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## **Interim Narrative Report**

**Period: 19 August – 31 October 2021**

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## PROJECT INFORMATION

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| <b>Country</b>                    | Yemen                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Donor</b>                      | The European Union represented by the European Commission                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Project title:</b>             | Strengthening Institutional and Economic Resilience in Yemen (SIERY)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>EU Contribution Agreement:</b> | MIDEAST/2020/416-174                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>UNDP Project ID</b>            | <b>00122248</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Outputs</b>                    | <p><b>Output 1.1:</b> Strengthened Local authorities' capacities to respond to community needs for services in an inclusive and accountable manner.</p> <p><b>Output 1.2:</b> Improved capacities of public services providers for scaling up the reach out to the most vulnerable.</p> <p><b>Output 1.3:</b> Strengthened central-local and horizontal relations between local governance stakeholders.</p> <p><b>Output 2.1:</b> Strengthened linkages/cooperation opportunities between MSMEs, private sector and MFIs involved in the value chains.</p> <p><b>Output 2.2:</b> Increased and de-risked access to financial services for economic agents in promising value chains.</p> |
| <b>CPF Outcomes</b>               | <p><b>Outcome 1:</b> Yemenis contribute to and benefit from inclusive, accountable and gender responsive governance, at local and central levels.</p> <p><b>Outcome 2:</b> Yemenis improve their livelihoods and access inclusive productive services.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Target governorates</b>        | Aden, Al Hudaydah, Hadramaut, Hajjah, Ibb, Lahj, Marib, Sana'a, Taizz                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Project Start Date</b>         | 19 August 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Project End Date</b>           | 18 August 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Total Budget</b>               | <b>US\$ 81,966,140.00</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## Chapter 1: Overview of the Project

The current conflict in Yemen broke out in 2015. The protracted political conflict requires the resilience of the Yemeni society to be strengthened, beyond humanitarian assistance and community self-help initiatives. Local authorities, although seriously affected by the crisis, have remained in place and continue assuming important state functions, in particular for facilitating humanitarian aid, service delivery and conflict resolution. They retain some legitimacy and trust and have shown that they can coexist and collaborate with informal governance actors that are fundamental to the traditional Yemeni political order. Strengthening (economic) resilience of the Yemeni society in today's context means strengthening responsive, inclusive and accountable local governance systems.

The Strengthening Institutional and Economic Resilience in Yemen project (SIERY) is a 3-year initiative supported by the European Union (EU). The Project aims to scale up support to local authorities to maintain and increase equitable access to public services and foster social cohesion and sustainable recovery. The Project takes a two-step approach. On the one hand, SIERY will strengthen district authorities through capacity development, technical support, and discretionary funding to devise and implement recovery plans and to fulfil their missions in a more participatory, inclusive and accountable manner. On the other hand, SIERY, as a function of an improved local economic development environment by the local authorities, will support Micro, Small and Medium Enterprises (MSMEs) with capacity development, technical support and network opportunities and access to local Micro Finance Institutions (MFI) and grants.

Strengthening the resilience of local authorities and local economies, is facing several challenges:

1. **The gap between growing population needs for services, spurred by the humanitarian situation, population growth and movements, and climate change, and the capacities of local authorities to provide them, is widening;**
2. **The quality of local governance (participation, inclusion, accountability) is suffering from the conflict and with its worsening, the little trust in and legitimacy of state institutions that remains in the population is put at risk;**
3. **Increasing horizontal fragmentation and vertical divide;**
4. **The rise of rural poverty and collapse of livelihoods;**
5. **The private sector is struggling to survive in the conflict environment.**

Other important **root causes** need to be acknowledged. The resilience and performance of the local authorities is determined by structural issues that largely predate the crisis. The adoption of the Local Authorities Law (LAL) in 2000 has not led to genuine political, administrative, and financial autonomy. The conflict has fueled a *de facto* and locally driven decentralization since 2015. Current governance structures also reflect the persistence of traditional forces that remain strong in many parts of the country, perpetuating local values and paradigms often both at odds with traditional democratic modalities *as well as* providing unexpected and innovative opportunities to realize democratic principles – such as shared decision-making, broad inclusion, or gender equality.

The strategy pursued by SIERY rests on two components:

*Component 1: Institutional Resilience*

SIERY will strengthen the resilience and responsiveness of local authorities. The focus will be on governorate and district authorities which currently play a key role in stabilization, recovery, and service delivery. The overall strategy for Component 1 is as follows:

- (1) **To empower local authorities to design and implement recovery plans that cater for expanded public services, especially those for women, children, youth and IDPs.** The main tools of this approach will be capacity development, financial injections and collaborative partnerships with representative local actors and communities, the governorate authorities and aid partners. The approach will also strive to prepare the local governance ecosystem for a more sustainable and broad-based social, economic and environmental recovery. This first approach will consist in two main components:
  - a. A modular demand-driven capacity development component: SIERY will provide capacity development through training and mentoring to governorate and district authorities, selected CSOs, community structures at sub-district level and private sector organizations. Priority will be put on equipping these actors with the necessary skills and processes for community engagement, collective action and collaboration, accountable public expenditure and project implementation.
  - b. A multi-purpose Local Resilience & Recovery Fund (L2RF) component: in order to preserve and adapt the service delivery infrastructure to evolving needs created by the crisis, local authorities urgently need capital funds to fill the shortfall created by the reduction in central budget support. Funds are also needed to help recover from the conflict where sufficient stability already prevails (e.g. Hadramout) and deal with systemic issues such as random urbanization. Community-led initiatives for service delivery and social cohesion also need to be expanded and sustained in time as they are an indispensable part of resilience-building.
- (2) **To foster the emergence of a national compact for recovery and reshaping the Yemeni local governance system to support stability, peace and state-building.** The second approach will use several parallel strategies to achieve its aim. It will promote horizontal alliances and a community of practice among influential local governance actors from different parts of the country; facilitate dialogues on fiscal decentralization, and support the re-establishment of an effective central-local relationship on administrative and technical matters.

#### *Component 2: Economic Resilience*

SIERY will work with formal and informal MSMEs through a value-chain approach as well as with public and private institutions responsible for building an enabling financial environment for inclusive local economic recovery, including financial institutions, chambers of commerce and private sectors, business unions and local authorities.

- (1) **To analyse the value chains in promising sectors,** such as coffee, honey, horticulture, livestock, fisheries, and renewable energy. Maximum three sectors will be adopted based on the comparative advantages to strengthen the value chain through the intervention. This analysis will allow recognizing which activities are the most valuable and which ones could be improved to provide competitive advantage.

