports	The indicator will measure the percentage of total cumulative female owned businesses that complete business registration proceedings in the various participating cities following the completion of the training under the project. As measured	UNOPS



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				by the amount of certificates produced.	
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## ANNEX 1: Yemen: Country Program Adjustment Responding to COVID-19

### WBG Program

1. The current CEN for Yemen for FY20–21 is focused on: (i) preserving basic services and the institutions that deliver them, and (ii) supporting people’s livelihoods and the potential for economic recovery. Priorities include institutional capacity, improving service delivery, especially in health, WASH, education, and social protection, and providing support to conflict-affected vulnerable Yemenis. These priorities are further relevant in the face of the COVID-19 crisis.

### Impact of the COVID-19 Pandemic on Yemen and Government Response

2. COVID-19 continues to be on a trajectory of escalation in Yemen and will remain so for the near future. The disease is in full transmission, but testing capacity remains limited. Official numbers (6,572 cases, 1295 deaths as of May 18, 2021) do not reflect the situation on the ground, and the exact magnitude of outbreaks is unknown. Yemen’s high fatality rate (about 30%) is attributed to stigmatization against hospital visits, leading to higher testing of severe cases and mild cases remaining undetected.

3. The impact of COVID-19 on Yemen has been devastating. Already weak systems are being stretched further, and a lack of reliable electricity supply is impeding an effective public health response. COVID-19 is reducing the demand for routine services such as immunization and maternal care, thereby negatively impacting child, and maternal mortality. Similarly, the impact on education is devastating, with school closures leaving over six million children out of school.

4. While official economic data remain unavailable, anecdotal evidence indicates a likely contraction of the economy from an already low base in the first half of 2020, affected by low global oil prices and COVID-19 related slowdown. With a contraction of hydrocarbon revenue, the main source of public revenue, the government has no fiscal space to respond to COVID-19. Foreign exchange shortages deepened further with the depletion of Saudi Arabia’s import financing facility, reduced oil exports, and downsizing of humanitarian assistance. Remittance inflows from the GCC countries may have contracted from the regional economic slowdown. Some breathing space was provided in April through the IMF Catastrophe Containment and Relief Trust (CCRT). The Government confirmed its participation in the DSSI and signed the Paris Club MoU in October.

5. Deteriorating economic conditions have likely translated into worsening poverty. Yet the conflict-related absence of data since 2014 prevents an assessment of the distributional impact of COVID-19. Approximately 80 percent of respondents of a monthly mobile phone survey conducted by the WFP had difficulty accessing food or basic services. These difficulties have been exacerbated by COVID-19, with households increasingly having trouble accessing food markets, receiving pay, and accessing medical care. The worsening of conditions peaked in June 2020 and remain significantly worse than at the beginning of the pandemic.

### WBG Support for Responding to the Crisis

6. The World Bank’s portfolio and pipeline are closely aligned with the four thematic pillars of the WBG Crisis Response to the COVID-19 pandemic.

*i.* Support to health for saving lives threatened by the virus: On April 2, 2020, the Board of Directors approved the COVID-19 Response Project which aims to prevent, detect, and respond to the threat posed by the COVID-



19 pandemic. The Bank is also preparing a follow up operation to the existing Emergency Health and Nutrition Project (EHNP) to address urgent health sector needs. This project will include a COVID focused WASH Component.

- ii.* Protecting the poor and vulnerable: A new Social Protection Enhancement and COVID-19 Project was approved on December 17, 2020. The projects aim to improve social security and food security, particularly in the face of COVID-19 and resulting food price increases. It is a follow up to the ongoing ECRP. The Bank recently approved the Food Security and Resilience Project with funding from the IDA CRW ERF window and the GAFSP, which also supports the country's response to COVID-19. Furthermore, the Yemen COVID 19 Response Project AF is also in the pipeline and is expected to be reviewed by the Board by June 2021.
- iii.* Ensuring sustainable business growth and job creation: The above-mentioned ECRP finances cash-for-work and support to small and medium enterprises, thus enhancing employment among the poor and vulnerable.
- iv.* Strengthening policies, institutions, and investment for rebuilding better: All new operations will feature an increased focus on local institutions and contribute to local capacity building. A new Restoring Education and Learning Project was approved on December 17, 2020. The project is tailored to focus on quality and access, including distance learning. In addition, an Integrated Urban Service Delivery Project (the project presented here) will finance investments that enable the provision of basic services. This is a multisector project, but focus will be on WASH given its importance in addressing the COVID-19 crisis.

