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Republic of Yemen
Rural Livelihood Development Project
Update on the state of implementation arrangements

Note to Executive Board representatives

Focal points:

Technical questions:

Dina Saleh
Regional Director
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

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For: Review

I. Background

1. In December 2020, the Executive Board considered the proposal for the Rural Livelihood Development Project (RLDP)¹ and adopted 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."
2. In approving the project, Executive Board noted that before the project became operational, IFAD would ensure that risk mitigation parameters would be addressed to ensure that the Fund's assets were duly safeguarded. The Board took note of and encouraged Management's intention to involve the Food and Agriculture Organization of the United Nations (FAO) in implementing the project. The purpose of this note is to update the Board on the proposed implementation arrangements.

II. Updates on RLDP design

Financing and cofinancing strategy and plan

3. The total project cost is estimated at US\$21.421 million, with an implementation period of five years. IFAD will provide US\$10 million in financing. Given that Yemen is a conflict-affected state currently in arrears with IFAD, in the follow-up review of the financing arrangement, Management concluded that the use of supplementary funds in lieu of a regular grant from IFAD core resources is the most suitable solution. The COVID-19 crisis has aggravated the already dire situation in the country, and the initial project activities will address and build a response to the impact of the pandemic. While the project strategy remains unchanged, the initial activities will now be funded through US\$3 million from the Rural Poor Stimulus Facility (RPSF) to address the immediate needs envisaged in the original project due to the COVID-19 pandemic, and US\$2 million from a separate supplementary funds vehicle in order to begin the wider developmental work planned. IFAD Management is committed to securing the remaining US\$5 million in the short term and is in discussions with a number of potential funders. Financing from the Global Environment Facility of US\$10 million has already been earmarked for Yemen. The beneficiary contribution is expected to be equivalent to US\$1.421 million, in the form of labour and in-kind participation.

Project management and coordination

4. The project governance, implementation and supervision arrangements are tailored to the fragile and complex political situation of the country, and new elements of the design will enable IFAD to continue building its experience in countries with fragile situations and affected by conflict. IFAD will hire a field coordinator in Yemen to ensure that the operations continue to be aligned and harmonized with the overall project targets and objectives. It will also use the opportunity to gain experience of working in similar contexts. The Government will play an advisory and facilitation role. The project will be implemented by FAO and the Social Fund for Development (SFD), both agencies have been identified as the most suitable partners to implement specific sets of project activities, thereby benefitting from the comparative advantages of each. FAO has a field presence throughout the country and has the technical capacity to deliver the types of investments envisaged in the crop and livestock sector. SFD has delivered critical programmes in Yemen throughout the conflict and will be responsible for implementing the RPSF-funded activities. SFD is one of the main institutions addressing poverty reduction and social and economic development in the country. It also has extensive experience in working with local communities. Both agencies have

¹ Document EB-131(R)-R-7/Rev.1.

developed systems for financial management and procurement for operations in fragile contexts. They have proven experience with the government line agencies in terms of building their capacity and capitalizing on the presence of local implementing partners for effective logistical arrangements. FAO and SFD can effectively negotiate with different partners in the country and undertake capacity-building of community-based organizations through community mobilization activities. Two separate grant agreements will be signed between IFAD and the two agencies to establish the accountability and responsibility of each recipient. This arrangement will entail clear lines of accountability and responsibility for FAO and SFD. IFAD's RPSF guidelines and supplementary fund procedures will be followed.

5. FAO will implement two components: component 1, which has two subcomponents (1.1: community mobilization and engagement and 1.2: community capacity-building); and component 3, which has three subcomponents (3.1: capacity-building for agriculture production, 3.2: food and nutrition security, and 3.3: livelihood resilience and value addition).
6. SFD will implement component 2, which has three subcomponents (2.1: domestic water supply, 2.2: small-scale irrigation and flood-based livelihood systems, and 2.3: soil and water conservation).
7. For component 4 (project management) IFAD will recruit a field coordinator to ensure smooth implementation of the three components by the selected agencies, facilitate the preparation of a consolidated workplan and be responsible for consolidating the reports as per IFAD's internal requirements. FAO and SFD will be responsible for delivering knowledge management and monitoring and evaluation products as described in the project design report and project implementation manual. Recruitment of project staff will be in line with the expertise requirements of each component. The budget is allocated proportionally for each institution to cover project management expenses including operational costs.

Risk mitigation measures

8. The coordination risks associated with having two implementing agencies will be mitigated as follows:
 - (i) IFAD will hire a field coordinator to ensure harmonization and well-synchronized interventions between the two agencies through a joint workplan. Field coordination will also ensure proper sequencing of interventions and coherence with the overall project targets and objectives.
 - (ii) FAO and SFD will prepare their respective annual workplans and budgets (AWP/Bs) and submit them to IFAD for no objection at least 60 days prior to the start of each year; IFAD will review and approve each AWP/B individually. The field coordinator will be responsible from consolidating the reports as per IFAD's internal requirements (i.e. the Operational Results Management System);
 - (iii) The fiduciary duties will be strictly managed through appropriate risk mitigation measures; monitoring of adherence to the project implementation manual, including regular financial reporting and recruiting a third-party monitoring agency for field verifications (to be financed by IFAD administrative resources); and relying on the independent external auditors to ensure appropriate use of funds and quality of internal controls (the integrated project risk matrix has been revised to reflect the proposed changes in the implementation arrangements); and
 - (iv) IFAD will monitor, update and further advise on risks and mitigation measures through direct supervision missions during implementation.