**(2) To strengthen a value chain approach by empowering producers, private sectors and microfinance service providers for skill development, capital support, job creation, and employment.**

- a. Engaging value chain stakeholders from producers to consumers to create the demand and supply.
- b. Supporting small medium service providers to the business sector, including for financial services.
- c. Strengthening horizontal and vertical linkages between producers and the market by supporting the productivity gains in promising sectors.

**(3) To recover the market infrastructure, providing inputs and improving access to support small and medium enterprises for collective growth for the expansion and scale-up of businesses.**

Rehabilitation and reconstruction of important market infrastructure assets.

**(4) To enable and engage micro finance service providers and network, private sector or business associations and regulators to support producers, private sectors and local authorities to de-risk unstable market environment.**

- a. Supporting microfinance service providers connect better with producers to reduce and mitigate high input costs as well as financial risks for SMEs (e.g. transportation costs, risks of theft).
- b. Supporting the Yemeni Private Sector Cluster (PSC) advocate for bringing back businesses. This will include support to main private sector bodies such as Chambers of Commerce in the main governorates, specialized management organizations and business associations.

The two components of the Project are intimately integrated. The institutional resilience component focuses on strengthening the capacities of local authorities to provide public services, including the establishment of an enabling environment for economic recovery. The economic resilience component, subsequently, capitalizes on this enabling environment to revive and help recover, in close collaboration with the local authorities and other actors in the ecosystem, local economies. Hence, both components support better local economic development planning and budgeting, in improving the regulatory environment for local businesses, in co-funding important market / economic infrastructures and in fomenting public-private partnerships, in particular in the area of service delivery.

## Chapter 2: Inception Phase

The Project was launched with an Inception Phase, as per the requirement of the Agreement. This phase was initially envisaged to take between three and six months, depending on issues relating to the setting up of the project team, agreement with government counterparts, identification of Responsible Parties, among other things. That proved not feasible, mainly due to the practical challenges related to the SARS-CoV-2 Coronavirus ('Covid') pandemic, the institutional fragmentation in Yemen and the difficulties securing (practical) political buy-in from the De Facto Authorities in Sana'a. Each of these factors, and its practical implications are discussed further below.

Some elements of the Inception Phase were therefore belatedly finalized (for example, the revised Local Resilience and Recovery Funds architecture and the Maturity Model) while some elements, after several failed attempts, were abandoned (for example, the Rapid Needs Assessment in the areas under control of the De Facto Authorities - DFA.) To avoid further delay, it was decided to go ahead with the elements of the Annual Workplan that were either less depended on the finalization of the Inception Phase<sup>1</sup> or in the areas where the Inception Phase was *de facto* finalized (the areas under control of the Internationally Recognized Government of Yemen - IRGY).

The latter exemplifies the necessity of a 'two-track' implementation approach for the areas under control of the IRGY and those under control of the DFA. This approach, and its practical implication for 2021 and beyond, will be discussed more extensively below. The narrative presented here reflects this two-track implementation and will often treat the 'North' and 'South' separately. One difference needs to be highlighted from the start, however, because it is all pervasive, recurrent and in many ways circular: the difference between 'political' buy-in in the two regions of the country.

By and large, the IRGY, in the shape of the Ministry of Local Administration (MoLA) and, to a lesser degree, the Ministry of Planning and International Cooperation (MoPIC) in Aden, is supportive of the project. Here, as elsewhere, particular political dynamics within the IRGY have an impact on the implementation of the Project. The sharpening divisions between the Southern Transitional Council (STC) and other IRGY factions (especially Islah) in 2021 has penetrated the state institutions and, depending on the particular interlocutor the Project is dealing with at any given moment, support and emphasis differs. Cooperation at the sub-national (Governorate and District) level has been excellent throughout (including from the Governorate Sectoral Offices).

The DFA is more ambiguous in its support and attitude to the Project. Initial discussions early in the Inception Phase were encouraging but didn't translate into the approval of the visa application of the Chief Technical Advisor, hampering more detailed follow-up discussions. Requested project documentation was shared early on in the Inception Phase, but was repeatedly requested again, indicating a certain confusion behind the scenes. There appears to be significant disagreement about the desirability of the Project among several relevant agencies (National Security agencies, the Supreme Council for Managing and Coordination of Humanitarian Assistance – SCMCHA – and the Sana'a branch of the Ministry of Local Administration – MoLA. There might have been others involved the Project was not aware of). There seems to have been discussion about, on the one hand, the Project's focus on 'governance', its inevitable concern with issues relating to authorities and communities, and its need to

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<sup>1</sup> that is, the approval of the Inception Report, hopefully during the Project Board Meeting in December 2021. Parts of this narrative come from the draft Inception Report.

be close to the ground and, on the other hand, the obvious benefits in the shape of local public investments. It appears that the argument oscillated between endorsement and opposition; approval once granted was soon replaced with refusal and vice versa.

Although ultimately visas were granted (for half year periods) to senior Project staff from March on, high level meetings with senior SCMCHA officials were concluded positively, roles and responsibilities and certain conditions (and even semantics) agreed upon, and initial Project activities approved, progress was again and again interrupted by regressions, in which agreement and approval had to be secured all over again. It is very likely that, given the nature of the regime, its antagonism to the international community, its disregard for public service delivery and its growing factionalism, this situation will continue in the future. Needless to say, this has led to significant implementation delay in the areas under control of the DFA, especially with regards to the allocation of L2RFs to local authority priorities (the output which has generated a lot of momentum and buy-in in the areas under control of the IRGY.)

## **2.1 SARS-CoV-2 Coronavirus and the launch of the Project**

The Inception Phase encountered significant delay. The main reason for this delay was due to the SARS-CoV-2 Coronavirus ('Covid') pandemic, which has hit Yemen hard in 2020 and 2021 (although precise data are hard to come by) and which has had and will have repercussions beyond the Inception Phase of the Project.

In general terms, the Covid pandemic has added an additional layer of uncertainty and unpredictability to already extremely volatile situation, the other two (most relevant) layers being the on-going and, in many ways, worsening political conflict(s) and the further fragmentation and fracturing of the Yemen state and its institutions. It is too early to unambiguously identify, name and analyze the interaction between these layers, let alone the knock-on effects of the pandemic on the social, economic, and political conditions in Yemen in the mid-term, but the Project would be well-advised to remain vigilant during its implementation phase for potential fallout (also see the paragraph on Adaptive Management).

