

SUMMARY

Special measure in favour of Yemen for "resilience" for 2019 part 3 and for 2020 part 1 to be financed from the general budget of the Union

1. Identification

Budget heading	BGUE-B2019-21.020400-C1-DEVCO/no budget heading for 2020 yet
Total cost	EUR 79 000 000 million of EU contribution
Basic act	Regulation (EU) No 233/2014 of 11 March 2014 Regulation (EU) No 236/2014 of 11 March 2014

2. Country background

Yemen just entered its fifth year of war and the conflict does not show signs of approaching a resolution, at least in the near future. Uncertainties surround the implementation of the Stockholm Agreement, reached in December 2018 between the Government of Yemen and the Houthis. Conflict and economic collapse have resulted in the breakdown of the public service delivery, especially in the health and education sectors, with the emergence of a lost generation, a sharp increase in the spread of preventable diseases, and reduced access to food. The lack of proper sanitation foments the diffusion of communicable diseases while access to safe water is limited. Most donors and the Government of Yemen agree that a merely humanitarian approach does not respond to the country's needs. Peace and development tools have to be coordinated in parallel to humanitarian interventions. In particular, development tools are needed to preserve basic state functions, maintain the social fabric and ensure the resilience of economic actors. This will help prevent the state from collapsing and will keep a base for reconstruction, especially in the eventuality of an end to the conflict.

3. Summary of the special measure

1) Background

In Yemen, the State as a collection of institutions is no longer functioning. The current crisis has weakened the institutional arrangements both at vertical and horizontal levels and the trust deficit between community and their duty bearers has widened. The social contract at local level is breaking up, further aggravating social tension and conflict among communities and institutions. The gap between communities and local authorities remains wide and the EU has a key role to play in terms of strengthening local structures to prevent the collapse of social safety nets and ensure the provision of basic services, like education, health, and access to water. The ongoing conflict dynamics in Yemen have severely damaged the economic infrastructure of the country and caused a liquidity crisis of unprecedented dimension, with serious consequences on the primary source of income of almost

half of Yemeni households. In many areas, the private sector stepped in to help fill the gap in public services delivery, and if strong enough, it may likely facilitate socio-economic recovery and reconstruction after the conflict ends. The war is having a pervasive impact also on the private sector; yet, circa 75% of enterprises in Yemen are still trading. The private sector plays a vital role in turning the wheel of economic activity in Yemen. Thus, enabling the private sector to become more resilient to conflict and early post-conflict, can support communities being able to deal with risks and shocks by increasing economic self-reliance.

2) Cooperation related policy of beneficiary country

The proposed programme interventions are aligned with the policy of the Government of Yemen and the EU framework on resilience. The Government of Yemen has placed resilience very high on its agenda with a number of appropriate policies and strategies in place (National Agriculture Sector Strategy, National Food Security Strategy, National Strategy for Renewable Energy and Energy Efficiency). The Yemeni Minister of Planning and International Cooperation has recently presented the "Reconstruction and Economic Recovery Plan" which sets the urgent priorities for the country. Very much in line with this Action, the Plan – *inter alia* – identifies as priorities: restoring the provision of basic services and restoring stability, macro-economic recovery & creating jobs. Similarly, the Ansarallah/Houthi movement (through NAMCHA) has drafted a "Needs Plan for 2019" which focuses on four strategic goals: 1) Life-saving and alleviating the suffering of the most vulnerable people in Yemen through providing effective and targeted services; 2) Increasing community resilience and improving livelihoods to access basic services; 3) Supporting local authorities and service institutions to be able to respond to emergencies; 4) Responding, mitigating and addressing protection needs.

3) Coherence with the programming documents

This special measure responds to the objectives and priorities outlined in the EU Strategy for Yemen: 1. PEOPLE, Institutional resilience and local governance; 2. PROSPERITY, Economic resilience and enhanced livelihoods. Furthermore, it is fully in line with relevant EU policy priorities. In fact building resilience of states and societies is a key objective of the EU Global Strategy, which provides for any action to be assessed through the lens of conflict sensitivity in order to maximise the impact and ensure the application of the "Do No Harm" principle. This Action will allow DEVCO and ECHO to strengthen the Humanitarian/Development Nexus by planning and programming together, and explore the feasibility of a Joint Humanitarian and Development Framework (JHDF) including potential EU Member States.

4) Identified actions

Only one Action will be supported by this Decision. The overall objective of the Action is to strengthen the socio-economic resilience of the conflict-affected population of Yemen, as well as its institutional and economic systems. This action is divided in two components: 1) Institutional Resilience – to support local authorities in delivering basic services, particularly in the water, sanitation, and education fields in order to alleviate the hardship of conflict-affected population; 2) Economic resilience – to support the rehabilitation of the economic fabric and to preserve the resilience of economic actors (including the Central Bank of Yemen) and economic sectors where the people most in need are mainly employed, namely agriculture, fisheries, and garment.

5) Expected results

This Action will allow Yemen to move toward some of the Sustainable Development Goals, in particular: SDG 2 Zero Hunger, SDG 3 Good Health and Well-Being, SDG 4 Quality Education, SDG 8 Decent Work and Economic Growth, SDG 16 Peace, Justice and Strong Institutions. Through this special measure, the resilience of conflict-affected Yemenis will improve. In fact, it aims to strengthen local institutions and make them more inclusive. They will be supported to better deliver basic services – including education, health, water and energy supply – with the direct involvement of partnership organisations and the private sector. A special attention will be dedicated to basic education through targeted activities that will facilitate access for conflict-affected pupils. In order to strengthen the economic resilience of the country, EU support will be twofold. Firstly, the EU will enhance the capacity of key economic institutions to revamp effective economic governance and recovery. This should create an enabling environment for private sector development. Secondly, the EU will support selected MSMEs working on specific value chains, increasing credit worthiness, job creation, and skills development. Supporting MSMEs' integration in value chains (such as agribusiness, fisheries, garments, and alternative energy) provides, in addition to livelihoods for Yemeni youth and women, the seeds for the development of an economic base that could underpin post-conflict economic development.

6) Past EU assistance and lessons learnt

Stabilisation of livelihoods is a prerequisite to resilience building, to guarantee immediate cash and income-generation opportunities as well as contribute to assets rehabilitation and building at the community level. This was confirmed by the *Enhancing Rural Resilience in Yemen* (programme) mid-term review, which showed that the programme's livelihoods and economic empowerment activities, especially those focused on rehabilitating communal assets, had the most notable impacts on households' and communities' capacity to manage the ongoing shock. The community coping and self-help mechanisms as well as social networks need to be strengthened to effectively respond and address shocks and risks. Communities and institutions need to be supported to be able to effectively identify the priority areas of support best suited to their needs, and leverage the available local resources and identify gaps in the planning for the related responses. The ERRY mid-term review showed, indeed, that Village Councils can represent a powerful tool to leverage synergies, to effectively reach vulnerable groups, and to optimise impacts. Another key lesson learned is that women's participation in social cohesion and conflict resolution as insider mediators has contributed significantly to addressing resource-based conflicts. An assessment of trends during 2015 revealed that girls and women were at an increased risk of physical assault. The Gender-Based Violence Information Management System, established in Yemen in 2015 and led by the United Nations Population Fund, has indicated that, among other issues, forced marriage has been a growing trend during the conflict.