### **Selectivity, Complementarity, Partnerships**

7. Projects continue to be designed and implemented with strong donor coordination and burden sharing. The ongoing ECRP includes grants from the US Department of State (\$24m) and from the UK (\$9m). The EHNP is leveraging a contribution of £7m from the UK, which has been channeled through the Global Financing Facility. This complements a \$4.1 million allocation directly disbursed by the Pandemic Emergency Facility to WHO in August. The World Bank and its implementation partners have submitted applications to the Global Partnership for Education (GPE) for a total of US\$53 million for the Education project to complement the IDA \$100 million. More systematic co-financing of IDA will be sought through an umbrella MDTF which is under preparation and will become the single fundraising tool for the Bank's Yemen program.

8. The Bank is also continuing to diversify its partnerships and exploring options to work with other partners where they have a specific value added and demonstrate close involvement of local institutions. For example, the Bank is partnering with the WFP and Save the Children on the Education project and is exploring a potential partnership with ICRC on WASH and health programs.

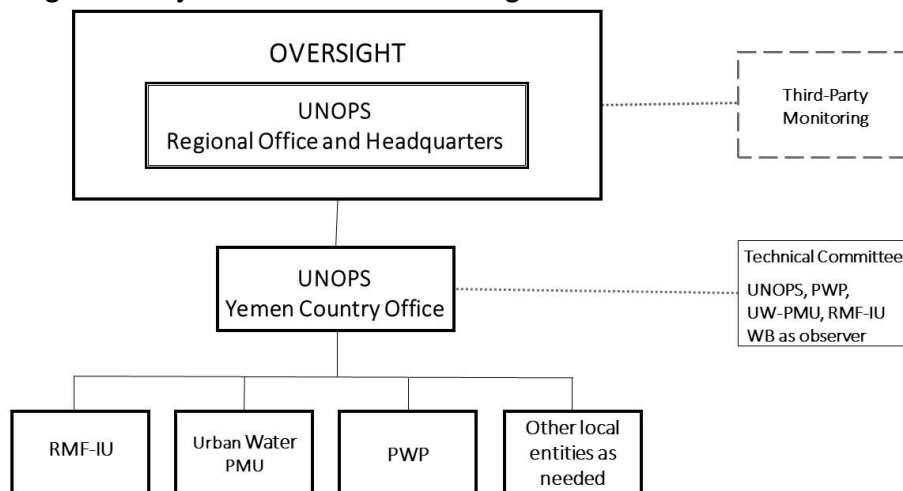
9. While the IMF triggered its debt relief instrument, the CCRT, several donors such as the EU, the UK and Germany stepped up their emergency support to Yemen through various channels (UN agencies, Yemen Humanitarian Fund, INGOs etc.). Financing was primarily targeted to the health sector, as well as resilience and livelihoods programs. UNDP took the lead in adapting the UN's global Socio-Economic Response Plan to Yemen's needs through consultations conducted jointly with the WB. Extensive information sharing and coordination took place through the WB-led Development Partners Forum.