More directly, the Project has been impacted by the Covid pandemic during the Inception Phase in different ways. The virus has run through the Project's human resources, both in the Project team and in the UNDP Country Office teams providing support services. Infection and recovery have taken its toll, creating lengthy absences, staffing gaps and delays in crucial project initiation processes, such as recruitment and deployment of new project staff. The intermittent office closures and imposition of the 'work from home' modality, either at UNCAF in Sana'a or outside Yemen, or in the case of national staff, from their actual homes, later followed by vaccination requirements and travel impediments, has made it difficult and sometimes simply impossible, to continue 'business as usual', especially in the start-up phase of the project.<sup>2</sup>

Some activities from the Inception Phase, which had to be implemented in the field, such as the rapid needs assessment, both ran into practical problems – interviewees being ill, government offices closed

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<sup>2</sup> A good example is provided by the fact that the Project Introduction Mission to the Governates, crucial for establishing working – and personal, so critical in the cultural context of Yemen – relationships with the key counterparts – (Deputy) Governors, Heads of Sectoral Offices, District Managers etcetera – only proved feasible in August 2021, almost a year after official kick-off of the Project. The several botched attempts to have an official, on the ground, launch of the Project, in the presence of the donor and project beneficiaries, provide another example of the practical problems presented by the pandemic.

due to the pandemic, travel limitations, etc. – and hinted at an ethical dilemma going forward; given that the majority of project activities are to be implemented by local Responsible Parties, how does the Project prevent offloading its Covid related risks on those local parties? Covid risk management should apply to both the Implementation Agency and Responsible Parties, if no harm is to be done, which, given the unpredictability and uncertainty of the future course of the pandemic in a low-vaccination environment like Yemen, has the potential to cause havoc to the most diligent implementation plans in the years to come.

## **2.2 SIERY on the Humanitarian-Development-Peace Nexus**

The Project is emphatically and explicitly positioned on the Development side of the Humanitarian-Development-Peace (HDP) Nexus, possibly even more so then during the project formulation phase a few years ago. Partly, this reflects the growing awareness among international partners that the previously almost exclusive humanitarian solutions to the many problems Yemen is facing are, however important still, not sufficient in themselves (as admittedly national counterparts have been pointing out for several years). There is also a growing realization that, on the one hand, waiting for a political settlement and peace before starting with development activities is not feasible, and, on the other hand, something needs to be done in terms of more conventional development approaches while that settlement is still proving to be elusive.

SIERY has spent considerable time during the Inception Phase thinking through and exploring the practical implications and very real dilemmas presented by a development approach to (local) governance in Yemen. “Development”, as traditionally defined and especially practiced, implicitly assumes a relatively stable institutional environment – or at the very least, a coherent nation state with well-defined tiers of government with clear mandates. Moreover, a more capable, inclusive, and equitable form of these existing and functioning state institutions, with the idea (and ideal) of the modern, unified, developmental nation state always lurking in the background, provides the goal the average governance development project tries to achieve. These assumptions provide, as it were, the ‘guiding lights’ for such a project.

These ‘guiding lights’ are missing in the case of Yemen. Currently, Yemen is not a unified nation state. In fact, despite the long (cultural) association of the geographical region with something called ‘Yemen’, political unification is very recent and only for a very short while, a simple fact which presents its own problems, regardless of the current political conflict (although it doubtlessly informs it), when working on uniform governance structures. Political unification is a long, often highly contentious process, where ‘progress’ is often violently interrupted by ‘regression’ into a fragmented, fractured polity. It is important to note that words like ‘unification’, ‘progress’, ‘regression’, ‘fractured’, and in its wake, ‘failed’ or ‘chaotic’ states, present a value statement and voluntarily or involuntarily represents a political ideology or preference on what kind of polity the geographical region of Yemen needs. It is by no means a historical fact that a unified Yemen polity produces better development results, as the Saleh regime involuntarily demonstrated. To simply assume that a new political settlement will produce a more development-oriented, unified state is an aspiration that will not necessarily survive political reality on the ground.<sup>3</sup>

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<sup>3</sup> The current fractured map of Yemen, whether by design or coincidence, resembles ancient fault lines, exposing the significant historical, social, economic, and political differences between the geographical regions under the veneer of cultural similarities. The first modern unified Yemen state of 1990-2014 piloted a heavily centralized strategy to state-building and failed. The Law Concerning the Local Authority, introduced in 2000, was a political

The unified Yemen state is not only currently non-existent; it is also actively (and passively) contested. The Southern Transitional Council, which dominates Aden and surroundings, as well as other, smaller parties and forces in the southern part of the country, actively and explicitly campaign for the establishment of a separate state in the southern regions. Many regions in the southern and eastern parts of the country, functioning de-facto independently as is, are not necessarily committed to a unified Yemen state under all circumstances and at any cost, thereby at the very least passively contesting the idea of ‘unification’ (it is equally relevant to mention that some of these regions, most notably Hadramout and Marib, actually perform better in terms of service delivery etc., than pre-2011).

The examples of Hadramout and Marib point to another ‘fact on the ground’ SIERY has to confront. The Yemen state and its institutions are now commonly referred to as ‘fragmented’, which is seen as problematic, and in need of ‘reconstitution’. There sometimes seems to be an underlying assumption that the ‘fragments’ of the Yemen state and its institutions have fallen by the wayside and are waiting, *passively*, to be picked up and glued together again. Any independent actions by these ‘fragments’ are seen as an unhelpful aberration (as some discussions on the negative political role played by tribes exemplified) that need to be nullified in any future political settlement. However, it is equally, if not more, plausible to see these actions as *state-building in action*<sup>4</sup>, either towards a (radically different or more balanced) unified Yemen, a more federalized structure or outright independence. These developments and processes cannot simply be wished away.

Last but not least, it is by no means a given that the *purpose* of the State (fragments) is uniformly ‘developmental’, if it ever was in Yemen. In the current circumstances, ‘development’ might not be a priority. Security, political survival and profit might very well be deemed more important. In these circumstances, State institutions, their processes and (human) resources, also at the local level, might be preoccupied and oriented towards other things, and see a project like SIERY in a different light than its stated objectives.

