

Document: EB 2020/131(R)/R.7/Rev.1
Agenda: 5(a)(i)(a)
Date: 9 December 2020
Distribution: Public
Original: English

E



President's report

Proposed grant under the global/regional grants window to the

Rural Livelihood Development Project

Republic of Yemen

Project ID: 2000002352

Note to Executive Board representatives

Focal points:

Technical questions:

Dina Saleh
Regional Director a.i.
Near East, North Africa and Europe Division
Tel.: +39 06 5459 2780
e-mail: d.saleh@ifad.org

Mohamed Abdelgadir
Country Director
Tel.: +202 25943-872
e-mail: m.abdelgadir@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board — 131st Session
Rome, 7-9 December 2020

For: Approval

Contents

Abbreviations and acronyms	ii
Map of the project area	iii
Financing summary	iv
I. Context	1
A. National context and rationale for IFAD involvement	1
B. Lesson Learned	2
II. Project description	3
A. Objectives, geographical area of intervention and target groups	3
B. Components, outcomes and activities	3
C. Theory of change	4
D. Alignment, ownership and partnerships	4
E. Costs, benefits and financing	5
III. Risks	7
A. Risks and mitigation measures	7
B. Environment and social category	7
C. Climate risk classification	8
D. Debt sustainability	8
IV. Implementation	8
A. Organizational framework	8
B. Planning, monitoring and evaluation, learning, knowledge management and communication	9
C. Implementation plans	9
V. Legal instruments and authority	10
VI. Recommendation	10

Appendices

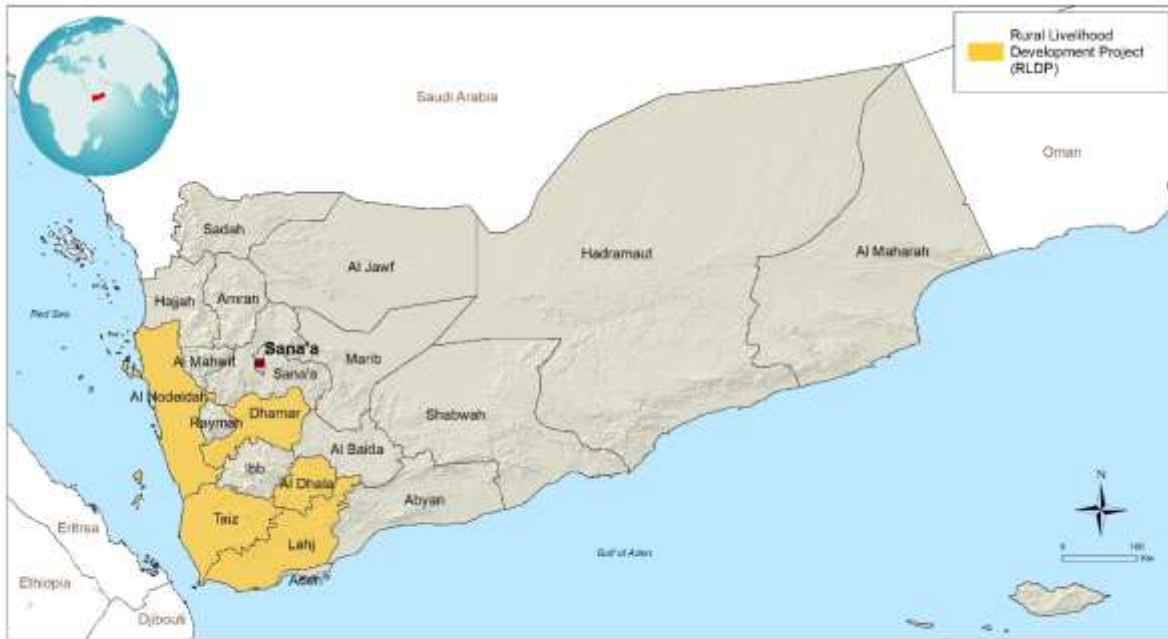
- I. Grant agreement (to be made available prior to the session)
- II. Logical framework
- III. Integrated Project Risk Matrix

Project delivery team	
Regional Director:	Dina Saleh
Country Director	Mohamed Abdelgadir
Technical Lead:	Mawira Chitima
Senior Finance Officer:	Malek Sahli
Climate and Environment Specialist:	Tarek Abdel Monem
Legal Officer:	Purificación Tola Satue

Abbreviations and acronyms

AWP/B	annual workplan and budget
FAO	Food and Agriculture Organization of the United Nations
FFS	farmer field school
GEF	Global Environment Facility
GRM	grievance redress mechanism
IFAD11	Eleventh Replenishment of IFAD's Resources
IFR	interim unaudited financial report
M&E	monitoring and evaluation
PIM	project implementation manual
RLDP	Rural Livelihood Development Project
SDG	Sustainable Development Goal
SFD	Yemen Social Fund for Development

Map of the project area



 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
IFAD Map compiled by IFAD | 04-05-2020

Financing summary

Initiating institution:	IFAD
Recipient:	Implementing partner(s)
Executing agency:	Implementing partner(s)
Total project cost:	US\$21.421 million
Amount of IFAD grant:	US\$10.0 million
Cofinancier:	Global Environment Facility (GEF)
Amount of cofinancing:	GEF: US\$10.0 million
Terms of cofinancing:	Grant
Contribution of beneficiaries:	US\$1.421 million
Amount of IFAD climate finance:	US\$5.235 million
Cooperating institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 53.

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political, economic and social context.** The Republic of Yemen is entering the sixth year of a complex conflict that is causing massive physical damage and has taken a heavy toll on the population. The economy has contracted by about 50 per cent since 2014 and gross national income is estimated to have fallen below US\$1,000 per capita. The war has also halted Yemen's exports, driven down the national currency, accelerated inflation, severely limited food and fuel imports, and caused widespread damage to infrastructure. A total of 17.8 million people lack access to safe water and sanitation, and 19.7 million are without adequate health care. Yemen's 2019 Human Development Index was 0.463, well below the average of 0.55.
2. **State of fragility.** In 2020, Yemen ranked as the worst country in the Fragile States Index. This is mainly due to the war and to the unrest that has afflicted the country since 2011, but is also deeply rooted in the social and economic inequalities hindering the country's progress towards democratic governance and fairer wealth distribution. Weak adaptive and institutional capacity together with climate-related shocks such as frequent and prolonged droughts, landslides and floods are making the poor even more vulnerable and leading to further environmental degradation.
3. **Poverty.** With the conflict escalating dramatically, 45 per cent of Yemenis surveyed in 2015 reported having lost their main source of income. Before the crisis, poverty affected almost half Yemen's population. But by 2019 the figure had increased dramatically, to 71–78 per cent. The United Nations estimated that 24.1 million people – 80 per cent of the population – were at risk of hunger and disease, with roughly 14.3 million of them in acute need of assistance. The conflict has severely disrupted agricultural production and markets, transportation and distribution systems.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with the mainstreaming commitments of the Eleventh Replenishment of IFAD's Resources (IFAD11), the Rural Livelihood Development Project (RLDP) in Yemen, herewith proposed for IFAD grant funding, has been validated as:
 - Including climate finance;
 - Nutrition-sensitive;
 - Youth-sensitive.
5. **Gender and social inclusion.** The conflict has made gender inequalities both greater and more visible. Yemen ranks last out of the 144 countries listed in the 2020 World Economic Forum's Global Gender Gap Index – its position for the last 10 years. One-fifth of Yemeni households are headed by women aged below 18, and women and children account for three-quarters of internally displaced persons. Hostilities are also linked to a rise in gender-based violence and an increase in the number of persons with disabilities.¹

¹ United Nations Development Programme, 2020, <https://www.ye.undp.org/content/yemen/en/home/sustainable-development-goals/goal-5-gender-equality.html>.