7) Complementary actions/donor coordination

This Action clearly complements the ongoing EU-funded **Enhancing Rural Resilience in Yemen project (ERRY) (phase I and II)** which contributes to reduced vulnerability and strengthened resilience of rural communities in Yemen through the creation of sustainable livelihoods and improving access to basic services. While ERRY is benefitting rural communities, the proposed Action will aim to achieve a balance of urban/peri-urban and rural areas. The Action also complements the **UNDP**

and **World Bank “Emergency Crisis Response Project (ECRP) (phase I and II)** as both programmes contribute to common objectives of livelihoods stabilisation, community assets rehabilitation, and support to agriculture-based SMEs, including farmers, fishermen, and livestock producers, as well as strengthening local capacities for service delivery. Synergies are sought with the **IsDB’s programme “Business Resilience Assistance for Value-adding Enterprises” (BRAVE)**, which started in August 2016. BRAVE’s objective is to enhance resilience of the private sector, focusing on pro-poor sectors like agri-business, fisheries, food-processing, private health care, and garmenting. Linkages are ensured with the EU-funded project **"Support to youth's entrepreneurship and financial inclusion"**, implemented by Silatech, which aims at contributing to the stabilisation of the country by creating conditions for youth economic empowerment through support to job creation, entrepreneurship, and access to capital and markets.

Improved coordination among various development partners is crucial in order to build complementarity and synergy between humanitarian and development interventions. Currently, the United Nations Resident Coordinator is facilitating most donor coordination amongst various partners. The EU Delegation is leading the coordination between EU Member States through EU Counsellors Meetings. Other coordination efforts are those undertaken in the framework of the Head of Mission meetings and Programme Steering Committees, which focus on avoiding duplication and ensuring that gaps within the selected areas are covered.

4. Communication and visibility

The communication and visibility measures will be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. The most important activities related to communication and visibility are the following: awareness campaigns in the areas where the action will take place; a radio campaign to spread the results of this action; intense use of social media to attract the attention of the youth (70% of the Yemeni population).

Aside from the more traditional tools to communicate the EU abroad, more focused activities could be implemented for youth and local administrators. The EU in Yemen is already making use of so-called "serious games" which – through a ludic approach – manage to convey important messages (on IDPs, gender, peaceful coexistence, EU values, etc.). These could be utilised and combined with a so-called "gamification", namely the application of typical elements of game playing (e.g. point scoring, competition with others, rules of play) to other areas of activity, in this case the elaboration of administrative procedures or tasks for local authorities. This will be elaborated at a later stage.

5. Cost and financing

Component 1 – Institutional Resilience (Local Authorities) – Indirect management, UNDP	EUR 49 800 000
Component 2 – Economic Resilience (Central Bank of Yemen), Indirect Management	EUR 8 800 000
Component 2 – Economic Resilience (Support to MSMEs), Indirect Management	EUR 20 000 000
Monitoring and Evaluation	EUR 300 000
Audit	EUR 100 000
Total EU contribution to the measure	EUR 79 000 000*

** The contribution is for an amount of EUR 30 000 000 for 2019 and 2020 from the general budget of the Union. For 2020, EUR 49 000 000 should be funded from the general budget of the Union, subject to the availability of appropriations following the adoption of the relevant budget.*

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This action is funded by the European Union

ANNEX

of the Commission Implementing Decision on the financing of the special measure in favour of Yemen for "resilience" for 2019 part 3 and 2020 part 1

Action Document for ‘Strengthening the Institutional and Economic Resilience in Yemen’

MULTIANNUAL MEASURE

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Strengthening the Institutional and Economic Resilience in Yemen CRIS number: MIDEAST/2019/041-828; MIDEAST/2020/042-215 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Middle East, Republic of Yemen The selected areas for interventions will be specified at a later stage according to vulnerability, poverty, food insecurity, donor coordination and accessibility.	
3. Programming document	No programming document / Special measure	
4. SDGs	SDG 2 Zero Hunger SDG 3 Good Health and Well-Being SDG 4 Quality Education SDG 8 Decent Work and Economic Growth SDG 16 Peace, Justice and Strong Institutions	
5. Sector of intervention/ thematic area	Resilience Local Governance Education	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 79 000 000 Total amount of EU budget contribution EUR 79 000 000	

	The contribution is for an amount of EUR 30 000 000 from the general budget of the European Union for 2019 and for an amount of EUR 49 000 000 from the general budget of the European Union for 2020, subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget or as provided for in the system of provisional twelfths.			
7. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with: - UNDP (United Nations Development Programme) - entity(ies) to be selected in accordance with the criteria set out in section 5.3.2 and 5.3.3			
8 a) DAC code(s)	Main DAC code: 15110 - Public sector policy and administrative management – 54%; 11120 - Education facilities and training – 9%; 32130 - Small and Medium-sized enterprises (SME) development – 30% 31120 - Agricultural Development – 7%			
b) Main Delivery Channel	41000 United Nations agencies 41114 – UNDP United Nations Development Programme			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A.			

SUMMARY

Yemen just entered its fifth year of war and the conflict does not show signs of approaching a resolution, at least in the near future. Most donors and the Government of Yemen agree that a merely humanitarian approach does not respond to the country's needs. Peace and development tools have to be coordinated in parallel to humanitarian interventions. In particular, development tools are needed to preserve basic state functions, maintain the social fabric and ensure the resilience of economic actors. This will help prevent the state from collapsing and will keep a base for reconstruction, especially in preparation for a possible 'day after' scenario. The overall objective of this Action is to strengthen the socio-economic resilience of the conflict-affected population of Yemen, as well as its institutional and economic systems.

Building on the above, this action will provide support in two main areas:

1) Institutional resilience (Component 1): This component aims at supporting institutional resilience of local and central authorities through bottom-up initiatives for the delivery of basic services. While state rebuilding is out of reach for the moment in Yemen, the EU has a key role to play in terms of strengthening local structures to prevent the collapse of social safety nets and the provision of basic services, like education, health, access to water – among others. The action may also include assistance to Civil Society Organisations (CSOs) and communities, who will be key actors in the human and social reconstruction process. In the current context of prolonged displacement for significant proportions of the population, actions targeting education can be explored in line with the concept of no-lost-generation and leave-no-one-behind. Actions targeting health and food/nutrition security can also be considered, to address one of the world's worst crises. This Component, through local authorities and communities, will target the Yemeni conflict-affected population.

2) Economic resilience (Component 2): this will entail support for the rehabilitation of the economic fabric and for preservation of the resilience of economic actors (including institutions like the Central Bank and local businesses in pro-poor sectors such as agriculture, fisheries and garment). Given the protracted nature of the economic crisis and its negative effects on the humanitarian situation, this action will address the needs for livelihoods and job creation especially for women and youth. Assistance in this domain will include cash-for-work mechanisms and support to Micro, Small and Medium-Sized Enterprises (MSMEs) in selected value chains, especially in agriculture and fisheries sectors, to promote economic recovery, income opportunities and improved food and nutrition security. Capacity building of institutions like the Central Bank(s), the Ministry of Finance and the Social Fund for Development will also be envisaged, should the situation on the ground allow for it.

The action will take in particular into account the different conditions, needs, participation rates and restrictions faced by women, youth and Internally Displaced People (IDPs).

1 CONTEXT ANALYSIS

1.1 Context Description

Under the auspices of the Office of the Special Envoy of the Secretary-General for Yemen (OSESGY), parties to the conflict have reached a tentative peace agreement in Stockholm in December 2018. The momentum behind this agreement is now flagging, and little or no progress has been made since it was concluded.

The transition phase, should it take place, will have to address crucial governance issues that could derail further progress in building and sustaining peace. Among these, the issue of central-local relations is probably the most critical and complex one, which currently attracts most of the attention from the international community and that is also quintessentially tied to restoring state legitimacy and functionality.