At a practical level, this presents SIERY with a set of dilemmas and practical problems it needs to be sensitive and adapt to:

1. While positioned as a governance development project in an on-going conflict context, the Project needs to accept that ‘development in an on-going crisis’ is to a large degree uncharted territory in Yemen. Some guidance to doing development in governance in on-going crisis settings does exist<sup>5</sup>, but this is not specifically tailored to the situation in Yemen. As a development project, the focus should be emphatically on ‘sustainability’, as opposed to more humanitarian interventions, which focus on fixing immediate humanitarian crises. Therefore, the choice of activities, partners (see below) and result indicators should be informed by the ‘sustainability’ argument. Moreover, the Project will need to communicate extensively, with the donor, partners, beneficiaries,

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response to pressure for a more balanced approach, but proved ineffective in redressing the balance between the center and the regions (due to almost immediate undermining of key elements by the central authorities). From a certain perspective, the current conflict is fed by the unfulfilled promises of that law.

<sup>4</sup> there is a tendency to focus on *horizontal* elite bargains in political settlements and peace deals, at the expense of the importance of *vertical* ones, that is, deals between national and local elites. National political orders and settlements are built on top of local ones. The national elite has local constituencies they have to listen to if they want to remain relevant and powerful.

<sup>5</sup> Most notably UNDP’s corporate guidelines, which also informed the original project formulation.

international agencies etc., that the goal of the Project is to build sustainable and resilient sub-national governance and economic structures that will be able to deal in an inclusive and equitable manner with the humanitarian, environmental, social, and economic challenges, reflecting local (social, cultural and political) realities, and not narrowly defined humanitarian aid delivery mechanisms.

2. While being emphatically on the development side of the Nexus, the Project needs to accept that the usual conditions do not apply and that the usual goals of supporting local governance in the context of a modern, unified, developmental state are at best moving targets. In other words, the absence, elusiveness and especially uncertainty of the shape of a future political settlement deprives the Project from a clear framework<sup>6</sup> and it has to find its way in an extremely messy, volatile and fluid institutional environment and future. Therefore, the more ambitious ‘guiding lights’ of traditional Local Governance development projects need to be replaced by a vision of ‘**threshold conditions**’ that will enable local authorities to a) contribute positively, constructively and effectively to the political settlement and peace deal, regardless of its eventual shape and without pre-empting the outcomes of an intensely internal political process, and b) to effectively and efficiently play a ‘developmental’ role at the sub-national level, in (basic) service delivery, emerging needs such as climate resilience and IDP management, and local economic development, molded in continuous collaboration with local communities, private sector and local powerholders.
3. While driven by this vision of ‘threshold conditions’ which does not pre-empt an eventual political order, the Project needs to accept and deal with diverging and often conflicting perspectives and expectations among the many national and regional actors on the role of sub-national governance and therefore what the Project aims to support, contribute to and achieve. In more extreme cases, the Project runs the risk of becoming a political tool (or fool, when it does not take these dimensions into account) in the push and pull between centralizing and decentralizing forces. The Project is also vulnerable to (politically motivated) accusations of contributing to the further ‘breaking up’ of the unified state. Therefore, the Project will adopt a balanced and (politically) informed approach to, on the one hand, strengthening the capacity of sub-national authorities to respond to (and represent) specific local needs and circumstances, while on the other hand, ensuring the uniformity of capacities, processes, and mandates among sub-national authorities across the different regions of Yemen (see also below).
4. While there is, within Yemen, a large diversity of often competing perspectives on the role, purpose, and future of sub-national governance (not limited to political actors per se), the Project needs to ensure that its activities and results are not captured by one particular perspective or interest. This will require a much greater involvement of UNDP as Implementing Agency; in addition to bringing the broad and deep experience of UNDP in the field of development and governance to bear upon the Project, the UNDP Project Team takes on the additional role to guarantee the **coherence** and **neutrality** of the Project’s approach, implementation and results. Concretely, this means that UNDP, for instance, ensures the uniformity of the curriculum, manages the L2RF, oversees the Maturity Model (see below), and initiates inclusive platform between the local public and private sector for local economic development, among other things.

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<sup>6</sup> it must be said that the Local Authorities Law, on the one hand, provides some guidance, although the future of that Law, as all others, is up for grabs, and it is only opportunistically applied as it is.

The Project Team will also work much closer with the Responsibility Parties in the design, implementation and, when and where necessary, adaptation of project activities.

### **2.3 Practical issues relating to institutional fragmentation**

While the Project works in the whole of Yemen and aims to promote a uniform sub-national governance system based on the Local Authority Law in 2000, the current *status quo* of separate authorities for the area under control of the IRG and the area under control of Ansar Allah, necessitates, from the moment the Inception Phase commenced, a two-track approach. The two-track approach has significant and wide-ranging implications for the planning, design, implementation and management of project activities (it is likely that this necessary two-track approach will also have a significant impact of the Result Framework.) The number and scope of implications are vast and broad, and not all can be predicted with sufficient degree of certainty for the duration of the Project. As a rule of thumb, however, the following can be said:

- a) At the activity level: The two-track approach will aim to achieve the same results, but sometimes with a divergent set and sequence of activities (hence the need for on-going adaptation of the indicators, etc.) During the Inception Phase, it proved impossible to conduct a Rapid Needs Assessment in the Governorates and Districts under control of the DFA. Despite promises to the contrary, the authorities were unwilling to share government data. (Baseline) data gathering will therefore happen more unobtrusively during the implementation of activities, and activities will be based on a less secure evidence base than in the areas under control of the IRGY.
- b) At the planning level: Given the different types of interactions and coordination processes with the authorities in the areas under control of IRGY and DFA, on top of the diverging timelines for the project activities, it is foreseen that the Project will be implemented at two different speeds. In the areas under control of the IRGY, it has proven possible to coordinate project implementation after the Inception Phase directly at the Governorate level (the ideal situation), which has a significant positive impact on progress while in the areas under control of the DFA, apart from the internal issues at the central level (discussed above), there is a strong emphasis on centralization (as per November, the Project has only established tentative direct contact with sub-national authorities in Hodeidah).
- c) At the implementation level: On top of the issues discussed above, the different regions present specific implementation challenges. While in the IRGY area movement is relatively unrestricted<sup>7</sup>, movement and action in the area under control of DFA is subjected to stricter rules, and permission might not always be forthcoming. Within these regions, frontline dynamics and other security concerns are equally affecting implementation: the on-going military conflict in Marib, the volatile political situation in Aden and Lahj, the unstable status quo in Hodeidah, the enduring presence of AQAP and ISIS in Wadi Hadramout, etc., are prime examples. In the project period under discussion, the Project Team only secured permission to visit the selected Governorates in the North in October (mission planned for January 2022), while three of the five selected districts in Marib have been conquered by Ansar Allah.<sup>8</sup>

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<sup>7</sup> it still requires security processes that can take up to 2 weeks and movement is costly, however.