6. **Youth.** Half of Yemen's population is under 18, and over 20 per cent is aged between 15 and 24. Youth unemployment for the latter age group is 35 per cent, while two-thirds of young Yemenis have received no education.² Illiteracy and high unemployment prevent youth from contributing to Yemen's development.
7. **Nutrition.** Yemen has a long history of malnutrition. The current situation, which has worsened with the deepening economic crisis, is that 1.8 million to 2.8 million children are at risk of falling into acute food insecurity and many more face the prospect of life-threatening severe acute malnutrition. At the same time, food shortages have left an estimated 1.1 million pregnant women malnourished, and threaten the lives of 75,000 women who are likely to develop complications during childbirth and have stunted children.
8. **Climate and environment.** Historical records show that rainfall in Yemen declined by 1.6 mm every decade between 1981 and 2018. Of even greater concern, however, is the increase in rainfall variability, with precipitations unevenly distributed across the country. This threatens crop yields and reduces the livestock-carrying capacity of rangelands. Floods have been increasing too lately, with three inundations occurring in 2019 alone. The likelihood of drought has also increased significantly in this century. Yemen will likely suffer from more frequent extreme events driven by climate change.

Rationale for IFAD involvement

9. Since the suspension of IFAD activities in the country in 2015, the Government of Yemen has been continuously asking for IFAD's re-engagement. It argues that humanitarian support is not enough to rebuild livelihoods and that development assistance is needed. The Government's request is coherent with IFAD's strategy for countries in fragile situations and its Special Programme for such nations. It also reflects the Fund's global experience, which indicates that while humanitarian aid is crucial, responsible and targeted investment in agriculture and rural development can make a major contribution to peace and stability. While IFAD has completed all the internal procedures enabling it to re-engage in the country, the Government of Yemen cannot access the performance-based allocation system because of arrears in its debt payments. However, in November 2019, IFAD Management agreed to exceptionally allocate US\$10 million from IFAD grant resources for the RLDP.

B. Lesson learned

10. Based on lessons from previous investments, the project will adopt a community-driven approach to achieve equal and fair distribution of resources, while maintaining flexibility in order to accommodate any changes on the ground in an unpredictable environment. The experience of other agencies such as FAO, the Yemen Social Fund for Development (SFD) and the World Bank suggests the importance of: (i) connecting conflict-affected persons with development programmes to strengthen their capacities and build their resilience; (ii) focusing on vulnerable households and women; (iii) sustaining mentoring support; (iv) regularly reviewing performance to incorporate the lessons emerging from the field; (v) working closely with local communities following a demand-driven approach; (vi) using implementing partners with a strong field presence as key to ensuring that the community-based approach is implemented systematically; and (vii) keeping government line agencies involved in capacity-building and engagement with communities for long-term sustainability.

² International Labour Organization, 2019.

II. Project description

A. Objectives, geographical area of intervention and target groups

11. **The goal of the project** is to rebuild communities' resilience to economic and environmental shocks and improve the livelihoods of poor, excluded and deprived people.
12. **The development objective** will be to improve the food security and the incomes of small-scale farmers through increased agriculture production and strengthened resilience to climate risks.
13. **Outreach.** It is expected that the project will benefit 26,000 households, or 175,000 people, based on an estimate of 6.7 people in each household. The project will also directly target women and youth, reaching 64 per cent of women and 53 per cent of youth in the intervention area. This corresponds to 11,500 women and 9,600 youth.
14. **Duration.** The project will be implemented over five years.
15. **Geographical area of intervention.** The project will cover the governorates of Dhamar, Al-Dhala, Lahej, Taiz, and Al Hudaydah. The governorates selected extend from the north to the south including those controlled by opposing political forces. Intervention areas were chosen based on their vulnerability to climate risks, population density and previous investments by IFAD in community-based initiatives. The project will operate in 15 to 20 districts across the five governorates. The selection of districts is based on a ranking reflecting food security, malnutrition levels and climate vulnerability as well as accessibility and security.
16. **Target groups.** The project will mainly target poor and food- and nutrition-insecure households engaged in agriculture. The project will give priority to the poorest and most disadvantaged categories, i.e. women, woman-headed households, youth and youth-led households. Special consideration will be given to people affected by the conflict, specifically internally displaced people and persons with disabilities.
17. **Targeting approach.** The project will apply a combination of self- and direct-targeting approaches. The robustness of the targeting strategy is based on a diagnostic exercise to be conducted at the beginning of operations. Gender and youth awareness training will contribute to fostering more equitable gender roles and relations at household and group levels.

B. Components, outcomes and activities

18. The project has four components: (i) community mobilization and strengthening (ii) climate-resilient infrastructure (iii) protection of agricultural livelihoods; and (iv) project management.
19. **Component 1: Community mobilization and strengthening.** This component has two subcomponents:
20. **1.1. Community mobilization and engagement.** This subcomponent is designed to ensure that the project follows a community-based, bottom-up approach to identify investment options in close collaboration with the target groups. **1.2. Community capacity-building.** This subcomponent will provide technical assistance to train community organizations and beneficiaries in infrastructure interventions.
21. **Component 2: Climate-resilient community infrastructure.** The specific objective of this component is to improve the supply of both domestic and

irrigation water in the targeted communities by creating the requisite infrastructure. The component has three subcomponents:

22. **2.1. Domestic water supply.** The intervention will provide households, communities and village units with sustainable potable drinking water by restoring existing systems or building new water facilities. **2.2. Small-scale irrigation and flood-based livelihood systems.** The objective of this intervention is to increase agriculture production through the rehabilitation and improvement of small-scale community infrastructure for irrigation as well as flood-based agriculture installations. **2.3. Soil and water conservation.** The objective here is to reduce soil erosion, water loss and landslides, which accompany successive intense droughts and floods with high environmental, social and economic costs.
23. **Component 3: Protection of agricultural livelihoods.** This component aims to protect agricultural households, restore their livelihoods and provide some modicum of food and nutrition security. It has three subcomponents:
24. **3.1. Capacity-building for agricultural production.** This subcomponent is designed to strengthen the capacity of farmers (both men and women) to engage in climate-resilient and sustainable agriculture production. **3.2. Food and nutrition security.** This aims to improve food and nutrition security by empowering women and youth through adult literacy training and nutrition sessions. **3.3. Livelihood resilience and value addition.** This subcomponent is designed to help vulnerable households recover their livelihoods through providing them with livelihood support packages and by helping them add value to their current production in order to make their livelihoods more resilient.
25. **Component 4: Project management.** This component will finance the incremental cost of project management and operations as well as the financial management, procurement, and monitoring and evaluation (M&E) of project activities.