The conflict and economic collapse have resulted in the breakdown of the public service delivery, especially in the education and health sectors, with the emergence of a lost generation, a sharp increase in the spread of preventable diseases, reduced access to food leading to a dire nutrition situation. The lack of proper sanitation is also one of the driving causes of communicable diseases, and access to safe water is limited. The World Health Organisation (WHO) reported that between 8 and 14 April 2019, 27,840 suspected cases of cholera and 48 associated deaths were reported. Severe cases constituted 18% of the total. The cumulative number of suspected cholera cases between 1 January 2018 and 14 April 2019 stands at 224,444 with 470 associated deaths. Children under the age of five represent 22.5% of total suspected cases¹. Furthermore, the United Nations High Commissioner for Refugees (UNHCR) reports that 24.1 million people are in need of humanitarian help, while 3.65 million are displaced since March 2015².

For what concerns education, the role of the central government remains weak and concentrated on educational policy (curriculum, exams) and the staff salaries, but their actual role in planning service delivery and investing in developing the infrastructure is now delegated to local authorities. If a new school is to be built, its location and the source of funding is more and more a locally-taken decision. Also, as for other sector budgets, the local education budget (except for salaries) is now integrated into the local authority budget.

Yemen has one of the highest burdens of chronically malnourished children in the world with nearly half (47%) stunted. Conflict and economic collapse have resulted in the breakdown of the health system, the spread of preventable diseases, and reduced access to food, which have all contributed to a dire nutrition situation. Fewer than half of health facilities are functioning, and even these face severe shortages in medicines, equipment and staff. More than half (55%) of the population does not have regular access to safe water and basic hygiene. In 2018 the number of suspected cholera cases across the country was 379,288, with 517 associated deaths. Children under the age of five represented 32% of the total suspected cases. Inadequate infant and young child feeding practices also exacerbate malnutrition, with only 15% of children aged between six and twenty-three months consuming a minimum acceptable diet, and 10% of infants under six months being exclusively breastfed.

¹ OCHA - Yemen Humanitarian Report, 18/04-16/05/2019.

² UNHCR Operational Update, 17/05/2019.

Special attention should go to women who have found themselves to be the main providers in many families, while they continue to raise children, cook, clean, tend the land and graze sheep and cattle. Most women have now very difficult access to humanitarian aid, due to the social restrictions they suffer on their freedom of movement, the fear of abuse at militia-held checkpoints and the rising costs of transportation.

The different dimensions and dynamics of the war have heavily damaged the economic infrastructure of the country, causing its real Gross Domestic Product (GDP) to contract by a cumulative 47% since 2015. The impact of conflict, violence and prolonged fragility is particularly pervasive on the private sector; yet, circa 75% of enterprises in Yemen are still trading.

As a result, about 40% of households have lost their primary source of income (salaries). Since October 2016, public sector employees (one third of the work force, including doctors, teachers, etc.) in the Houthi-controlled areas have not received monthly salaries, or have only received them intermittently. This has led to over half of civil servants abandoning their post, and turning to the private or informal sectors to provide basic services. The other half is being paid by local communities, local militia, or through fees that were previously not charged on basic services.

The conflict in Yemen also has destabilising effects on the wider region, with militant groups gaining an easy foothold, increasing threats to maritime security in the Red Sea, the proliferation of violent extremism and transiting migration routes as main elements of concern regarding the spill-over effects of the crisis.

More than two million people have been internally displaced for over almost two years due to ongoing hostilities and conflict. New displacement is occurring in areas of prolonged and escalating hostilities, and migration from the Horn of Africa continues to be observed.

Economic prospects in 2019 and beyond depend on rapid improvements of the political and security situation, and ultimately on whether an end to the on-going conflict will allow for rebuilding Yemen's economy and social fabric. Massive foreign assistance would continue to be required for recovery and reconstruction in a post-conflict period.³

1.2 Policy Framework (Global, EU)

The proposed programme is aligned with relevant EU policy priorities, as described below.

Resilience and Conflict Sensitivity. Building the resilience of states and societies is a key objective of the EU Global Strategy,⁴ which provides for any action to be assessed through the lens of conflict sensitivity, in order to maximise impact and ensure the application of the 'Do No Harm' principle.

Humanitarian-Development nexus. Efforts will notably be made in conducting joint analyses to select the districts/areas of intervention and ensuring coordination between the European Commission's Directorate-Generals (DGs) European Civil Protection and Humanitarian Aid Operations (ECHO) and International Cooperation and Development (DEVCO), while enhancing the capacity of the national/local actors. This project will allow DGs DEVCO and ECHO to develop a basis for humanitarian and development planning and

³ Ibid.

⁴ EU, *A Global Strategy for the European Union's Foreign and Security Policy*, 2016

programming, and to explore the feasibility of a Joint Humanitarian and Development Framework (JHDF), including with potential EU Member States.

Private Sector Development. The overarching goal of the EU's efforts aimed at private sector development is to engage this sector in the fight against poverty, and to support the private sector in its role as a driver of job creation, a provider of goods and services and a generator of the public revenues needed to underpin economically, socially and environmentally sustainable development.

Gender Action Plan (GAP) II⁵ (2016-2020). The programme is in line with the objectives fourteen and fifteen of the GAP II, respectively 'Access to decent work for women of all ages' and 'Equal access by women to financial services, productive resources including land, trade and entrepreneurship'.

1.3 Public Policy Analysis of the partner country/region

The proposed programme interventions are aligned with the policy of the Government of Yemen and the EU framework on resilience. The Government of Yemen has placed resilience very high on its agenda, with a number of policies and strategies in place (National Agriculture Sector Strategy, National Food Security Strategy, National Strategy for Renewable Energy and Energy Efficiency). However, the lack of resources and collapse of institutions due to the conflict have prevented a significant progress in their implementation.

The Yemeni Minister of Planning and International Cooperation has recently presented the 'Reconstruction and Economic Recovery Plan', which sets the urgent priorities for the country. Among those, the Plan identifies: 1) reinvigorating the state institutions and restoring security and political stability; 2) responding to the humanitarian needs of the conflict-affected groups; 3) restoring the provision of basic services; 4) restoring stability, macro-economic recovery & creating jobs; 5) reconstructing damaged infrastructure.

Similarly, the Ansarallah/Houthi movement (through the main Houthi-run aid body - NAMCHA) has drafted a 'Needs Plan for 2019', which focuses on four strategic goals: 1) life-saving and alleviating the suffering of the most vulnerable people in Yemen, through providing effective and targeted services; 2) increasing community resilience and improving livelihoods to access basic services; 3) supporting local authorities and service institutions to be able to respond to emergencies; 4) responding, mitigating and addressing protection needs.