**ANNEX 2: Implementation Arrangements and Support Plan**

1. The proposed project is an emergency operation processed under OP 2.30 and IPF Policy and Directive paragraph 12 ‘Situations of Urgent Need or Capacity Constraints’. It uses UNOPS as the non-sovereign recipient of IDA funds and alternative implementation agency on an exceptional basis under the Financial Management Framework Agreement (FMFA) between the World Bank and UN agencies. FMFA provides for the use of the UN’s Financial Regulations by offering flexibility in the application of Bank fiduciary policies through the application of alternative assurance mechanisms. UNOPS will follow its own procurement procedures as Alternative Procurement Arrangements (APA) allowed by the World Bank’s Procurement Framework Policy Section III.F.
2. The project will be implemented by UNOPS through direct implementation as well as project cooperation agreements with local partners. UNOPS will: (i) be responsible for project implementation; (ii) monitor the project targets and results in coordination with the local partners; (iii) handle relevant procurement, financial management, and disbursement management, including the preparation of withdrawal applications under the project; and (iv) ensure that all reporting requirements for IDA are met per the Project Financing Agreement. Figure 3 below describes the project governance and management structure to be put in place under the project.
3. UNOPS has a regional structure with the regional hub based in Amman, Jordan and has an established capacity in the areas of finance, procurement, human resources, IT, and security to provide support and advice as needed. In addition, a Regional Oversight and Management Advisor oversees operations in the region and provides management advice to the Regional Director. The UNOPS office in Sana’a hosts a project manager, procurement specialists, finance specialists, an Environmental and Social Safeguards Officer (ESSO)<sup>66</sup>, a Gender Mainstreaming Officer, a Health and Safety Officer, a logistics officer, and an administrative officer.

**Figure 3. Project Governance and Management Structure**



<sup>66</sup> The ESSO will be supported by a part-time international expert, who will assist in the management, monitoring and reporting of environmental and social risk management aspects throughout project implementation.





4. **World Bank implementation support and oversight.** The World Bank task team, in close coordination with the Yemen Country Management Unit (CMU) and participating Global Practices, will conduct scheduled implementation support for the project. The World Bank will coordinate closely with UNOPS on overall oversight of the project. The Bank will also organize consultative meetings every six months with the GoY (virtually or in person depending on the situation on the ground) to discuss implementation progress and challenges, and to prioritize needs.
5. **Implementation Supervision Plan (ISP).** For its part, the World Bank has set up a dedicated implementation support team based in Washington, Cairo and Amman that is led by a Senior Urban Specialist and supported by field-based Senior Transport Specialist, Senior Water Specialist, Environmental Specialist and Social Specialist. The implementation support staff in country offices will help to address in real time critical challenges that arise during implementation. UNOPS also increased the staff in Sana'a with technical experts and Project Engineers for WASH, Road Maintenance, SWM, as well as EHS. Additional UNOPS technical experts on gender, citizen engagement and M&E have been added to the staff in Amman. Field-based monitoring of the progress in implementing physical works in each of the cities and adherence to safeguards policies will be carried out by a third-party monitoring agent.
6. **Technical Committee (TC).** UNOPS will chair a TC composed of representatives from the local partners (PWP, RMF-IU and UW-PMU). Other members will be engaged during the project, as needed. The World Bank will join the TC as an observer. The TC's main tasks will include: (i) conducting a periodic review of project implementation progress and providing recommendations for improvement, as necessary; (ii) reviewing proposed sub-projects for the yearly investment plans and recommending a shortlist; (iii) accelerating import of supplies, goods, equipment as well as clearances at entry points and facilitating ground transportation; and (iv) strategically communicating with other donors and stakeholders on the project.
7. **Local Partners.** UNOPS will work with PWP, RMF-IU, and UW-PMU as local partners for implementation, leveraging on the existing cooperation under YIUSEP. These local partners will play a critical role on technical aspects, such as coordinating with local stakeholders, identifying initial investments, and preparing initial specifications, as well as carrying out the assigned activities in accordance with the procurement plan. UNOPS may engage additional local partners, if deemed necessary and in consultation with the World Bank.
8. **Annual Investment Plans.** A citizen-informed annual investment plan recommended by the TC and finalized by UNOPS will be submitted to the World Bank for no-objection prior to commencement of implementation. The annual investment plans will be reviewed during implementation to ensure the continued appropriateness of the selected investments.
9. A detailed **Project Operations Manual (POM)** will be prepared to guide overall Project implementation arrangements. The POM will describe the project and the PDO objectives, results indicators, implementation roles and responsibilities (implementation arrangements matrix), financial management, procurement, safeguards, monitoring and evaluation, and other project implementation details. The POM prepared under YIUSEP is expected to serve as a basis for the preparation of the document for the proposed operation.