C. Theory of change

26. The combined impact of the project will be reduction in poverty and vulnerability as a result of increased agricultural production, enhanced resilience to climate risks and improved food and nutrition security.
27. Key investments in rebuilding water infrastructure, protecting fields against erosion and floods, and facilitating access to markets will help households increase their crop and livestock production, protect themselves against flood damage and sell more of their produce. Besides the farmer field schools, the project will provide livelihood packages and matching grants for post-harvest activities. Another way of empowering local communities will be to organize special sessions on literacy and numeracy skills as well as mentoring sessions in nutrition for women. The project will work to enhance household food availability through increased local food production from kitchen gardens, small livestock and food preservation.

D. Alignment, ownership and partnerships

28. The project is aligned with several Sustainable Development Goals (SDGs) such as SDG 1.2 – reducing poverty – and SDG 1.5 – building the resilience of the poor and reducing their exposure to extreme climate-related events. It also responds to SDGs 2.1, 2.2 and 2.3, respectively on ending hunger, ending malnutrition, and increasing agriculture productivity and incomes. In addition, the project will work towards: ensuring inclusive and quality education for all (SDG 4); achieving gender equality and empowering women and girls (SDG 5); and strengthening resilience and adaptive capacity to climate-related hazards (SDG 13).
29. In line with the strategic objectives approved in 2019 in IFAD’s country strategy note for Yemen, the project will contribute to IFAD’s overall strategic goal, i.e. work to “reduce poverty and enhance food security through remunerative,

sustainable and resilient livelihoods". It will contribute to the IFAD11 commitments by supporting the Fund's four mainstreaming areas – climate, gender, nutrition and youth.

E. Costs, benefits and financing

30. Project component 1, "Community mobilization and strengthening" is partially counted as climate finance and component 2, "Climate-resilient community infrastructure" is fully counted as such. In line with the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is preliminarily calculated as US\$5,235,000. Costs by financier, component, expenditure category and project year are shown in tables 1–3.

Table 1

RLDP costs by component and subcomponent, and financier

(Thousands of United States dollars)

Component/subcomponent	IFAD grant		GEF		Beneficiaries			Total
	Amount	%	Amount	%	Cash	In-kind	%	Amount
1. Community mobilization and strengthening								
1.1. Community mobilization and engagement	1 781	100	-	-	-	-	-	1 781
1.2. Community capacity-building	21	8.9	214	91.1	-	-	-	235
Subtotal	1 802	89.4	214	10.6	-	-	-	2 016
2. Climate-resilient community infrastructure								
2.1. Domestic water supply	276	8.9	2 416	77.6	-	422	13.6	3 114
2.2. Small-scale irrigation and flood-based livelihood systems	950	33	1 544	53.7	-	381	13.3	2 875
2.3. Soil and water conservation	2 588	81.5	154	4.9	-	433	13.6	3 176
Subtotal	3 814	41.6	4 114	44.9	-	1 237	13.5	9 165
3. Protection of agricultural livelihoods								
3.1. Capacity-building for agricultural production	-	-	2 056	100	-	-	-	2 056
3.2. Food and nutrition security	1 180	56.8	898	43.2	-	-	-	2 078
3.3. Livelihood resilience and value addition	-	-	2 090	91.9	-	184	8.1	2 275
Subtotal	1 180	18.4	5 045	78.7	-	184	2.9	6 409
4. Project management, M&E and knowledge management								
4.1. PMU	2 321	82.3	500	17.7	-	-	-	2 821
4.2. M&E and knowledge management	353	73.6	125	26.4	-	-	-	480
Subtotal	2 674	81	626	19	-	-	-	3 300
Unallocated	530	100	-	-	-	-	-	530
Total	10 000	46.7	10 000	46.7	-	1 421	6.6	21 421

Table 2

RLDP costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category	IFAD grant		GEF		Beneficiaries			Total
	Amount	%	Amount	%	Cash	In-kind	%	Amount
Investment costs								
1. Technical assistance and consultancies,	2 077	76.4	640	23.6	-	-	-	2 717
2. Goods, services, inputs, grants and subsidies	1 128	26.7	2 914	68.9	-	184	4.3	4 226
3. Training, workshops and meetings	402	19.0	1 717	81.0	-	-	-	2 119
4. Civil work	3 002	36.4	4 005	48.6	-	1 237	15.0	8 244
Total investment costs	6 609	38.2	9 276	53.6	-	1 421	8.2	17 307
Recurrent costs								
1. Salaries and allowances and operating costs	3 391	82.4	724	17.6	-	-	-	4 114
Total recurrent costs	3 391	82.4	724	17.6	-	-	-	4 114
Total	10 000	46.7	10 000	46.7	-	1 421	6.6	21 421

Table 3

RLDP costs by component and subcomponent, and project year

(Thousands of United States dollars)

Component/subcomponent	2021		2022		2023		2024		2025		Total
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Community mobilization and strengthening											
1.1 Community mobilization and engagement	218	12.2	441	24.8	445	25.0	337	18.9	340	19.0	1 781
1.2 Community capacity-building	55	23.4	54	23	45	19.1	45	19.1	37	15.4	235
Subtotal	273	13.5	494	24.5	490	24.3	382	18.9	378	18.8	2 016
2. Climate-resilient community infrastructure											
2.1. Domestic water supply	610	19.6	1 044	33.5	878	28.2	433	13.9	149	4.8	3 114
2.2. Small-scale irrigation and flood-based livelihood systems	680	23.7	788	27.4	666	23.2	449	15.6	293	10.1	2 875
2.3. Soil and water conservation	504	15.9	698	22.0	789	24.8	607	19.1	578	18.2	3 176
Subtotal	1 793	19.6	2 530	27.6	2 333	25.5	1 488	16.2	1 020	11.1	9 165
3. Protection of agricultural livelihoods											
3.1. Capacity-building for agricultural production	168	8.2	455	22.1	511	24.8	455	22.1	468	22.8	2 056
3.2. Food and nutrition security	337	16.2	424	20.4	452	21.8	433	20.8	432	20.8	2 078
3.3. Livelihood resilience and value addition	-	-	-	-	1 132	49.8	1 143	50.2	-	-	2 275
Subtotal	505	7.9	880	13.7	2 094	32.7	2 031	31.7	900	14.0	6 409
4. Project management, M&E and knowledge management											
4.1. PMU	565	20.0	568	20.1	571	20.2	557	19.7	560	20.0	2 821
4.2. M&E and knowledge management	106	22.1	59	12.3	44	9.2	85	17.7	186	38.7	480
Subtotal	671	20.3	627	19.0	615	18.6	642	19.5	745	22.6	3 300
Unallocated	106	20	106	20	106	20	106	20	106	20	530
Total	3 348	15.6	4 637	21.7	5 637	26.3	4 649	21.7	3 149	14.7	21 421

Financing and cofinancing strategy and plan

31. The total project cost is estimated at US\$21.421 million, with an implementation period of five years. The project will be financed by an IFAD grant of US\$10 million and GEF financing of US\$10 million earmarked for Yemen. The beneficiary contribution is expected to be equivalent to US\$1.421 million based on labour and in-kind participation.