Yemen is a party to seven of the nine core international human rights treaties and to the Optional Protocols to the Convention on the Rights of the Child on the involvement of children in armed conflict and on the sale of children, child prostitution and child pornography. As a party to those instruments, Yemen is legally bound to respect, protect and fulfil the human rights of those within its jurisdiction. Despite the approval by the Yemeni Cabinet, the country's Parliament has yet to approve the ratification of a number of human rights instruments, namely, the International Convention for the Protection of All Persons

⁵ SWD (2015) 182 final "Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020" endorsed by Council Conclusions (13201/15 of 26/10/2015)

https://ec.europa.eu/europeaid/joint-staff-working-document-gender-equality-and-womens-empowerment-transforming-lives-girls-and_en

from Enforced Disappearance, the Rome Statute of the International Criminal Court, the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime.⁶

1.4 Stakeholder analysis

At local level:

- **Local authorities.** Selected districts, governorate councils and their administrative arms should develop and implement district and governorate economic and social development plans, which should have a direct impact on service delivery and social protection.
- **Community Development Committees and Village Cooperative Councils.** Community-elected representatives and community-level bodies will be involved in the implementation of the action.
- **MSMEs.** They are the main employer in the country, creating opportunities for thousands of people entering the labour force every year. Yet they face tremendous challenges that will be tackled with this action.
- **Commercial banks.** The weakening of Yemen's commercial and Islamic banks has had wide-ranging consequences: black market activity, exchange rate destabilization, and increased difficulty for traders to finance imports.
- **Capacity building organisations.** Existing organisations, such as Reyadah and Yemen Microfinance Network, could empower microfinance banks and entrepreneurs to act as agents of economic recovery. The Yemen Microfinance Network (YMN) is a non-profit Non-Governmental Organisation (NGO) co-founded by the United Nations Development Programme (UNDP) and the Yemeni Social Fund for Development (SFD) as the Yemen's national microfinance association in 2010
- **Women's associations.** With the armed conflict, a new window for women's involvement in the labour market has been created. It is crucial to support the current changes to ensure that women acquire the necessary skills and enter the labour market.
- **Business associations.** Business associations in Yemen are generally weak, and very few MSMEs are members of organizations that could advocate their interest or provide them with needed services.

⁶ Situation of human rights in Yemen Report of the United Nations High Commissioner for Human Rights**, 4 August 2016, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G16/172/38/PDF/G1617238.pdf?OpenElement>

- **Water Management Committees and Insider Mediators.** Responsible for the management and functioning of water and sanitation services, and for mediating through peaceful conflicts resolution mechanisms at community level.
- **Water User Associations (WUAs).** The objective of WUAs is the effective participation of farmers in the planning, design and execution of the rehabilitation and improvement of spate irrigation systems.
- **Public Works Project (PWP).**

At national level:

- **Ministry of Planning and International Cooperation (MoPIC).** Some of the Ministry's functions are to prepare strategies for development, as well as to identify private sector development policies and provide a suitable environment for investment. It will play an active role in monitoring and evaluation of this action.
- **Ministry of Local Administration.** Responsible for overseeing the implementation of local councils and for providing capacity building to the councils through District and Governorate Facilitation Teams.
- **Ministry of Industry and Trade.** This ministry has a section serving the private sector under its Business Services sector.
- **SFD⁷.** The Fund has proven to be an effective option to channel foreign aid through weak government institutions, while having a nation-wide presence to implement community-based cash-for-work programmes and to support community-based organisations. It will be a key partner in the implementation of the action.
- **Small Micro Enterprise Promotion Service (SMEPS).** It was first established in Yemen in 2005 and it is subsidiary of the SFD. It is in charge of facilitating business development services to businesses and entrepreneurs.
- **Ministry of Finance.** The Ministry's mission is to develop and implement effective fiscal policies that achieve financial stability, secure financial resources that meet development needs, and achieve sustainable growth targets that are primarily focused on improving the quality of life of citizens).
- **Ministry of Technical Education and Vocational Training.** Through its nation-wide network of vocational training centres, it can assist all training-related activities under the programme, namely the improvement of vocational skills and other life skills. Also private sector training facilities can be tapped on to provide skill training, when necessary and required.

⁷ www.sfd-yemen.org

- **National Economic Committee (NEC).** The government established the NEC in August 2018, with the aim of advising and assisting the Aden central bank in stabilizing the Yemeni Rial⁸.
- **Central Bank of Yemen.** While the central bank in Aden has gradually developed greater capacities and has the privileges associated with being internationally recognised, it still lacks the institutional and technical capacity to supervise domestic banking operations or evaluate banks' liquidity needs, among other deficiencies. Meanwhile, the central bank in Sana'a has minimal reserves and is unable to carry out international transactions⁹.

1.5 Problem analysis/priority areas for support

Given Yemen's fragile state institutions, complex political landscape and uncertain outlook for a political settlement on the one hand, and the deteriorating humanitarian, economic and security situation on the other, the risk of a complete institutional collapse is not to be discounted – if actions to prevent it are not taken promptly.

Politically, the influence of the Government has further reduced. The state as a collection of institutions is no longer functioning. The current crisis weakened the institutional arrangements both at vertical and horizontal levels and the trust deficit between community and their duty bearers has widened. The social contract at the local level is breaking up, which aggravates further social tension and conflict among community and institutions.

The gap between communities and local authorities remains wide and more efforts are needed to develop viable interface mechanisms between local authorities and communities at the sub-district level. Basic local development planning mechanisms for guaranteeing equitable and accountable distribution of public goods and services among communities need to be re-established. The relation between central and local level needs to be reconsidered and the capacities of local institutions have to be re-built to ensure their ability to fulfil their basic functions.

However, the situation on the ground is very diverse. In some provinces, local authorities have strengthened their reach and service delivery capacity: they are closer to the citizens and have more potential to have an impact, but they have been left with little resources to provide services. Community-level governance is currently considered the main vehicle for local stability, and a factor that would contribute to stabilization efforts and peace nationally. Targeting the local level – local authorities and communities – will be instrumental to reaching the conflict-affected population and alleviate the hardship they currently experience.

The ongoing conflict dynamics in Yemen have severely damaged the economic infrastructure of the country and caused a liquidity crisis of unprecedented dimension, with serious consequences on the primary source of income of almost half of Yemeni households. In many areas the private sector stepped in to help fill the gap in public services delivery, and if strong enough, it may likely facilitate socio-economic recovery and reconstruction after the conflict ends.

⁸ Sana'a Center for Strategic Studies, *Revitalizing Yemen's Banking Sector: Necessary Steps for Restarting Formal Financial Cycles and Basic Economic Stabilization*, 2019
<http://sanaacenter.org/publications/analysis/7049>

⁹ *Ibid.*, 13

The conflict is having a pervasive impact also in the private sector. Yet, circa 75% of enterprises in Yemen are still trading. The private sector plays a vital role in turning the wheel of economic activity in Yemen. Therefore, enabling the private sector to become more resilient to conflict and early post-conflict, can manifest in communities becoming better able to deal with risks and shocks by increasing economic self-reliance.

On another side, working with the private sector on income-generation opportunities is of critical importance for improved food security and nutrition, as one of the driving factors of food insecurity is the lack of financial resources and the erosion of purchasing power. Yemen imports most of the food and the depreciation of the Yemen Riyal against the United States' Dollar (USD) heavily affected the families' purchase capacity. The main factors that pushed up the cost of food are high import taxes, double taxation of commodities, movement restrictions and insecurity disrupting market supplies, lack of credit for traders, shortages and high prices of fuel increasing transport/storage costs. In October retail prices of food commodities were 70-180% higher than in the pre-crisis period and national average fuel prices 140-260% higher and expected to rise further. The average cost of the monthly minimum food basket was 140% higher than before the crisis. In December 2018, prices of the most important staples had increased significantly – between 12 and 43% – compared to their year-earlier levels¹⁰.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Ongoing protracted conflict, insecurity and sporadic restrictions of movements.	H	Undertake regular security assessments and continuous monitoring of security conditions for remedial actions as needed. Capacity building of local staff and Yemeni NGOs to ensure continuation of project implementation, should no international staff be allowed on the ground.
Corruption and fraud may affect some of the activities at local level.	H	Increased monitoring by a third party contracted by the EU. Ad-hoc field visits by EU local staff and international staff. Coordination with other donors and their monitoring tools.
Lack of financial resources of local authorities and civil servants.	L	Capacity development of local authorities to support local-level resource mobilisation and internal revenue sharing, and to improve financial management and strengthen accountability frameworks to be able to absorb donor funding. Organisational management support to achieve higher outputs with the limited human resources available. The Action can also privilege first districts and governorates with higher financial and staff capacities in order to deliver quick results, while the situation might improve in other deprived areas pending progress in the peace process.