<sup>8</sup> An additional consideration is that L2RF disbursement is performance-based. Given current 'speeds' at the two tracks, there is the real possibility that L2RF distribution will be uneven between the two regions. Although the principles and consequences of the performance-based distribution of L2RF has been explained and discussed several times with the government counterparts, there is potential for friction and recriminations when its implications become clear.

- d) At the management level: The Project will, for all intend and purposes, have two government counterparts, i.e., the authorities in Sana'a and in Aden. There will be two Project Boards and two interlocutors. Project Management will need to divide its time as equally as possible between Sana'a and Aden, to maintain relationships and oversee progress. The first Project Board Meetings are planned for January/February 2022. The SIERY Project Team has established representation and premises in both Aden and Sana'a (besides the field coordinators, which will also be present in Marib, Hodeidah and Mukalla).

## **2.4 Inception Phase activities proper**

The stated objectives of the Inception Phase were the following:

1. To establish project infrastructure (administrative setup, team recruitment, interface with government counterpart, identification of responsible parties, etc.)
2. To validate the initial choice of targeted Governorates, to identify districts and to conduct a rapid needs assessment
3. To finetune the Project's approach, method, activities and tools on the basis of a more granular context analysis.

The result of each objective is further described below.

### **2.4.1 Project Infrastructure**

During the revision of the Description of Action/Project Document (DoA) in 2019, the number of project functions had been significantly reduced and replaced by an ad-hoc consultancy budget line (if and when required). During the Inception Phase, additional adjustments have been made. For example, it has been decided to temporarily replace the dedicated Communication Officer with a mix of short-term Communication consultants and long-term agreements with media content producers and to delegate some simple Communication tasks to the Responsible Parties. Early on in the Inception Phase, it was also decided that there was no need for the full-time presence of two Thematic Output Specialists (one for the Institutional Resilience Component and one for the Economic Resilience Component) and that these tasks (mainly conducting and publishing relevant research and its implication for programming) could better be outsourced, on an ad-hoc and once off basis, to relevant research institutes in Yemen (thereby contributing to local capacity). Lastly, the tasks of the Monitoring and Evaluation/Reporting Officer have been distributed among the Field Coordinators and the Monitoring and Evaluation Specialist for the moment.

It quickly became apparent that in the latter stages of the development of the DoA and the negotiations around the Budget of Action (BoA), the budget line for the Finance & Administration Officer was accidentally dropped (although the function was still mentioned in the project team organogram of the DoA). Given the volume of the Project and the large number of financial transactions, this post is crucial for the effective and transparent implementation of the Project, and it was therefore decided to use the open budget line for the Communication Officer post to recruit a Finance & Administration Officer. For reasons given below, it was felt important to recruit a dedicated Gender Officer (instead of one of the Thematic Output Officers). This was proposed to the Delegation of the European Union in Amman, who kindly approved the (budget neutral) change.

As of today (November 2021), therefore, the Project Team is fully staffed and consists of an (international) Chief Technical Advisor/Project Manager, an (international) Senior Project Management Specialist, an (international) Monitoring and Evaluation Specialist, an (international and part-time) Project Specialist in Brussels, two (national) National Coordinators for Institutional Resilience and Economic Resilience, five Field Coordinators (for Sana'a/Ibb, Hodeidah/Hajjah, Aden/Lahj and Ta'iz, Marib, and Hadramout), one (national) Finance and Administration Officer and two (national) Project Assistants (14 staff members in total).

#### **2.4.2 Governorate Validation, District Selection and Rapid Needs Assessment**

A major objective of the Inception Phase was to have the initial choice of project locations confirmed, changed if necessary (Governorates), and selected for the Institutional Component. In the case of the Economic Component, a further choice needed to be made (Governorates and Districts). The Description of Action (and Budget) initially proposed eight (8) Governorates for the Institutional Component and allowed for between 30 and 50 districts in total and a further selection of four (4) Governorates with four (4) districts each for the Economic Component.<sup>9</sup> The Description of Action states that the selected Districts (for both Components), in order to reflect the broad and diverse local governance tradition, experience and practice in Yemen, should be both a blend of Districts either profoundly or only slightly affected by the conflict and contain urban, urban-rural and rural ones.

At the beginning of the Inception Phase, the Project decided to adopt a participatory approach to the validation of selected Governorates and selection of Districts, in order to promote greater engagement with the Project at different levels. For reasons discussed above, and in a clear indication of things to come, the modality, depth of participation and timing of these events in the areas under control of the IRGY and those under Ansar Allah diverged significantly. Each district selection process, however, used and complied with the same set of selection criteria (as spelled out in the Description of Action).

On 07-08 March 2020, a Project Introduction and District Selection Workshop for the area under control of the IRGY was organized in Aden, under the official auspices of the Ministry of Local Administration (MoLA-A). Around 80 participants from the central government in Aden, the pre-selected Governorates' authorities, local Chambers of Commerce and the private sector convened for two days to discuss the Project, to validate the pre-selection of Governorates and to select the District (five per selected Governorate, with the exception of Ta'iz and Hadramout which are split politically. These Governorates were allowed to propose 6 Districts, 3 per politically separate area.)

It was proposed and unanimously agreed that Ta'iz, given its central (political, economic, cultural) importance, would be added to the list of targeted Governorates in the areas under control of the IRGY.<sup>10</sup> Participants encouraged the European Union and UNDP to include more Governorates and increase the number of districts in the near future, given the extreme needs in the country. Each Governorate compiled

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<sup>9</sup> The Educational 'Component' is part of the Institutional Component output and is not tied to a specific number or location. The only - implicit - condition is that that these interventions take place in the selected Governorates and Districts of the Institutional Component, promotes linkages between local authorities and schools and, wherever possible, contributes to on-going educational interventions (the latter a specific suggestion by the EU Delegation in Amman). For a further discussion, see the separate sub-heading.

<sup>10</sup> More specifically, the southern part of Ta'iz. Likewise, the northern part of Ta'iz was added to the list of targeted Governorates in the area under control of Ansar Allah, to maintain the strict 50-50 division between the areas under control of the IRG and those under control of Ansar Allah.

a list of five priority Districts, as per selection criteria, as well as three ‘reserve’ Districts (in case one or more of the preferred Districts did not comply with the security and/or ‘overlap’ criteria, a check conducted by Project Team). Further selection of Governorates and Districts for the Economic Component proved contentious, and it was decided the Project, with assistance of MoLA, would make a final selection.