Disbursement

32. Disbursement to implementing partner(s) will be made through an advance of grant funds. Implementing partner(s) will be required to prepare and submit an annual workplan and budget (AWP/B) in accordance with the format agreed with IFAD. The funds will be transferred to the implementing partner(s) bank account based on withdrawal applications submitted to IFAD. The first advance will cover projected expenditures for activities during the first six months of the AWP/B. Subsequently, for each new advance, implementing partner(s) will need to justify 75 per cent of cumulative advances received, reconciling the amounts previously withdrawn with the grant amounts. Funds relating to implementation of component 2 will be transferred to the implementing partner(s) under a subsidiary agreement to be signed between the implementing partner(s), and on the basis of the progress of activities implemented under the responsibility of the implementing partner(s).

Summary of benefits and economic analysis

33. The project is assessed as being technically and economically viable. It has an economic internal rate of return of 21 per cent and a net present value, discounted at 10 per cent, of 3,464 million Yemeni Rial (US\$14 million), indicating that it represents a sound investment. The benefit-cost ratio is 1.27 for the base case

scenario and results in a payback period of eight years. A sensitivity analysis indicates that the project is more sensitive to a decline in benefits (switching value at -7 per cent) compared with an increase in costs (switching value at +16 per cent).

Exit strategy and sustainability

34. The project will adopt a community-based approach for the identification of priority needs to ensure that the community takes strong ownership of all investments. Clear terms of partnership between the project and the community will ensure that there is a proper plan for operation and maintenance of the infrastructures built. The project plans to leave the management of the installations to the communities after completion and commission. Training and capacity-building practices are expected to be adopted by the beneficiaries and practised on an ongoing basis.

III. Risks

A. Risks and mitigation measures

35. The key risks are associated with: (i) the ongoing conflict, and will be addressed by avoiding any areas regarded as insecure during implementation. Project districts have been selected in areas which are deemed safe by local United Nations agencies closely monitoring the situation; (ii) the political instability and insecurity in the country, to be addressed by implementing through the implementing partner(s), which have extensive local expertise as well as a strong presence on the ground; (iii) the increasing threat from COVID-19,³ which will be addressed by following all safety protocols during implementation; (iv) extreme weather events, to be mitigated by including a range of climate risk adaptation measures and practices in all project components; and (v) weak fiduciary oversight, which will be taken care of through appropriate risk-mitigation measures, the preparation of a project implementation manual (PIM) and hiring a third-party monitoring agency and an audit bureau with clear oversight responsibility.

Table 4

Risks and mitigation measures

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	High
Sector strategies and policies	High	Substantial
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	High	Substantial
Financial management	High	Substantial
Project procurement	Substantial	Moderate
Environment, social and climate impact	Substantial	Moderate
Stakeholders	High	Substantial
Overall	Substantial	Substantial

B. Environment and social category

36. The project is designed to mitigate the impact of climate impacts by investing in shock-resilient infrastructure such as rainwater harvesting, domestic water and irrigation infrastructure. It will build the resilience of vulnerable households to climate risks through the introduction of dedicated practices, technologies and inputs (described in detail in the PIM). RLDP is classified as **category B: moderate risk**.

³ United Nations Office for the Coordination of Humanitarian Affairs, 2019.

C. Climate risk classification

37. Yemen is vulnerable to climate change due to a predicted increase in temperature, in rainfall variability and in extreme weather events. The country will likely suffer from greater water scarcity and faster sea level rise together with more frequent drought, floods and cyclones. RLDP interventions are specifically designed to mitigate the vulnerability of target populations and their assets to such disasters. The project's climate risk classification is **high**.

D. Debt sustainability

38. As of 15 June 2019, Yemen's outstanding debt arrears stood at SDR 14.4 million, equivalent to some US\$20.2 million as at the prevailing exchange rate. Furthermore, the Government of Yemen has outstanding obligations related to ineligible expenditures and the remaining balance from the advances paid.
39. Currently, the Government had expressed its readiness to pay an amount of US\$2.0 million to cover all ineligible expenditures from project accounts that did not receive IFAD no objections, as per standard procedure.
40. The most recent International Monetary Fund Debt Sustainability Analysis dates back to 2014 and rates the country as being at moderate risk of debt distress.

IV. Implementation

A. Organizational framework

Project management and coordination

41. RLDP will adopt a flexible implementation approach. In this instance, the implementing partner(s) will implement the project. The implementing partner(s) will be selected because of its/their technical capacity to deliver investments in the crop and livestock sector and its/their experience in implementing similar projects. The implementing partner(s) will assume contractual responsibility for implementation. IFAD will keep the internationally recognized Government of Yemen involved and an advisory steering committee will be established, led by the Ministry of Planning and International Coordination, and with other key ministries represented. This arrangement will be reviewed on a yearly basis to assess if the situation has evolved, in which case the agreement(s) will be revised according to the changing conditions.

Financial management, procurement and governance

42. Established implementing partner(s) mechanisms will be used in disbursement, documentation of expenditures and reporting. Verification of the physical implementation of activities will be carried out through independent third-party monitoring. The implementing partner(s) will maintain a robust financial management system, including records and accounts, to track project-related transactions. The implementing partner(s) will use its/their own accounting software for project monitoring as long as these two systems both conform to IFAD requirements.
43. The implementing partner(s) will prepare and submit, on a quarterly basis, financial reports related to the project. The reports must include a statement of payments by financing sources, by component and subcomponent, and a comparison against the approved AWP/B. They must be submitted to IFAD no later than 20 days after the end of each quarter. The implementing partner(s) will prepare, on a quarterly basis, interim unaudited financial reports (IFRs) for the whole project, in a format acceptable to IFAD. The template for the reports is to be found in the PIM. The IFRs will be submitted to IFAD no later than 45 days after the end of each quarter. They should reflect all project activities, financing, and expenditures, including a statement of payments by financing sources, by component and subcomponent, and a comparison against the approved AWP/B. The IFRs should also include an estimation of the beneficiaries' contribution in-kind

and all other forms of cofinancing. The implementing partner(s) will, in addition, prepare unaudited annual financial reports, which will be submitted to IFAD within four months of the end of the fiscal year, unless otherwise agreed by the Fund.

44. The procurement of goods, works and services to be financed through IFAD financing shall follow the applicable procurement policies, procedures and practices of the implementing partner(s), as such procurement policies, procedures, and practices have been assessed and found to be acceptable to the Fund, otherwise IFAD's Procurement Guidelines shall solely apply. Implementation by the implementing partner(s) will be carried out in accordance with the grant agreement and the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

45. **Planning.** A consolidated AWP/B will be prepared by the implementing partners. The process for preparing the AWP/B will be initiated by the village units and consolidated at district and governorate levels with implementing partners in the field, who will report on the actions agreed with the targeted communities. The AWP/B will be submitted to IFAD for no objection at least 60 days prior to the start of each new year.
46. **Monitoring and learning.** The implementing partner(s) will be responsible for implementing the M&E system and will periodically monitor the component/subcomponent performance indicators and the progress of resilience and risk indicators. The M&E system will produce six-monthly and annual progress reports. The implementing partner(s) will commission baseline, midterm, and impact assessments, integrating the core outcome measurements into the methodology.
47. **Knowledge management and communication.** IFAD will organize events to share learning about the impact of targeted investments in agriculture and rural development in fragile states, based on experience in Yemen. The Fund will establish a mechanism for ongoing discussions and engagement with the Government to keep it abreast of the performance of the country programme. The implementing partner(s)'s expertise in developing knowledge products will be leveraged. A grievance redress mechanism will be established and beneficiaries will be able to communicate their concerns either to the focal point at local level or to the implementing partner(s) at central level according to the standard operating procedures of the implementing partner(s) grievance redress mechanism.
48. **Innovation and scaling up.** One of the key innovative features of the project is systematic engagement with the community through discrete dialogues with community members. Also innovative are the terms of partnership specifying the roles and responsibilities of the community, the project and any other partners. In addition, the project will be introducing several novelties in community infrastructure such as the use of more economic plastic tanks for water storage, located strategically for the use of households.