¹⁰ The World Bank, *Securing Imports of essential food commodities to Yemen*. 2017

Risks	Risk level (H/M/L)	Mitigating measures
Economic and financial collapse, which may include currency devaluation, hyperinflation, diminishing of foreign reserves, rupture of imports and restrictions in the banking system.	H	Assess the feasibility of using alternative financial providers. Minimise the project's financial requirements to few weeks and prepare and implement proper projection of financial requirements. Also review the feasibility of providing in-kind assistance for work, and minimise heavy investments.
Impact of climate change and resilience in particular on water scarcity.	H	Traditional and innovative water harvesting techniques to improve water availability to rain-fed farmers and pastoralists, who are highly vulnerable to climate change. Formulation of long-term, climate resilient water plans that include integrated water harvesting. Promotion of socio-economic benefits of water harvesting. Awareness raising programmes to promote socio-economic benefits of water harvesting.
Assumptions <ul style="list-style-type: none"> • The impact of the overall conflict does not worsen security extensively, therefore, the majority of the targeted areas remain accessible; • Local authorities' decision-making and implementation mechanisms are still operating; • The parties to the conflict are supportive of this project in both regions; • The current liquidity challenges and lack of salary for civil servants are improved or stay at a manageable level; • The port of Hodeida remains open for supply of basic livelihood needs of households by traders and imports of key solar equipment. 		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

- **Livelihood stabilisation and community assets rehabilitation for resilience building.** Stabilisation of livelihoods is a prerequisite for resilience building, to guarantee immediate cash and income-generation opportunities and contribute to assets rehabilitation and building at the community level. This was confirmed by the Enhanced Rural Resilience in Yemen (ERRY) Joint Programme mid-term review, which showed that the programme's livelihoods and economic empowerment activities, especially those focused on rehabilitating communal assets, had the most notable impacts on the capacity of households and communities to manage the ongoing shock.
- **Strengthening the capacity of Local Institutions.** The community's self-help mechanisms and social networks need to be strengthened to effectively respond and address shocks and risks. Communities and institutions need to be supported to be able to effectively

identify the priority areas of support best suited to their needs, leverage the available local resources and identify gaps in the planning for the related responses. Indeed, the ERRY mid-term review showed that Village Cooperative Councils (VCCs) and their capacity-building constitute a power tool to leverage synergies, to effectively reach vulnerable groups, and to optimise impacts.

- Increased Women Participation and Economic Empowerment. One of the key lessons learned is that women's participation in social cohesion and conflict resolution as insider mediators has contributed significantly to addressing resource-based conflicts. In addition, skills development, dairy product processing and small business support provided to women groups have led to considerable improvements in food and nutrition security and income for households. However, structural barriers hamper women's economic empowerment, since the ongoing conflict has placed them in a positions of increased vulnerability. An assessment of trends during 2015 revealed that girls and women were at an increased risk of physical assault. The Gender-Based Violence Information Management System, established in Yemen in 2015 and led by the United Nations Population Fund, has indicated that, among other issues, forced marriage has been a growing trend during the conflict¹¹.

3.2 Complementarity, synergy and donor coordination

There are several initiatives in the resilience sector currently under implementation in Yemen. The action complements the **UNDP and World Bank 'Emergency Crisis Response Project'** (ECRP - phases I and II) as it contributes to common objectives of livelihoods stabilisation, community assets rehabilitation, support to agriculture-based Small and Medium-sized Enterprises (SMEs) - including farmers, fishermen, and livestock producers – and of strengthening local capacities for service delivery. The proposed action will closely coordinate with SFD on the implementation of the labour-intensive cash for work activities, to avoid any overlap in the targeting of beneficiaries and ensure that the interventions are spread out to benefit more people in need.

This action is designed to complement the ongoing **EU-funded ERRY Joint Programme** (phases I and II), which contributes to reduced vulnerability and strengthened resilience of rural communities in Yemen, through the creation of sustainable livelihoods and improving access to basic services. While ERRY is benefitting rural communities, the proposed action will aim to achieve a balance of urban/peri-urban and rural areas. Complementarities will be sought in order to avoid overlaps and concentrate on institutions rather than communities.

Synergies are sought with the **Islamic Development Bank's (IsDB) programme 'Business Resilience Assistance for Value-adding Enterprises' (BRAVE)**, which started in August 2016. BRAVE's objective is to enhance resilience of the private sector, focusing on pro-poor sectors like agri-business, fisheries, food-processing, private health care and garmenting. It is jointly implemented by the IsDB, the SFD and four local banks. BRAVE has a financial component (grant-matching support for capital expenditures of MSMEs) implemented by the banks, and a capacity building component to enhance business resilience implemented by SMEPS, in addition to an IT platform that facilitates monitoring and evaluation by live-tracking all aspects of the programme. The IsDB just started the implementation of a 'spin-off' of BRAVE focused on women. Both BRAVE and BRAVE

¹¹ Situation of human rights in Yemen Report of the United Nations High Commissioner for Human Rights**, 4 August 2016, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G16/172/38/PDF/G1617238.pdf?OpenElement>

Women offer an opportunity for expansion, by building on the established implementation structure, involving the SFD, an IT platform and a qualified businesses database.

Linkages are ensured with the EU-funded project **‘Support to youth's entrepreneurship and financial inclusion’**, implemented by Silatech, which aims at contributing to the stabilisation of the country, by creating conditions for youth economic empowerment through support to job creation, entrepreneurship, and access to capital and markets.

The Action also shares the same strategy as the **‘Strengthening Inclusive Local Governance and Peacebuilding’** project implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). This initiative works on: (i) governance mechanisms, by supporting inclusive consultative structures that can work with governorate administrations as an alternative to the local councils that have all but ceased functioning; and (ii) service delivery, by funding small projects (maximum EUR 10 000) selected by the consultative structures and governorate authorities. The Action will seek close coordination with this project as they both target local authorities as main partners on the ground and have similar objectives in the longer-term as well (i.e. institutional resilience).

The action will also take into account the output of the **‘Rethinking Yemen's Economy – Towards a Sustainable Future’** project, funded under the European Instrument for Democracy and Human Rights (EIDHR) and the Instrument contributing to Stability and Peace (IcSP), and implemented by CARPO, DeepRoot Consulting and The Sana'a Center for Strategic Studies. This project contributes to peacebuilding, conflict prevention and stabilization in Yemen, by fostering dialogue around the financial, economic and developmental situation in Yemen, and it has presented concrete policy proposals that identify Yemen's economic, humanitarian, social and development priorities in light of the ongoing conflict, and prepare for the post-conflict recovery period.

Donor coordination. Improved coordination among various development partners is crucial in order to build complementarity and synergy between humanitarian and development interventions. Currently, the United Nations Resident Coordinator is facilitating most donor coordination amongst various partners. The EU Delegation is leading the coordination between EU Member States through the EU Counsellors Meetings. Other coordination efforts are undertaken in the framework of the Head of Mission meetings and Programme Steering Committees, which focus on avoiding duplication and ensuring that gaps within the selected areas are covered.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objectives, expected outputs and indicative activities

Overall Objective:

Strengthening the socio-economic resilience of Yemen.