## Financial Management

10. **The project's financial management arrangements will be governed by the FMFA, which provides for the use of UNOPS' Financial Rules and Regulations.** The FMFA will be incorporated in the Financial Management section of the POM. The UNOPS regional office in Amman, Jordan, has conducted a risk assessment of the operation and local partners in Yemen. It developed a mobilization plan to ensure that adequate human resources and financial management systems are in place. Implementation arrangements, internal control and internal oversight functions are detailed in the YIUSEP POM.

11. For the purposes of this proposed project, UNOPS' financial management unit in the Yemen Office will be led by an international finance specialist, who will be supported by two finance officers, an associate and an assistant (subject to the final scope and budget). The UNOPS financial management unit will be responsible for day-to-day financial management and disbursement functions of the project<sup>67</sup>. The UNOPS regional office and the hub in Amman will continue to provide technical support and advisory services to the UNOPS Yemen office, as well as oversight.

12. UNOPS will: (i) maintain a financial management system, including records and accounts, that is adequate to reflect the transactions related to the project activities, in accordance with the requirements of its financial regulations; (ii) maintain a separate ledger account (Grant Control Account) in its books to record the financial transactions of this project; and (iii) prepare, on a six-monthly basis, interim unaudited financial reports (IUFs) in accordance with accounting standards established pursuant to its financial regulations and in the format agreed with the World Bank, which are adequate to reflect and track expenditures related to the IDA grant. The IUFs will be provided to the World Bank no later than 45 days after the end of each six-month period. UNOPS will ensure that the audit of the project activities is governed by its financial regulations and the FMFA.

13. To provide reasonable assurance that project funds are spent for the intended purposes, the following arrangements will be in place: (i) reliance on UNOPS' internal control mechanisms and internal oversight functions as part of the financial management and disbursement arrangements, documentation of expenditures, and detailed reporting; (ii) direct payments to contractors, as well as controls around advances to local partners; (iii) contracting technical experts to supervise implementation of project activities; (iv) use of the TPM agent to verify the implementation of activities and compliance of local entities with fiduciary arrangements as agreed with UNOPS; (v) establishing a real-time oversight, transparency, and accountability mechanism through a GIS-based expenditure tracking and information dissemination system; (vi) providing updated GIS maps of the project areas to help monitor progress and enhance project supervision; (vii) using social media to analyze community perception of sub-projects on a real time basis, to identify red flags for fraud, corruption, and unequal treatment of communities, and to complement the GRM; and (viii) submitted financial and progress reports on a semiannual basis.

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<sup>67</sup> These responsibilities will include: (a) recording all project transactions; (b) ensuring segregation of duties as per UNOPS Financial Rules and Regulations; (c) preparing and submitting detailed financial reports, both internally and to the World Bank, which will track commitments and expenditures by sector, city, Component, and activity; (d) working with technical staff to prepare adequate cash forecasts; (e) preparing withdrawal applications; (f) carrying out bank reconciliations; and (g) ensuring adequate internal control functions as per UNOPS regulations and the Project Operation Manual.



14. **Flow of Funds and Disbursement Arrangements.** Disbursement from the World Bank to UNOPS has been simplified to ensure timely availability of funds to implement the proposed Project. Disbursement to UNOPS' official bank account will be made based on the IUFs. Requests for disbursement will cover the projected expenditures and activities for nine months. Withdrawal applications will be submitted to the World Bank every three months to document funds disbursed and to request a new advance to cover an amount representing UNOPS' good faith projection of the expenditures for the following six months, up to the project's closing date. Withdrawal applications will reconcile against amounts previously withdrawn against the project budget.

15. UNOPS will receive grant proceeds into a centralized corporate account and will then allocate funds to the project. It will start implementation by transferring funds to its local accounts in Yemen and/or it will pay from any of its accounts externally, depending on the contracts. The local accounts will be maintained by UNOPS' Yemen Office and will be replenished on a regular basis. To mitigate potential challenges associated with using the local banking system, UNOPS has established an additional payment mechanism whereby it would use cash suppliers to make payments in the country.