For the area under control of Ansar Allah, after initial indications to the contrary, it proved unfeasible to organize a similar Project Introduction and District Selection Workshop with the same level of representation in Sana’a. Moreover, a prolonged process of replacing some of the Governors in this region caused further delay and complications in the validation of Governorates and selection of Districts. It was agreed with the Ministry of Local Administration in Sana’a (MoLA-S) and SCMCHA that MoLA-S would, under the guidance of the Project Team and in line with the Selection Criteria, together with the relevant authorities from the pre-selected Governorates (Sana’a, Ibb, Hodeidah, Hajjah and the northern part of Ta’iz), pre-select five (5) districts per Governorate for the Institutional Component. The Project Team subsequently checked this pre-selection against the criteria and other project requirements and found the list in compliance.

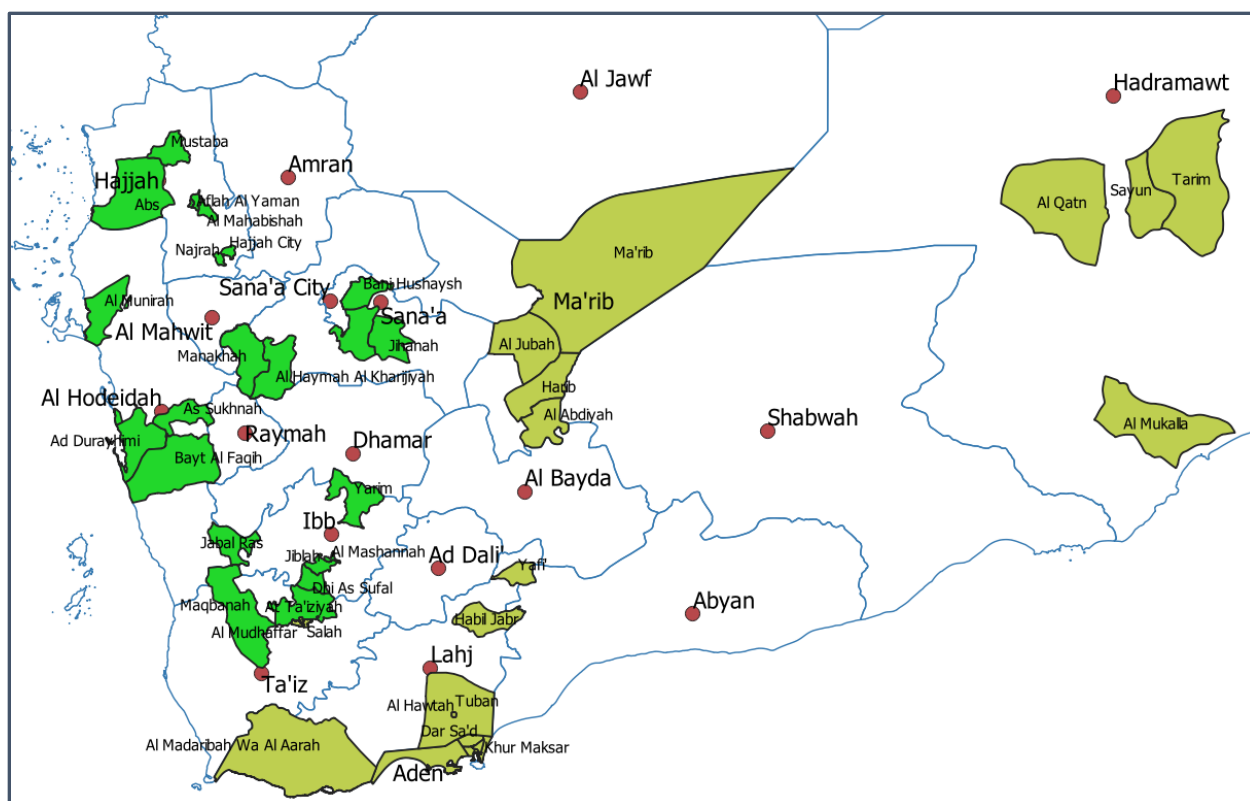
The choice of Economic Resilience Governorates and Districts was heavily informed by studies and experiences of the *Enhanced Rural Resilience in Yemen* project (ERRY I and II), in many ways the ‘sister project’ of SIERY. Additional data were gathered using the **livelihood zoning methodology** developed by USAID. The livelihood zoning “plus” includes a traditional livelihood zoning exercise that disaggregates populations by general wealth and offers a minimum set of livelihood information (such as source of food and income). The Project also considered data from the Distress Index, in terms of population, IDPs, intensity of food insecurity, intensity of assistance needs and the number of returnees (a new issue in 2021 with the expulsion of Yemenite workers from Saudi Arabia, which heavily impacted Hadramout).

A priority in the selection process was for Governorates and Districts that have more economic opportunities and promising sectors, and which will therefore generate more job opportunities and sustain more livelihoods. The Project also tried to find a balance between rural and urban areas, coastal, mountainous, and agricultural areas and to incorporate factors such as employment opportunities for women and youth, the presence of central markets and ports and potentially new value chain sectors.<sup>11</sup>

See the maps and tables below for selected Governorates and Districts for the whole of Yemen and for the areas under control of the DFA and the IRGY separately.

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<sup>11</sup> For example, in Sana’a Governorate, Sanhan district has the highest population but the intensity of assistance needs are 70% while in other districts the needs are over 90% in Banihushaish and Manakha districts. The economic opportunities that would create more jobs are much more numerous in Banihushaish and Manakha than in Sanhan due to the diversity of agriculture cash crops in these two districts. In the north of Hadramout (the valley area) the selection of Tareem and Al-Qaten was both based on the intensity of assistance needs and the number of returnees. Tareem and Al-Qaten have a great diversification of economic sectors such as honey, palm dates, horticulture, wheat, etc. which not only provides food security for people in the two districts but also for all people living in the valley.