C. Implementation plans

Implementation readiness and start-up plans

49. RLPD will benefit from the presence of the implementing partner(s) on the ground. The agreement will enter into force once the grant agreement between IFAD and the implementing partner(s) has been signed. The start-up activities include: (i) signing of a subsidiary agreement between the implementing partner(s) as required; (ii) finalization of the terms of reference of the implementing partners for field support; and (iii) selection and procurement of the implementing partners so that work on the ground can begin as soon as possible.

Supervision, midterm review and completion plans

50. Project supervision will be conducted by IFAD. However, due to the conflict, field missions will be contracted to an independent third party directly recruited by IFAD and supported by the implementing partner(s). A midterm review mission will be organized three years after the project start-up and will be led by IFAD in coordination with the implementing partner(s). The project completion review will be undertaken by IFAD and the implementing partner(s) jointly, in close collaboration with communities.

V. Legal instruments and authority

51. A grant agreement between the implementing partner(s) and IFAD will constitute the legal instrument for extending the proposed grant to the borrower/recipient. The implementing partner(s) will be selected following a further review of the prevailing operational conditions in the country and confirmation of the most relevant implementing agency that will enable IFAD to operate effectively and efficiently within its mandate, building up its direct experience of working in conflict-affected and fragile situations.
52. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

53. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to be used for the purpose of supporting the people of Yemen in an amount of ten million United States dollars (US\$10,000,000) for implementation upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

54. The Executive Board takes note that before operationalizing the project, the Fund will analyse different aspects and parameters necessary to safeguard its assets. Taking these into account, implementation will start as soon as those parameters are determined and confirmed. Management will revert to the Board in April 2021 for information on progress made.

Gilbert F. Houngbo
President

Grant agreement

(To be made available prior to the session)

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility		
Outreach Total project outreach target is made 80% of Component 2: Climate Resilient Community Infrastructure and 50% of Component 3 : Protection of Agriculture Livelihoods. For Indicator 1.a No of Households reached, 12.2% of total HHs are female headed. For indicator 1.b Estimated corresponding total number of HH members, the calculation is based on the average number of people in one HH in the Project area is 6.7	1 Persons receiving services promoted or supported by the project				M&E Beneficiary Database	Annual	Implementing partner (s) M&E Unit	Political and Macro-Economic instability do not interfere with the implementation and lead to inappropriate targeting Instability in local communities are provided real incentive to rebuild their lives and contribute to stability and peace	
	Females - Number			27782					39040
	Males - Number			24258					32760
	Young - Number			9266					15182
	Total number of persons receiving services - Number of people			52040	71800				
	1.a Corresponding number of households reached				M&E Beneficiary Database	Annual	Implementing partner (s) M&E Unit		
	Women-headed households - Number			1882					3176
Households - Number			15425	26031					
1.b Estimated corresponding total number of households members				M&E Beneficiary Database	Annual	Implementing partner (s) M&E Unit			
Household members - Number of people			103348				174400		
Project Goal Rebuild communities resilience against the economic and environmental shocks and improve the livelihoods of poor, excluded and deprived people	Percentage reduction in the number of target rural households living below the poverty line				National/ regional statistical services / WB and UN statistics/ Baseline and completion surveys, RIMA Scores	MTR and completion	Targeting Specialist and Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors	Political and Macro-Economic instability do not interfere with the implementation and lead to inappropriate targeting Instability in local communities are provided real incentive to rebuild their lives and contribute to stability and peace	
	Reduction - Percentage (%)		0	5					10
	Percentage improvement in the average score of the Resilience Index Measurement and Analysis (RIMA)				National/ regional statistical services / WB and UN statistics/ Baseline and completion surveys, RIMA Scores	MTR and completion	Targeting Specialist and Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors		
	Improvement - Percentage (%)			5					15
Development Objective Improve the food security and the poverty level of smallholder farmers through increased agriculture production,	Percentage of beneficiary households reporting at least 20% increase in average HH net income from both farm and non-farm activities/services				National/ regional statistical services / WB and UN statistics/ Baseline and	MTR and completion	Targeting Specialist and Implementing partner (s) M&E units, Baseline,	Political and Macro-Economic instability do not interfere with the implementation	
	Households - Percentage (%)		0	50					70

employment opportunities, and the efficient use of Natural Resources					completion surveys, RIMA Scores		Mid-term, and Impact assessment contractors	and lead to inappropriate targeting; Instability in local communities are provided real incentive to rebuild their lives and contribute to stability and peace
	Percentage of poor rural smallholder HHs increased climate resilience				National/ regional statistical services / WB and UN statistics/ Baseline and completion surveys, RIMA Scores	MTR and completion	Targeting Specialist and Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors	
	Households - Percentage (%)		50	80				
	Percentage of households satisfied with project-supported services				National/ regional statistical services / WB and UN statistics/ Baseline and completion surveys, RIMA ScoresNational/ regional statistical services / WB and UN statistics/ Baseline and completion surveys, RIMA Scores	MTR and completion	Targeting Specialist and Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors	
	Total - Percentage (%)		60	80				
Men - Percentage (%)		60	80					
Female - Percentage (%)		60	80					
Youth - Percentage (%)		60	80					
Outcome The community and farmer institutions are strengthened to deliver the services effectively and to ensure the sustainability of project investments	Number of Community Institutions (CDA/WUAs/VCU/CBOs) become functional or successfully implementing O&M activities				Mid-term and Completion Survey	MTR and completion	Implementing partner (s) M&E units, Mid-term, and Impact assessment contractors	Intra-community conflicts prevent formation of effective CDAs
	Community - Number		20	30				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Mid-term and Completion Survey	MTR and completion	Implementing partner (s) M&E units, Mid-term, and Impact assessment contractors	
	Households (%) - Percentage (%)		50	70				
Households (number) - Number		7713	18222					
Output Capacity building and training activities are delivered	Number of people trained under the capacity building activities				M&E Beneficiary Database	Quarterly	Implementing partner (s) M&E Unit	Intra-community conflicts prevent formation of effective CDAs (R
	Men - Number		1096	1686				
	Women - Number		1054	1623				
	Youth - Number		455	700				
Total - Number		2150	3309					
Outcome Strengthen the environmental sustainability and climate resilience of poor rural people	3.2.3 Households reporting a significant reduction in the time spent for collecting water or fuel				Baseline, mid-term and Completion survey	Baseline, mid-term and Completion	Implementing partner (s) M&E units, Baseline, Mid-term, and Impact	Sufficient implementation capacity and capable service providers to
	Total household members - Number of people		14080	17600				
	Males - Number		6834	8542				