16. **Internal controls.** To ensure proper controls are applied over the use of funds, UNOPS will ensure the following:

- The finance team located in the field will consist of sufficiently qualified staff to review and properly maintain and file all original supporting documents of the project. It will also ensure that proper controls are in place over the use of funds and that payments are made for eligible expenditures with due consideration to economy and efficiency.
- The compliance team will assist the finance team to ensure that arrangements are in place for funds to reach the legitimate beneficiaries.
- The finance and compliance teams will ensure that proper measures are in place to prevent double-dipping of activities.
- Adequate financial and technical reviews are conducted regularly by the TPMs and the recipient's finance and/or M&E teams.
- In the case of payments to individuals, the recipient will ensure mobile banking, payment agencies or other methods are used that can provide a high level of assurance that funds reached the intended beneficiaries.
- The recipients will ensure that IUFs are properly reviewed and approved before submission to the Bank. In addition, IUF reported expenditures will not include advances other than those agreed with the Bank and disclosed in the IUF.

## **Procurement**

17. **Alternative Procurement Arrangements (APA) will be applied.** UNOPS will apply its own procurement procedures as APA found acceptable to the Bank under other agreements and allowed by the Procurement Framework Policy Section III. F. This procurement arrangement is considered a fit-for purpose arrangement for several reasons:



- UNOPS has a strong presence on the ground and has the capacity to reach out to the most affected beneficiaries.
  - The implementation arrangement is flexible and may rely on the capacity of national partners (PWP, RMF-IU, and UW-PMU) for activities under a threshold as assessed and prescribed by UNOPS in coordination with the Bank.
  - UNOPS has preparedness and mobilization mechanisms in place, which enable optimal emergency procurement.
  - UNOPS is well informed about the market response locally and internationally and has the capacity to work in conflict and post-conflict areas in Yemen.
  - UNOPS' procurement arrangements provide reasonable assurance that World Bank financing will be used for the intended purpose.
  - UNOPS has an extensive pool of framework agreements with pre-qualified suppliers in place ("Long-Term Agreements") that can be tapped into for promptly placing purchase orders for Goods.
  - UNOPS will also apply additional alternative arrangements, such as reserving tender opportunities for WOBs.
18. In line with the UNOPS *Gender Mainstreaming Strategy and Procurement Manual*, UNOPS proposes to:
- Identify approximately 15 local WOBs in the infrastructure sector as well as other soft services, e.g., communication campaigns.
  - Vet their financial and operational capacity and capabilities.
  - Select the top WOBs (for higher capacity) and include them in a training program on doing business with UNOPS; and
  - Reserve tender opportunities for these informally pre-qualified and trained WOBs within the framework of the project.
19. UNOPS, is currently implementing two Bank funded projects in Yemen under the APA arrangements. The Bank's procurement oversight of the APA under these projects has not raised concerns on procurement implementation. A few challenges were identified regarding some contractors' financial capability; these were addressed by strictly applying the qualification criteria and conducting appropriate due diligence prior to awarding the contracts. Other challenges related to the security situation in the country and difficulties with logistics. These challenges can be properly mitigated through advance coordination by UNOPS and the different political parties, and through inclusion of the gateway governorate of Lahj in YIUSEP II. UNOPS has a procurement team within in its Sana'a office that is led by an experienced international procurement specialist, who oversees four national procurement staff to carry out day-to-day procurement implementation. This team is supported by an experienced procurement team in the regional office in Amman.
20. UNOPS will be responsible for: (i) implementing the procurement plan as agreed with the Bank; (ii) preparing a quarterly report on the progress of procurement implementation; (iii) reporting on the indicators in the results framework; (iv) providing other relevant performance information to the World Bank, as requested; and (v) ensuring pre-screening of companies/individuals prior to award of any contract financed by the Project against the Bank's lists of sanctioned or temporarily suspended companies and will ensure that all Implementing Partners have procedures in place for such screening.
21. **Local Implementing Partners.** UNOPS will work with PWP, RMF-IU, and UW-PMU as local partners for implementation. UNOPS has assessed these local partners' technical, fiduciary, procurement, and safeguards