Specific objectives:

Component 1 – institutional resilience

1. Local institutions better deliver critical public services;

2. Conflict-affected local governance systems¹² become more inclusive and rule-based.

Component 2 – economic resilience

3. Key central level economic institutions lead economic recovery and private sector development;
4. Resilience and development of the private sector is enhanced, focusing on job creation and employment of the youth, women and IDPs.

Expected Outputs:

Component 1 – institutional resilience

Under specific objective 1

1. Increased capacity of selected local authorities to manage resources and to deliver critical public services in partnership with community organisations – with a focus on vulnerable groups (women, youth, IDPs, etc.) – and the private sector.
2. Improved access to safe and sustained-quality basic public services, such as education, health, water and energy for conflict-affected population in Yemen.

Under specific objective 2

3. Enhanced capacities of local authorities to foster social cohesion, build trust between citizens and local authorities, and promote conflict resolution and mitigation at the local level, with a gender focussed approach.
4. A Yemeni network of local entities for sharing best practices is promoted¹³, with possible linkages to international local authorities associations.
5. The capacity of relevant central authorities to better work with the local level and vice versa is enhanced.

Component 2 – economic resilience

Under specific objective 3

1. The capacity of key economic institutions (e.g. Central Bank of Yemen, Ministry of Finance) is reinforced to revamp effective economic governance and recovery.

Under specific objective 4

2. Access to finance for MSMEs in selected value chains (e.g. agriculture, fisheries, garments, renewable energies) is improved, with special attention to women-run businesses.

¹² The terminology “local governance systems” describes the combined local stakeholders and processes that are necessary to deliver the main outputs needed for Yemen’s resilience: social peace, basic services and decent livelihoods. The focus is on how local authorities are able to respond to needs in an effective, inclusive and accountable manner, namely: work with community representatives to understand needs and prioritize projects; develop relevant plans and budgets; mobilize the resources for these plans (local revenue collection); report transparently on how available resources have been used according to initial plans and with what results.

¹³ Taking into account the existing ones.

3. The capacity of local financial institutions to target MSMEs is improved, including through tailored programmes for women entrepreneurs.
4. Core skills of job-seekers, employees and entrepreneurs are improved, targeting selected value chains and including equal opportunities for women.

Indicative Activities:

Component 1 – institutional resilience

To achieve output 1

- 1.1 Developing community-driven governance systems to promote local decision processes.
- 1.2 Piloting sub-district level consultative structures and mechanisms to improve the interface between district authorities and village-level communities and increase their cooperation.
- 1.3 Grants for small-scale investments/projects supporting resilience of local population with the involvement of local authorities and possibly communities.
- 1.4 Establishing local development fund-type mechanisms within local authorities to allocate sub-grants addressing priority service delivery issues.
- 1.5 Training local authorities to adapt their organizational structures and processes to reach higher efficiency in a conflict-affected context and secure the core resources, human and financial.

To achieve output 2

- 2.1 Improvement or rehabilitation of water, sanitation and hygiene (WASH) basic services.
- 2.2 Rehabilitation of educational facilities at local level and provision of schools supplies.
- 2.3 Cash assistance to vulnerable children attending school and their families.
- 2.4 Training of teachers on pedagogical, social and emotional learning, and rollout in classrooms.

To achieve output 3

- 3.1 Implementing community-based initiatives to support trustful coexistence among community actors and local authorities.

To achieve output 4

- 4.1 Supporting the creation and strengthening of local platforms involving the private sector, local authorities, and communities to design common initiatives at local level.
- 4.2 Supporting synergies of local authorities with the UCLG-MEWA¹⁴ for sharing best practices among local governance actors worldwide.

To achieve output 5

- 5.1 Training of relevant Ministries on how to better respond to local priorities, institutional management and international funds management;
- 5.2 Training of the staff of the Ministry of Education on monitoring and quality standards; enhancing engagement with local leadership; development and operationalisation of school improvement plans.

¹⁴ United Cities and Local Governments Middle East and West Asia Section.

Component 2 – economic resilience

To achieve output 1

- 1.1 Training needs assessment of key economic institutions operating at central level.
- 1.2 Training of key economic institutions.

To achieve output 2

- 2.1 Assessment of MSMEs' needs and capacities in Yemen.
- 2.2 Micro-grant schemes to selected MSMEs.
- 2.3 Preparation of business and sustainability plans.
- 2.4 Network of MSMEs to share experience, information, and know-how, as well as to create business opportunities.

To achieve output 3

- 3.1 Training needs assessment with the potential beneficiaries.
- 3.2 Training of staff of local financial institutions.
- 3.3 Joint information sessions involving staff of local financial institutions and entrepreneurs.
- 3.4 Advisory support for microfinance, insurance, loans to small and medium enterprises and women-owned businesses, and low- and medium-income mortgages.

To achieve output 4

- 4.1 Specific training programme for job seekers, employees and entrepreneurs;
- 4.2 Training-of-trainers workshop targeting selected female trainers.

4.2 Intervention Logic

Local stability can be influenced by various factors, and local governance - including at community level - can greatly steer such process. It is commonly acknowledged that communities accompanied by functioning local authorities can positively contribute to local resilience, social cohesion and eventually stability. The international community also agrees that Yemen not only requires humanitarian assistance, which should be temporary by definition, but also a development effort that coordinates local resilience at community and institutional level, which should instead trigger sustainability. As a matter of fact, self-reliant communities, effective local authorities and a lively private sector are fundamental to respectively enhance local resilience, the delivery of basic services and the creation of employment opportunities. This action will strengthen local institutions and make them more inclusive, so that they will eventually be able to better deliver basic services – including education, health, water and energy supply – with the direct involvement of partnership organisations and the private sector. Special attention will be dedicated to basic education through targeted activities, which will facilitate access to it for conflict-affected

pupils. With this action, the education ecosystem will be strengthened through increased capacity of local education stakeholders, including the Ministry of Education, local authorities, school management and the education coordination forums to sustain capacity development efforts for teachers and school administrators.

In order to strengthen the economic resilience of the country, the EU's support will be twofold. Firstly, the EU will enhance the capacity of key economic institutions to revamp effective economic governance and recovery. This should create an enabling environment for private sector development. Secondly, the EU will support selected MSMEs working on specific value chains, increasing credit worthiness, job creation and skills development. Supporting MSMEs integrated in value chains (such as agribusiness, fisheries, garments, and alternative energy), in addition to livelihoods for Yemeni youth and women, provides the seeds for the development of an economic base that could underpin post-conflict economic development. Furthermore, one of the main reasons for food insecurity in Yemen is the lack of financial resources. Therefore, interventions supporting income-generation opportunities and a focus on agricultural and fisheries value chains shall also contribute to improved food security and nutrition.

In particular, the action will take into account the different conditions, needs, participation rates and restrictions to accessing resources faced by women (e.g. participation rates in specific value chains, lower credit worthiness, savings and collateral, as well as restrictions to control assets/ownership).

In the long-term, this Action – while positively contributing to reinforcing the humanitarian-development nexus – should strengthen the institutional and economic resilience in Yemen. The two components are planned to complement each other: more effective local institutions will support the private sector, which will actively contribute to local resilience by creating employment opportunities for the communities. At the same time, the link between central and local level institutions will be reinforced.