	Females - Number		7246	9058			assessment contractors.	develop infrastructure.
	Young - Number		2534	3168				Intervene in areas where there is no active fighting and work through partners who have developed a good modus operandi in securing clearances from local authorities and are trusted by local communities.
	1.2.3 Households reporting reduced water shortage vis-à-vis production needs				Baseline, mid-term and Completion survey	Baseline, mid-term and Completion	Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors.	
	Total number of household members - Number of people		9792	12240				
	Males - Number		4798	5998				
	Females - Number		4994	6242				
	Young - Number		1763	2203				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Baseline, mid-term and Completion survey	Baseline, mid-term and Completion	I Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors.	
	Households - Percentage (%)		64	80				
	Number of hectares of land brought under climate-resilient management (50% irrigated landholdings and 20% rain fed impacted land)				Baseline, mid-term and Completion survey	Baseline, mid-term and Completion	Implementing partner (s) M&E units, Baseline, Mid-term, and Impact assessment contractors.	
	Hectares of land - Area (ha)		1688	3253				
Output	Number of individual households provided with water supply (i.e. Rooftops and courtyard water harvesting)				M&E Beneficiary Database	Quarterly	Implementing partner (s) M&E Unit in coordination with FAO M&E Unit, TPM	
	Rural population access to clean drinking water	Households - Number		500				
Output	2.1.5 Roads constructed, rehabilitated or upgraded				M&E Beneficiary Database	Quarterly	Implementing partner (s)M&E Unit in coordination with I Implementing partner (s) M&E Unit, TPM	
	Rehabilitation or improvement of small-scale community level water infrastructures for irrigation schemes and flood-based agriculture schemes	Length of roads - Length (km)		14				
		Area served under the rehabilitation of flood-based agriculture system and irrigation systems				M&E Beneficiary Database	Quarterly	Implementing partner (s)M&E Unit, TPM
	Hectares of land - Area (ha)		525	715				
Outcome	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				FFS Surveys, Adoption surveys	Annual FFS methodology, Baseline, mid-term and Completion	Implementing partner (s) M&E unit, Baseline, Mid-term, and Impact assessment contractors	Traditional views of women's role in family and society can be change
	Enhance the resilience and protect the livelihoods of agriculture households in Yemen. (The core indicator 1.2.2, results from the women and youth respondents will be extrapolated proportionally	Households - Percentage (%)		60				
		1.2.4 Households reporting an increase in production						

beyond the original observation range).	Households - Percentage (%)		50	75	FFS Surveys, Adoption surveys	Annual FFS methodology, Baseline, mid-term and Completion	Implementing partner (s) M&E unit, Baseline, Mid-term, and Impact assessment contractors	project support providing win-win solutions			
	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)								KAP surveys	Annual KPAs, Baseline, mid-term and Completion	IP Nutrition Field officers, Implementing partner (s) M&E unit, Baseline, Mid-term, and Impact assessment contractors
	Households (%) - Percentage (%)		45	60							
Output Trainings provided to improve crop and livestock production and in the management of climate-related risk	1.1.4 Persons trained in production practices and/or technologies				M&E Beneficiary Database	Quarterly	IP Nutrition Field officers, Implementing partner (s) M&E unit, TPM				
	Total number of persons trained by the project - Number		2400	6000							
	1.1.3 Rural producers accessing production inputs and/or technological packages				M&E Beneficiary Database	Quarterly	IP Nutrition Field officers, Implementing partner (s) M&E unit, Baseline, Mid-term, and Impact assessment contractors				
	Total rural producers - Number		138	346							
Output The provision of targeted support to the rural households to improve their nutrition	1.1.8 Households provided with targeted support to improve their nutrition				M&E Beneficiary Database	Quarterly	IP Nutrition Field officers, Implementing partners M&E unit, Baseline, Mid-term, and Impact assessment contractors				
	Females - Number		1600	4000							
Output Providing livelihood support packages to smallholders to add value to their current production in order to make their livelihoods more resilient	1.1.3 Rural producers accessing production inputs and/or technological packages				M&E Beneficiary Database	Quarterly	IP Nutrition Field officers, Implementing partner (s) M&E unit, Baseline, Mid-term, and Impact assessment contractors				
	Females - Number		451	900							
	Males - Number		722	1446							
	Young - Number		400	800							
	Total rural producers - Number		1173	2346							
Policy 1 Policy-relevant knowledge products completed						Annual					

<p>Output Capacity is built to carry out, communicate and to use knowledge products</p>	<p>Number - Number</p>		<p>2</p>	<p>4</p>	<p>Stakeholder platforms, meetings, and network with national/local institutions</p>		<p>Project Manager, M&E Officer, implementing partner (s) Focal Points</p>	<p>Political and governance risks can impede implementation, control of the country by different parties could lead to interferences</p>
----------------------------------------------------------------------------------------------------	------------------------	--	----------	----------	--------------------------------------------------------------------------------------	--	--------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------

Integrated Project Risk Matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context	High	High
Political Commitment	High	High
Risk(s): There are now three political governments in the country who have control over specific geographic areas.	High	Substantial
Mitigations: RLDP will be implemented by implementing partner (s) who have proved that they can successfully negotiate with all three governments and deliver effectively on the ground for the benefit of the people regardless of the Government which purports to exercise control.		
Governance	High	High
Risk(s): The government has weak capacity to be part of the implementation or to properly monitor the project's progress.	High	High
Mitigations: RLDP will be implemented by implementing partner (s) who have proved that they can successfully negotiate with all three governments and deliver effectively on the ground for the benefit of the people regardless of the government which purports to exercise control. The internationally recognised government will be represented in the Advisory Steering Committee of the project.		
Macroeconomic	High	High
Risk(s): Impact of exchange rate instability is high.	High	Substantial
Mitigations: Adequate provision for price contingencies has been done. The unallocated category of the loan will reflect this risk. Annual review of unit costs in the AWPB will allow for price escalations.		
Risk(s): High inflation rate coupled with dramatic fall income as many public sector workers have gone for months without being paid	High	High
Mitigations: The project will contribute, though minimal, to maintaining some basic public services in the agricultural sector and capacity.		
Fragility and security	High	Substantial
Risk(s): Reaching the target population may be challenging as Yemen is in the midst of a complex conflict that is causing massive physical damage, devastating the economy, weakening institutions, and generating an unprecedented humanitarian crisis	High	Substantial
Mitigations: Target governorates have been agreed with the Internationally Recognised Government and the de facto government then will be validated with the selected implementing partner (s). Targeting strategy took into consideration security and accessibility within the target governorates. List of districts remains flexible to accommodate future changes based on how the situation might evolve in the target areas.		
Sector Strategies and Policies	High	Substantial
Policy alignment	High	Substantial
Risk(s):	Substantial	Substantial