capacity. The latest assessment was carried out by UNOPS in September 2020. Accordingly, UNOPS will decide on an appropriate contractual arrangement with each entity in accordance with its own operational guidelines. UNOPS has project cooperation agreements in place with the local partners under the current project (YIUSEP) and these will be extended to cover YIUSEP II. While PWP is expected to conduct the procurements under Sub-component 1.1 for approximately US\$13 million (that includes small-scale, neighborhood-level tertiary municipal goods and infrastructure in accordance with UNOPS procurement rules and procedures and in compliance with the Yemeni procurement law), RMF and UW-PMU will not conduct any procurement under the project as UNOPS will do the needed procurements. UNOPS has the required resources to oversee procurements by PWP. UNOPS will retain full fiduciary responsibility and accountability for procurement carried out by the local implementing partners. During project implementation, UNOPS may engage additional local partners, if deemed necessary.

22. **The residual procurement risk is rated ‘Substantial’** due to the potential risk of delay in implementation/supply because of the COVID-19 pandemic, closure of borders, export restrictions and the security situation in Yemen, the composition of the marketplace (limited competition and availability of service delivery), and the nature of project activities that might be impacted by the situation on the ground in conflict and post-conflict zones.

23. **The project includes risk mitigation measures** such as frequent reporting, supplemented by regular direct contact between the World Bank team and UNOPS to review the status of activities. Aside from more frequent and detailed reporting, combined with closer supervision by the World Bank, the Bank will also: (i) review and approve the procurement plans and their updates; (ii) review the selection of the third-party monitoring agent, and the procurement documents, TORs, evaluation report and draft contracts for such TPMAs shall be submitted to the Bank for its review prior to finalizing and issuing the contracts of the TPMAs; and (iii) review the TPMA reports and take actions as needed.

24. There is a risk of procurement delays due to unexpected events (if clashes break out between rival groups, for instance) in addition to difficulties with logistics (mainly in importation, storage, and distribution) arising from the need to obtain required security clearances from several political parties. This risk will be mitigated through advance coordination by UNOPS with the different political parties to ensure smooth implementation/delivery. Another foreseen risk is potential delays occasioned by UNOPS internal processes and approvals. This risk would be mitigated by advance planning and delegation of authority at the appropriate levels, as well as a commitment by UNOPS to comply with the agreed procurement plan, particularly timelines. In addition, there is a risk of delay in delivering goods due to the closure of borders and the need to have 14 days quarantine when crossing borders, which can be mitigated by prior coordination by UNOPS with the different authorities, replacing road transportation of cargoes and the use of other means of transportation, e.g., sea transportation, if possible. There is an additional risk that may evolve from engaging local Implementing Partners such as undue political interference and insufficient oversight from UNOPS. This risk can be mitigated by proper coordination by UNOPS with the relevant political parties and detailed reporting on the progress of implementation of the procurement plan by UNOPS, in addition to the Bank’s continuous implementation support and supervision through regular meetings with UNOPS and the Implementing Partners, as well as virtual missions.



25. **Project Procurement Strategy for Development (PPSD), Systematic Tracking of Exchanges in Procurement (STEP) and Procurement Plan (PP).** Since this is an emergency operation, PPCSD may be deferred to the implementation phase. The use of STEP is not recommended for this project due to the unique nature of the project arrangements. In addition, there will be no contract subject to World Bank prior review, and UNOPS has its own tracking system that can generate procurement progress reports as required. The Procurement Plan is to be prepared by UNOPS using the agreed template and the Bank has cleared the initial procurement plan.

26. **Procurement Management.** For the purposes of this project, UNOPS will ensure that the procurement unit is staffed with a qualified international procurement staff and at least two qualified national procurement specialists to conduct day-to-day procurement functions. UNOPS should ensure that all Implementing Partners have sufficient and experienced procurement staff with adequate skills to carry out the procurement functions under the Project.