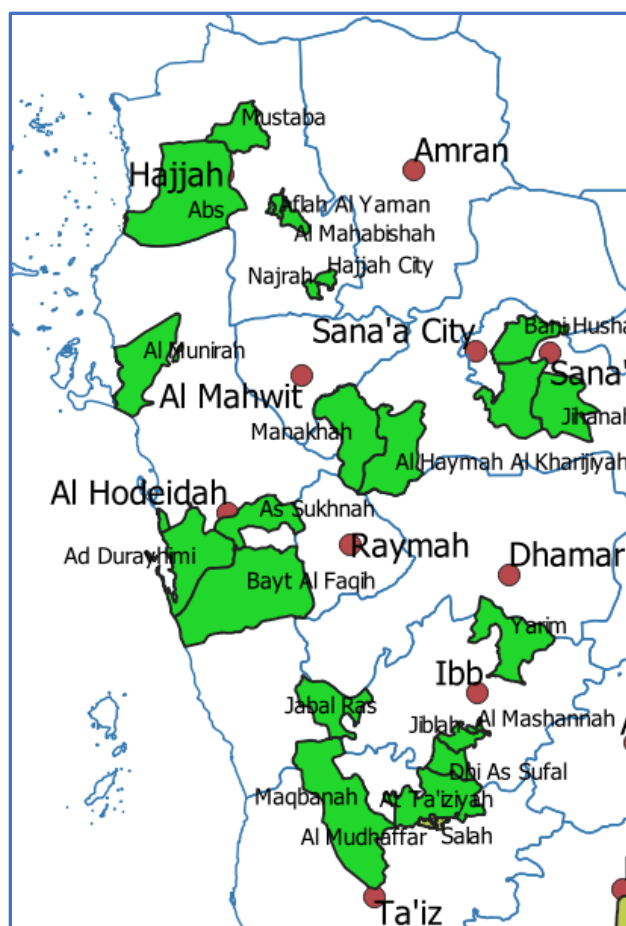


Map 1: Selected Governorates and District – whole of Yemen

### Group 1: SIERY Governorates and Districts in the areas under control of the DFA

| Hajjah        | Hodeidah      | Ibb          | Sana'a                 | Ta'izz     |
|---------------|---------------|--------------|------------------------|------------|
| Abs           | Al-Hawak      | Al Mashanah  | Al-Haimah Al-Kharijiah | Al-Taiziah |
| Al-Mahabishah | Al-Munirah    | Al-Dhihar    | Bani Hushaysh          | Mawiah     |
| Hajjah City   | Al-Sukhnah    | Dhi As Sufal | Jihanah                | Maqbanah   |
| Mustaba       | Bait Al-Faqih | Jebelah      | Manakhah               |            |
| Najraq        | Jabal Ras     | Yareem       | Sanhan                 |            |

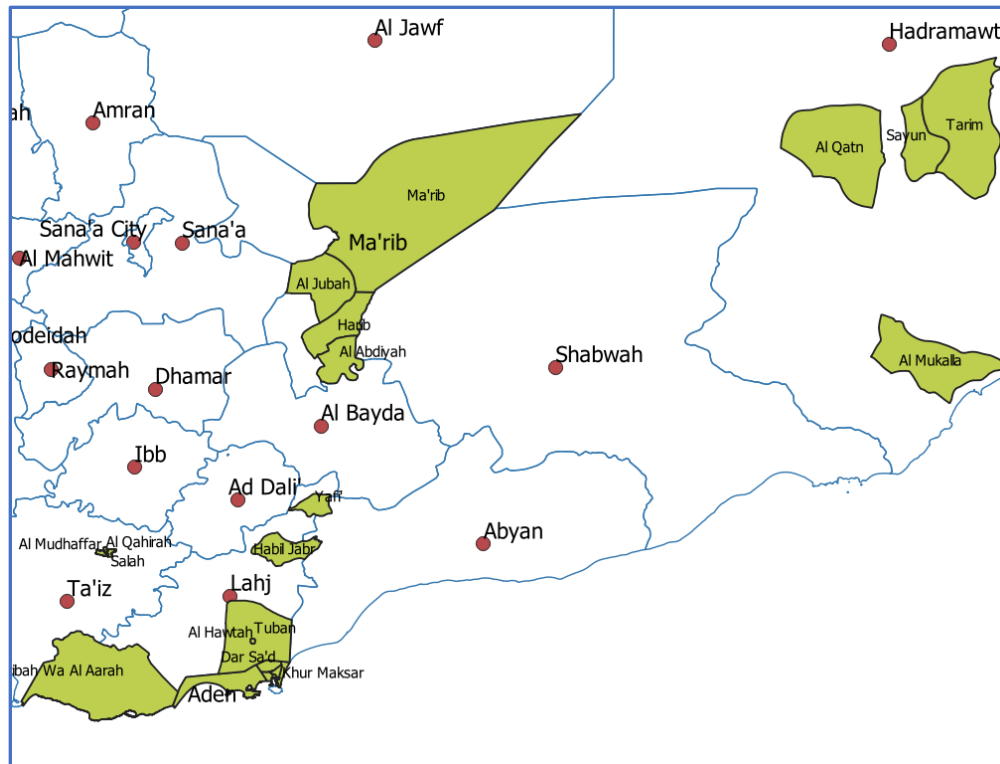
The **eight** districts highlighted in **blue** are covering both institutional strengthening and economic resilience components.



Map 2: Selected Governorates and Districts – DFA controlled areas

**Group 2: SIERY Governorates and Districts in the areas under control of the IRG**

| Aden        | Hadramawt                | Lajh        | Marib      | Ta'iz      |
|-------------|--------------------------|-------------|------------|------------|
| Al Buraiqah | Al-Mukalla (coastal)     | Al Hawtah   | Al Jubah   | Al Mad-far |
| Al Mansura  | Ash Shihr (coastal)      | Al Madarib  | Al Abdiyah | Qairo      |
| Ash Shaikh  | Ghail Bahwazir (coastal) | Habil Jabar | Harib      | Salla      |
| Dar Sad     | Al Qatn (valley)         | Tuban       | Marib City |            |
| Khur Maks   | Seiyun (valley)          | Yafa'a      | Marib      |            |
|             | Tarim (valley)           |             |            |            |



Map 3: Selected Governorates and Districts – IRGY controlled areas

UPDATE 31 October 2021: The current situation in Marib puts pressure on the strict 50-50 division of targeted Governorates and District in areas under control of the IRG and of Ansar Allah. In the short term, capture of Marib by Ansar Allah forces would force the Project to decide either to pull out of Marib, which is currently in the area under control of the IRG (although to date, three of the five selected districts are *de facto* already in Ansar Allah territory) and find another 'IRG' Governorate (and start anew) or to continue in Marib, thereby relinquishing the 50-50 formula. It can also decide not to find a replacement and allocate more funds to the remaining Governorates and Districts in the area under IRG control. However, it is unlikely that the repercussions of a potential 'Fall of Marib' on the Project will be limited to a decision on the Project's presence in Marib. Possible scenarios include an extension of the fight along the Valley into Saiyun in the East and Shabwa in the South; the further marginalization and breaking up of the IRG and its *de facto* replacement by the STC; renewed and intensified conflict between Ansar Allah, STC and Islah in Ta'iz, Lahj and Aden (to mention only the Governorates SIERY is present in), and; eventually the breaking up of the country in significantly different, possibly more territories with its own authorities and institutions.