4.3 Mainstreaming

Social cohesion will be streamlined and strengthened through addressing conflict drivers at the community level, enhancing inclusion, fair community resource allocation and sense of belonging via participatory mechanisms of Community Development Committees and similar structures.

Gender equality - The programme's activities will contribute to strengthening women empowerment and inclusion at all stages of implementation, considering the social and cultural barriers women face in Yemen. The programme will promote women's economic empowerment. Every intervention will take into account the findings and recommendations of the Gender Analysis – Yemen, undertaken to identify how it will contribute to gender equality and women's empowerment in line with the priorities set in the GAP II

Environment and Social Safeguard - Any activity that would involve rehabilitation or construction of assets will entail an environmental and social impact assessment. Environmental and Social Safeguard guidelines will be prepared and implemented. Moreover, access to water being an important source of conflict, any project activities will be identified through the local communities to positively contribute to social cohesion and resolve conflicts around water.

Conflict Sensitivity - Measures will be taken to avoid aggravating the existing conflict or creating additional sources of tension ('Do No Harm' principle). Conflict drivers at the community level will be analysed and defused through support to mediation.

Sustainability of Results - Resilience building aims to strengthen capacities and assets that enable communities, households and individuals to manage and sustain their livelihoods and developmental activities beyond the programme. By working with local and community institutions in civil society and private sector, which can contribute to the objectives of the programme, it will strive to create a support network of institutions that communities can continue to access beyond the programme.

4. 4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of **SDG 16 Peace, Justice and Strong Institutions**, **SDG 4 Quality Education**, **SDG 3 Good Health and Well Being**, **SDG 8 Decent Work and Economic Growth**, and **SDG 2 Zero Hunger**.

The proposed action, aiming at reinforcing the capacity of the local actors to deliver critical basic services, will have a significant impact on the country's stabilisation and peace process. It will therefore contribute to the achievement of the SDG 16 – target 16.6 'Develop effective, accountable and transparent institutions at all levels'.

Considering the focus on education, the action will support the young generation exposed to military recruitment, child labour, early marriage, and conflict-related physical or psychological trauma, hence contributing to the SDG 4 – target 4.7¹⁵.

Moreover, potential improvements in enabling the business environment will encourage private sector engagement and create more employment, therefore contributing to the achievement of SDG 8 – target 8.5 'Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value'.

Transitioning towards more sustainable and resilient societies also requires an integrated approach that recognizes the interlinked nature of the SDGs. By strengthening the delivery of basic services such as health, education, or water and sanitation, the action could have an impact on SDG 2 Zero hunger, SDG 3 Good health and well-being for people, and SDG 6 Clean water and sanitation.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, a financing agreement with the partner country is not foreseen.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements

¹⁵ By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.

implemented, is 60 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities for an action under project modality

The Commission will ensure that the appropriate EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁶.

5.3.1 *Indirect management with an international organisation*

A part of this action (Component 1) may be implemented in indirect management with the UNDP. This implementation entails the enhancement of local authorities' and communities' resilience to support delivery of critical public services, and to facilitate social cohesion and reconciliation. The envisaged entity has been selected using the following criteria:

1. the specific technical expertise with local authorities and communities, proven in a number of interventions, particularly in conflict-affected countries and both with internationally recognised and/or *de facto* authorities;
2. the implementing capacity, including in fragile contexts;
3. the capillary presence in the country and the ability to mobilise resources safely and reliably in a crisis context;
4. the specific knowledge of local governance matters. All these criteria make the UNDP a suitable candidate for such intervention. The selected entity will be encouraged to associate with international non-governmental organisations (INGOs).

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.3.2 *Indirect management with an international organisation*

A part of this action (Component 2 – specific objective 3) may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

1. proven experience in the region;
2. relevant technical expertise in financial and economic matters;
3. previous experience in conflict affected countries;
4. proven experience in capacity building of institutions. The implementation by this entity entails to support the capacity building of key economic institutions.

¹⁶ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.3.3 Indirect management with an international organisation/EU Member State organisation

A part of this action (Component 2 – specific objective 4) may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

1. proven experience in the region;
2. relevant technical expertise in financial and economic matters, particularly on MSMEs;
3. previous experience in conflict affected countries;
4. A track record of interventions in support of the private sector, particularly in crisis affected countries and with focus on youth and women. The implementation by this entity entails supporting resilience and development of the private sector, as well as job creation and employment with a focus on youth, women and IDPs. The selected entity will be encouraged to associate with local stakeholders in the field, such as Reyadah (Al-Amal Foundation for Training and Entrepreneurship), the Yemen Microfinance Network, and the SFD.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
5.3.1 Component 1 (specific objective 1 & 2) – Indirect management with an international organisation - UNDP	49 800 000	
5.3.2 Component 2 (specific objective 3) – Indirect management with an international organisation (to be identified)	8 800 000	
5.3.3 Component 2 (specific objective 4) – Indirect management with an international organisation or a Member State organisation (to be identified)	20 000 000	
5.7 Monitoring and evaluation	300 000	

5.8 Audit	100 000	
Totals	79 000 000	

5.6 Organisational set-up and responsibilities

For each component of the action, a **Steering Committee (SC)** will be established. The SC is the programme oversight and advisory authority, representing the highest body for strategic guidance, fiduciary and management oversight/coordination. It will be responsible for the oversight of both components of this action. The SC is co-chaired by a senior representative of the Ministry of Planning representing the Government of Yemen, the implementing partner(s) and a representative of the European Union. Observers can be invited to attend the SC on a regular or an ad hoc basis. The Steering Committee will meet at least bi-annually. The Secretariat will be ensured by the implementing partner(s).

5.7 Performance and Results monitoring and reporting

Complementary to the implementing partners' own monitoring systems, a robust result-based monitoring and evaluation system will be put in place to track project implementation progress. At the inception phase, baseline surveys and assessments to verify some of the anticipated risks will be carried out, including the introduction of necessary amendments to the set of indicators, if needed. Similarly, at the end of the implementation, an end line survey will be conducted by the partners to assess the impact of the activities. Institutions and communities will be strongly involved in the monitoring of the activities performed.

A third party monitoring service – which may be contracted for other EU funded actions – could be tasked with field visits in the areas where activities of the action will be taking place. The aim of this would be to assess, in pre-set intervals, the progress of the project against its stated objectives and timeframe. Monitors may also visit the end beneficiaries (targeted populations) and conduct surveys of assessing the impact of the actions. Furthermore, constant monitoring will feed the observations made to the Contracting Authority in order to timely identify challenges and shortfalls.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

SDGs indicators and, if applicable, any jointly agreed indicators, such as for instance per the Joint Programming document, should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and a final evaluation may be carried out for this action or its components via independent consultants contracted by the Commission. During these evaluations specific attention will go to the gender dimension and the respect of the 5 working principles of the rights-based approach (applying all rights, non-discrimination, participation, accountability and transparency). Therefore, gender and human rights expertise will be part of the evaluation teams.

The mid-term evaluation will be carried out for learning purposes, in particular with respect of upscaling or replication perspective.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that further actions will be needed due to the level of vulnerabilities and state fragility.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

In addition to the communication and visibility activities of the project, the EU Delegation has a full time Communication officer, who ensures enhanced communication and visibility of the EU Cooperation in Yemen.