Risk Categories and Subcategories	Inherent	Residual
Most of Yemen's strategies are outdated and thus may not be as relevant.		
Mitigations: The project design took into consideration priorities in these strategies but also validated the information through desk research and meeting with other stakeholders in the country. During implementation, continuous beneficiary consultation by the implementing partner (s) and Advisory Steering Committee will ensure relevance of the interventions the target population.		
Risk: The agriculture sector has been under severe distress due to the ongoing conflict and the sector priorities have shifted as a result of conflict	High	Substantial
Mitigations: Project design took into consideration priorities in these strategies but also validated the information through desk research and meeting with other stakeholders in the country. During implementation, continuous beneficiary consultation by the implementing partner (s) and Advisory Steering Committee will ensure relevance of the interventions the target population.		
Policy development & implementation	Substantial	Substantial
Risk(s): The implementation of strategies in agriculture and sustainable development has been interrupted due to the conflict. Due to the weakened governance and political instability, the government cannot prioritize its core functions including the development of new strategic vision and policy instruments for the rehabilitation of social and economic sectors.	Substantial	Substantial
Mitigations: For design, IFAD worked through the Rome Based Agencies to focus on areas of its strategic priorities as identified in the 11th Replenishment including the mainstreaming areas. The selection of the implementing partner (s) will ensure continuous engagement with the Yemen people , governorate official and the three governments for some policy development. The Advisory Council will be involved in the policy development agenda during the course of the project.		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
Risk(s): Yemen's water scarcity remains the main environmental issue. Lack of water in target areas is the main risk that could negatively impact project activities. Other issues regarding water and soil quality are of substantial risk as well especially in the conflict context.	Substantial	Moderate
Mitigations: In areas where groundwater will be used, geological surveys to determine water quantity will be done by the project in compliance with the ESMP. This will ensure sound targeting and sustainable use of water resources. Water and soil quality assessments are also planned for target areas.		
Project vulnerability to climate change impacts	Substantial	Moderate
Risk(s): The project will operate in areas with high vulnerability to climate change and extreme weather events.	Substantial	Moderate
Mitigations:		

Risk Categories and Subcategories	Inherent	Residual
A detailed climate risk analysis has been developed as part of the SECAP and the proper adaptation measures have been identified. Around half of the IFAD financing is going to adaptation-focused activities and an additional \$10 million from the GEF's LDCF will be co-financing the project with the aim of increasing communities' resilience to climate change. The infrastructure component of the project will be enhancing adaptation to climate change impacts in the target areas. The other activities (e.g. FFS, trainings, community mobilization) are not highly vulnerable to the impacts of climate change and can be easily adapted.		
Project Scope	Moderate	Low
Project relevance	Moderate	Low
Risk(s): Due to the fragile and unstable situation, there may be external factors that may impede the proper implementation of technical components due to lack of understanding of the changing priorities	Moderate	Low
Mitigations: Project is designed to be flexible during implementation, with community consultation and priorities an important pillar for success. During design, relevant documents on Yemen's current needs have been consulted and meetings with development stakeholders took place to ensure that the project is well aligned with the priorities. The targeting strategy relied on the most recent IPC, malnutrition, IDPs and climate vulnerability data. The unallocated amount in the budget shall help addressing emergencies should they arise. During implementation, the community based approach, where communities identify their priorities at all times and with continuous community feedback processing by the implementing partner (s), the project will increase the chances of keeping the interventions relevant.		
Technical soundness	Low	Low
Risk(s): As the design was organised remotely, no field visits were conducted and there was minimum consultation of the target populations. The identification of sound technical solutions to the problems faced by the populations may have been weak	Low	Low
Mitigations: IFAD has long years of experience in Yemen and implemented large scale programs in the country. The design focused on the core competencies and lessons learned from its previous portfolio and included local consultants. In addition, the project is designed to be flexible during implementation, with community consultation and priorities an important pillar for success. During implementation, the implementing partner (s) will take a flexible community driven approach to ensure relevance for the target group and appropriate designs of the technical interventions. Priority will be given to technical solutions that can be managed by knowledge that is easily available in the country and at local levels.		
Institutional Capacity for Implementation and Sustainability	High	Substantial
Implementation arrangements	High	Substantial
Risk(s): As the project will be implemented through implementing partner (s), government ownership and cooperation may be weak. With three governments in charge of different areas of the country, achieving ownership and cooperation may be challenging and may affect implementation.	High	Substantial

Risk Categories and Subcategories	Inherent	Residual
<p>Mitigations: A key part of the implementation strategy is to provide operational support and incentives to Government line agencies, local implementing agencies, and community organizations and community agents for effective delivery. The "Advisory Steering Committee" will involve key governmental institutions from the internationally recognised government and will be following up on the project. This will also serve to rebuild their institutional capacity as well as mitigate against the risk of outside partners and agencies not being able to travel in the project area.</p>		
M&E arrangements	Substantial	Moderate
<p>Risk(s): The M&E system is very complicated in the context of Yemen; the continued war and the restricted movement.</p>	Substantial	Moderate
<p>Mitigations: The primary responsibility for the design and implementation of the Project M&E System will be assumed by the implementing partner (s) i.e Head of M&E Department at the implementing partner (s) and two M&E associates will be assigned at the implementing partner (s) Field Hubs in Aden and Sanaá. RLDP activities will be geo-referenced and A robust GRM mechanism has been developed for communities to submit their complaints and ensure timely response.</p>		
Procurement	Substantial	Moderate
Legal and regulatory framework	Moderate	Low
<p>Risk(s): Some of the Project Procurement Implementation may be done in accordance with the implementing partner (s) Procurement Guidelines..</p>	Moderate	Low
<p>Mitigations: The implementing partner's "Procurement Guidelines will be assessed and Procurement will be done under IFAD supervision. .</p>		
Accountability and transparency	High	Moderate
<p>Risk(s): The current situation in Yemen limited the competition and the availability of the required goods and services to be delivered.</p>	High	Moderate
<p>Mitigations: In light of the continuous conflict, this risk can be mitigated only by advance planning and commitments by the implementing partner (s) which take into consideration the current situation in Yemen and the fast-track procedures that the implementing partner (s) has in place for countries in level 3 emergencies such as Yemen. In addition, the implementing partner (s)'s presence in the different governorates and its continuous operations in the country throughout the conflict will help in mitigating this risk</p>		
Capability in public procurement		No risk envisaged
<p>Description; The Project will be implemented by selected implementing partner (s). Therefore no Public Procurement is involved</p>		
Public procurement processes		No risk envisaged
<p>Description; No Public Procurement Processes are used in the implementation of the project</p>		
Financial Management	High	Substantial