LIST OF ACRONYMS & ABBREVIATIONS

CBY	CENTRAL BANK OF YEMEN
CSO	CIVIL SOCIETY ORGANISATIONS
DEVCO	EU DIRECTORATE-GENERAL FOR INTERNATIONAL COOPERATION AND DEVELOPMENT
ECHO	EU DIRECTORATE-GENERAL FOR EUROPEAN CIVIL PROTECTION AND HUMANITARIAN AID OPERATIONS
EU	EUROPEAN UNION
GDP	GROSS DOMESTIC PRODUCT
IDPS	INTERNALLY DISPLACED PEOPLE
IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
ISDB	ISLAMIC DEVELOPMENT BANK
JHDF	JOINT HUMANITARIAN AND DEVELOPMENT FRAMEWORK
LAL	LOCAL AUTHORITY LAW
LC	LOCAL COUNCILS
MFIS	MICRO FINANCE INSTITUTIONS
MOPIC	MINISTRY OF PLANNING AND INTERNATIONAL COOPERATION
MSMES	MICRO, SMALL AND MEDIUM ENTERPRISES
NAMCHA	NATIONAL AUTHORITY FOR THE MANAGEMENT AND COORDINATION OF HUMANITARIAN AFFAIRS AND DISASTER RECOVERY
NDC	NATIONAL DIALOGUE CONFERENCE
NEC	NATIONAL ECONOMIC COMMITTEE
NGOS	NON-GOVERNMENTAL ORGANIZATIONS
OSESGY	OFFICE OF THE SPECIAL ENVOY OF THE SECRETARY-GENERAL FOR YEMEN
PWP	PUBLIC WORK PROJECT
SFD	SOCIAL FUND FOR DEVELOPMENT
SMEPS	SMALL MICRO ENTERPRISE PROMOTION SERVICE
UAE	UNITED ARAB EMIRATES
UN	UNITED NATIONS
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
VCCS	VILLAGE COOPERATIVE COUNCILS
WB	WORLD BANK
WUAS	WATER USER ASSOCIATIONS
YMN	YEMEN MICROFINANCE NETWORK

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁷

The indicative AD logframe should have a maximum of 10 expected results (impact, outcome and output) and associated indicators. On the basis of this indicative logframe matrix, a more detailed logframe(s) might be developed at contracting stage linked to this AD. The indicative logframe matrix will evolve during the lifetime of the Intervention. The activities, the expected outputs and related indicators are indicative and may be updated during the implementation of the Intervention as agreed by the parties (the European Commission and the implementing partner/s).

The logframe matrix must be used for monitoring and reporting purposes. At the latest in the first progress report, implementing partner/s should include the complete logframe including all baselines and targets for each indicator. Each progress report should provide the most up to date version of the logframe as agreed by the parties (the European Commission and the implementing partner/s) with current values for each indicator. The final report should enclose the logframe with baseline and final values for each indicator.

Indicators to be presented, when possible, disaggregated by sex, age, urban/rural, disability, any disadvantaged group, income quintile etc.

Additional notes: The term "results" refers to the outputs, outcome(s) and impact of the Action. Assumptions should reflect risks and related management strategies identified in the Risk analysis."

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	Strengthening the socio-economic resilience in Yemen	# of Yemenis in need of assistance (sex, age and migration status disaggregated)	Humanitarian Needs Overview Dataset (OCHA)	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	<ol style="list-style-type: none"> Local institutions better deliver critical public services (<u>component 1 – institutional resilience</u>) Conflict-affected local governance systems become more inclusive and rules-based (<u>component 1– institutional resilience</u>). Key central level economic institutions lead economic recovery and private sector development (<u>component 2 – economic resilience</u>). Resilience and development of the private 	<ol style="list-style-type: none"> 1.1 # of government policies developed or revised with civil society organisation participation through EU support *(EURF 2.25) – SDG 16 2.1 % change in the investment budgets of local authorities. 3.1 # of SMEs receiving assistance from government institution to develop a business plan 	Progress and monitoring reports	<ul style="list-style-type: none"> The impact of the overall conflict does not worsen security extensively, therefore, the majority of the targeted areas remain accessible; The parties to the conflict are supportive of this Action in both regions; Corruption will not jeopardise the achievement of the overall objective; The current liquidity

¹⁷ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	sector is enhanced, focusing on job creation and employment of the youth, women and IDPs (<u>component 2 – economic resilience</u>).	4.1 SMEs survival rate in the first 3 years		<p>challenges and lack of salary for civil servants are improved or stay at a manageable level;</p> <ul style="list-style-type: none"> • The port of Hodeida remains open for supply of basic livelihood needs of households by traders and imports of key solar equipment
Outputs	<p><u>Component 1 – institutional resilience</u> (specific objective 1)</p> <ol style="list-style-type: none"> 1. Increased capacity of selected local authorities to manage resources and deliver critical public services in partnership with community organisations – with focus on vulnerable groups (women, youth, etc.) – and the private sector. 2. Improved access to safe and sustained quality basic public services, such as education, health, water and energy for conflict-affected population in Yemen... <p>(specific objective 2)</p> <ol style="list-style-type: none"> 3. Enhanced capacities of local authorities to foster social cohesion, build trust between citizens and local authorities, and promote conflict resolution and mitigation at the local level, with a gender focussed approach. 	<p>1.1 # of local development plans implemented</p> <p>1.2 # final beneficiaries (disaggregated by sex, age and migration status) benefitting from improved basic services.</p> <p>2.1 # children, disaggregated by sex, age and migration status, benefitting from this Action</p> <p>2.2 School attendance rate disaggregated by sex, age and geographical distribution</p> <p>2.3 # variation of people with access to water, disaggregated by sex and migration status</p> <p>2.4 # variation of people with access to energy, disaggregated by sex and migration status</p> <p>2.5 # variation of people with access to health support, disaggregated by sex and migration status</p> <p>3.1 # of communities benefitting from social cohesion activities</p>	Monitoring reports, IPC analysis, UNICEF reports	<ul style="list-style-type: none"> • Community decision-making and implementation mechanisms are still operating; • Private sector and women are willing to engage in the activities of the Action; • Low turnover of government and local institution staff • Maintenance of rehabilitated infrastructure is ensured.

	<p>4. A Yemeni network of local entities for sharing best practices is promoted with possible linkages to international local authorities associations.</p> <p>5. The capacity of relevant central authorities to better work with the local level and vice versa is enhanced.</p> <p><u>Component 2 – economic resilience</u></p> <p>(specific objective 3)</p> <p>1. The capacity of key economic institutions (e.g. Central Bank of Yemen, Ministry of Finance) is reinforced to revamp effective economic governance and recovery.</p> <p>(specific objective 3)</p> <p>2. Access to finance for MSMEs in selected value chains (such as agriculture, fisheries, garments, renewable energies) is improved, with special attention to women-run businesses.</p> <p>3. The capacity of local financial institutions to target MSMEs is improved, including through tailored programmes for women entrepreneurs;</p> <p>4. Core skills of job seekers, employees and entrepreneurs are improved, targeting selected value chains and including equal opportunities for women.</p>	<p>4.1 Number of local authority and civil society representatives participating in the sharing of best practices (disaggregated by sector, sex, age, migration status)</p> <p>5.1. # of local authority representatives trained by this Action on increased cooperation with central level (disaggregated by sex and municipality).</p> <p>1.1 # of key economic institutions representatives trained by this Action</p> <p>2.1 # of beneficiaries with access to financial services (EURF2.13) – SDG8</p> <p>2.2 variation of farmers' income, disaggregated by gender</p> <p>3.1 # of trainings and advisory services provided to local financial institutions staff</p> <p>4.1 # of job-seekers, employees and entrepreneurs benefitting from training provided by this Action, disaggregated by sex, age and migration status</p>	<p>WB Yemen Economic Monitoring Brief, project progress report</p>	
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