Risk Categories and Subcategories	Inherent	Residual
Organization and staffing	High	Substantial
Risk(s): The risk that the implementing entity does not have the necessary number of adequately qualified and experienced financial management staff in the national and regional centers, resulting in limited ability to meet the functional needs of the project.	High	Substantial
Mitigations: The project will be implemented by the implementing partner (s). An assessment of the IP's internal capacities from human resources , internal controls environment and financial and accounting systems will be done to ensure strong and sustained capacities which allow to reduce the residual risk to moderate.		
Budgeting	High	Substantial
Risk(s): The risk that budgeted expenditures are not realistic, not prepared or revised on a timely basis, and not executed in an orderly and predictable manner, resulting in funds not being available when needed, ineligible costs and reallocation of project funds and slow implementation progress.	High	Substantial
Mitigations: An initial 18-month Procurement Plan will be prepared by the implementing partner (s) using the template provided by IFAD. Each party will prepare the plan for its component(s) and the implementing partner (s) will have the responsibility of consolidating the plan before its submission to IFAD as part of a complete AWPB.SFD will prepare and submit to the implementing partner (s), on quarterly basis, financial reports related to component 2 of the project. The reports include a statement of payments by financing sources, by component, sub-component, and a comparison against approved AWPB, and will be submitted to the implementing partner (s) no later than 20 days after the end of each quarter. the implementing partner (s) will prepare, on quarterly basis, interim unaudited financial reports (IFRs) for the whole project, in accordance with the format acceptable to IFAD, and template will be available within the Project Implementation Manual. The IFRs will be submitted to IFAD no later than 45 days after the end of each quarter.		
Funds flow/disbursement arrangements	High	Substantial
Risk(s): The risk that funds from multiple financiers disburse with delay due to cumbersome treasury arrangements or inability of project cost centers and service providers to justify prior advances, resulting in delayed implementation.	High	Substantial
Mitigations: Disbursement to the implementing partner (s) shall be made on the basis of advance of funds method. the implementing partner (s) is required to prepare and submit AWPB in accordance with the format and periodicity agreed with IFAD. The grants proceeds will be transferred into the the implementing partner (s) bank account based on withdrawal application submitted to the IFAD. The funds related to the implementing of component 2 will be transferred to the implementing partner (s) on the basis of the progress of the execution of the activities implemented under the responsibility of the implementing partner (s).		
Internal controls	High	Substantial
Risk(s): The risk that appropriate controls over Project funds are not in place, leading to the inefficient or inappropriate use of project resources.	High	Substantial
Mitigations:		

Risk Categories and Subcategories	Inherent	Residual
To provide reasonable assurance that project funds are spent for the intended purposes, the following arrangements will be in place: (i) reliance on established the implementing partner (s) internal control mechanisms for the process of disbursement, documentation of expenditures and reporting; (ii) use of third party monitoring (TPM) to verify physical implementation of the activities of the project and the compliance with the internal controls and financial management arrangements; and (iii) preparation of timely financial reports submitted to IFAD. Furthermore, the internal control system in place within the the implementing partner (s) has been deemed acceptable by IFAD		
Accounting and financial reporting	High	Substantial
Risk(s): The risk that accounting systems – including polices and standards – are not integrated and reliable, leading to inaccuracies in financial records, and that reasonable records are not prepared, issued and stored, leading to lack of informed decision-making.	High	Substantial
Mitigations: The implementing partner (s) will maintain a financial management system, including records and accounts, adequate to reflect the transactions related to the activities, in accordance with the requirements of the the implementing partner (s) financial regulations and rules and maintain separate accounts in their books to record the financial transactions of the project. The implementing partner (s) should use an accounting software linked to a financial system for the project monitoring. The financial reporting of the projects is automatically generated by the system, including withdrawal applications, provides statements on commitments and payments by component, sub-component, activities and by financing sources. Tax exemptions, based on exemption certificates, and beneficiaries' contributions in kind to reflect counterpart contributions will also be recorded in the accounting system issued under each contract.		
External audit	Substantial	Substantial
Risk(s): The risk that independent and competent oversight of the Project financial statements is not in place or performed timely leading to possible misrepresentation of the financial results and/or suspension or other remedies due to compliance breaches.	Substantial	Substantial
Mitigations: As per IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects, the grants of any amounts provided to United Agencies, subject to the Policy for Grant Financing, are classified as Type C Grants. The Recipient should submit annually to IFAD certified Statements of Expenditures (SoE) signed by an authorized signatory) within 45 days of the period-end. Therefore, the implementing partner (s) as recipient is exempted from the submission of audited financial statements of the project.		
Environment, Social and Climate Impact	Substantial	Moderate
Biodiversity conservation		No risk envisaged
Description; The project will not operate in any ecologically sensitive or biodiversity-rich areas.		
Resource efficiency and pollution prevention	Moderate	Low
Risk(s):	Moderate	Low

Risk Categories and Subcategories	Inherent	Residual
Weak institutional capacity to monitor water and soil use is a risk. The project is expected to enhance water and soil resources efficiency across its components in the target areas. Pollution due to infrastructure development works is expected to be minimal.		
Mitigations: A detailed SECAP and ESMP with a robust GRM have been developed for the project. The ESMP identifies measures to ensure sound natural resources management by the project.		
Cultural heritage		No risk envisaged
Description: The project will not operate close to any cultural heritage sites.		
Indigenous Peoples		No risk envisaged
Description: The project will not operate in areas where indigenous people are		
Community health and safety	High	Substantial
Risk(s): Yemen is suffering from a strong Cholera outbreak since 2016 and the COVID-19 situation is expected to worsen. The country's current institutional capacity and the lack of accessibility significantly poses more risk on the current situation.	High	Substantial
Mitigations: The ESMP outlines a number of measures to be taken to mainstream health and hygiene considerations across all project activities. These measures include water quality assessments, food safety and awareness raising on COVID-19 precautions.		
Labour and working conditions	Moderate	Low
Risk(s): Yemen's current conflict situation- among other reasons- has led to increased incidences of GBV, child labour and poor working conditions (health and safety).	Moderate	Low
Mitigations: A detailed SECAP and ESMP with a robust GRM have been developed for the project. The ESMP identifies measures to restrict child labour. It also identifies mitigation measures for GBV and sexual harassment across the project's activities. The GRM should allow for any sexual harassment/violence cases to be reported and dealt with immediately. The health and safety concerns will follow community health and safety measures described in the subcategory below.		
Physical and economic resettlement		No risk envisaged
Description; The project does not include any physical or economic resettlement activities.		
Greenhouse gas emissions		No risk envisaged
Description; The project does not include activities that are expected to be of a high Carbon footprint. On the contrary, the project will promote mitigation co-benefits such as solar-powered pumping and better soil practices.		
Vulnerability of target populations and ecosystems to climate variability and hazards		No risk envisaged

Risk Categories and Subcategories	Inherent	Residual
Description: The project will not increase the vulnerability of target populations and ecosystems to climate variability and hazards. On the contrary, around half of the IFAD financing is going to adaptation-focused activities and an additional \$10 million from the GEF's LDCF will be co-financing the project with the aim of increasing communities' resilience to climate change.		
Stakeholders	High	Substantial
Stakeholder engagement/coordination	High	Substantial
Risk(s): There are now three political governments in the country who have control over specific geographic areas. Instability in local communities and tribal conflicts are common. Other development partners may be working in the same target areas.	High	Substantial
Mitigations: RLDP will be implemented by implementing partner (s) who will prove that they can successfully negotiate with all three governments and deliver effectively on the ground for the benefit of the people regardless of the government which purports to exercise control. The internationally recognised government will be represented in the Advisory Steering Committee of the project. As for communities, the first component is targeting community mobilization and community action plans development in a participatory approach with a focus on women and youth. As for other development partners, coordination through the implementing partner (s) will ensure complementarity of efforts in common target areas.		
Stakeholder grievances	Substantial	Moderate
Risk(s): The security situation might increase the chance of grievance among communities and other stakeholders.	Substantial	Moderate
Mitigations: A robust GRM mechanism has been developed for communities to submit their complaints and ensure timely response. The implementing partner (s) will communicate grievances from other stakeholders to IFAD in order to discuss the appropriate action required.		

ⁱ The final version will be uploaded following the advice from OPR on the hybrid template (a grant proposal treated as real investment).