### 2.4.3 Project approach, methods, activities, and tools

During the Inception Phase, the Project Team, in intensive discussions with the UNDP Country Office in Yemen, experience sharing sessions with other (UNDP) projects, consultations with (local) organisations and informal conversations with local experts, took a closer look at the Project 'toolkit', as proposed in the DoA. The main conclusions and implications are discussed below.

### *Local authorities, local capacities & local partners*

Given the political situation, local authorities in the different regions operate in different sets of circumstances, relationships, and constraints. In the areas under control of Ansar Allah, a new wave of centralization has led to an even stricter hierarchy between central and local authorities, while the on-going fragmentation of the areas under control of the Internationally Recognized Government of Yemen (IRGY) has led to a significant shift from the center to the regions.

This regionalization is further compounded by localized governance traditions and historical pathways. For example, the Tihamah and parts of the Highlands have long been administered by the Ottoman empire, while the Imamate of the Northern Highlands only introduced a modicum of a modern bureaucracy at its very end in the mid-20<sup>th</sup> century, instead relying on informal structures. Hadramout, on the other hand, was a functioning modern state with its own bureaucracy before it was absorbed in the People's Republic of South Yemen in 1967. All these administrative (governance) traditions, with its particular formal and informal institutions, specific methods of reflecting specific (local) political orders, settlements and relationships, reflections of different social and economic values etcetera, are still floating around, lurking in the background, shaping people's local perceptions and expectations of its modern, uniform replacements.

Last but not least, as noted and stressed by UNDP's Rapid Local Governance Diagnostics (2019), and as confirmed by the local missions conducted by the Project Team during the Inception Phase, the different regions diverge wildly in terms of capacity (that is, available organizational, financial, and human resources).

Therefore, the Project has come to the decision, in terms of how to approach the challenge of strengthening local authorities and local economic development, to focus (not exclusively, but predominantly) on supporting the further development of a strong 'local ecosystem' to support local authorities (depending on the situation, 'local' here can refer to region, as in the area under control of Ansar Allah, Governorate, sub-Governorate, as in the case of coastal and valley Hadramout, or District). Concretely, that means, among other things:

- a) a preference for 'local' Responsible Parties that are acceptable<sup>12</sup> and experienced in supporting local authorities and its local 'support system', as opposed to 'national' or foreign Responsible Parties (and a concomitant willingness to strengthen the capacity of these Responsible Parties to play that part more effectively),
- b) a preference for a broad(er) range of local Responsible Parties and private sector entities, in order to build a denser network of productive relationships between local authorities and local partners,
- c) a preference to anchor formal capacity development of local authorities in local training infrastructure, either public or private,
- d) an emphasis in project activities on the ability of local authorities *to collaborate* more closely with local for profit and non-for-profit actors to co-create public value, and

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<sup>12</sup> That is, politically acceptable. The authorities in Sana'a does not allow all international and local NGOs to work in the area under its control, while the authorities in Aden were very reluctant to work with local NGOs or parastatals with headquarters in Sana'a, a sentiment that was repeated, in stronger or more diplomatic terms, at Governate level in Lahj, Aden, Seiyun, Ta'iz and Marib. The same request was made, in the IRG area, in much more explicit terms, with regards to project staff.

- e) as part of closer linkages between the Institutional and Economic Resilience Components of the Project, to promote, through the Responsible Party modality, the use of local vendors, without too many intermediaries.

These decisions implied some changes in the selection of the Responsible Parties compared to the DoA. The DoA, with the necessary caveats (namely, that the final choice of Responsible Parties would be made during the Inception Phase), mentioned only three main Responsible Parties (SFD, SMEPS and PWP) who would be responsible for carrying out the activities of respectively the Institutional Resilience Component, the Economic Resilience Component and the (Educational and Market) Infrastructure Rehabilitation.

The Project has, with the above arguments in mind, broken up the Outputs of the Project in smaller and, in many cases, regionalized parts ('packages') and approached a broader group of local organisations to assist the Project Team in implementation. SMEPS and PWP are still part of that broader group, while SFD declined to participate in this new approach. Below is a list with the identified (regional) 'packages' and the selected Responsible Parties (the latter followed the relevant processes as prescribed by UNDP Programme and Operations Policies and Procedures). Please note that so far only for activities which could still feasibly be implemented in 2021 Responsible Parties were contracted.

| Project Component        | Implementation Package                          | Area                  | Responsible Party                                                     |
|--------------------------|-------------------------------------------------|-----------------------|-----------------------------------------------------------------------|
| INSTITUTIONAL RESILIENCE | Capacity Development                            | 'North' <sup>13</sup> | National Foundation for Development and Humanitarian Response (NFDHR) |
|                          |                                                 | 'South' <sup>14</sup> | Nahda Makers Organisation (NMO)                                       |
|                          | Local Collaboration                             | 'North'               | NFDHR                                                                 |
|                          |                                                 | 'South'               | NMO                                                                   |
|                          | Educational Development ('soft' <sup>15</sup> ) | National              | SOUL for Development                                                  |
|                          | Educational Development ('hard' <sup>16</sup> ) | National              | Public Works Project (PWP)                                            |
|                          | Accounting Standards                            | National              | To be selected in 2022                                                |
| ECONOMIC RESILIENCE      | Urban Development                               | TBD                   | To be selected in 2022                                                |
|                          | Value Chain Analysis                            | National              | Small and Medium Enterprises Promotion Services (SMEPS)               |
|                          | Business Skills Capacity Development            | National              | SMEPS                                                                 |
|                          | MSMEs technical support                         | National              | SMEPS                                                                 |

<sup>13</sup> 'North' refers to the area under control of the DFA, and includes Sana'a (Governate), Ibb, Hajjah, Hodeidah and Ta'iz (northern part).

<sup>14</sup> 'South' refers to the area under control of the IRGY, and includes Aden, Lahj, Ta'iz (southern part), Marib and Hadramout.

<sup>15</sup> The 'soft' part of the Educational Development Package refers to all non-rehabilitation sub-activities of **Activity 1.2.4** : Integrated support to restoring education services in affected communities helps restore livelihoods, stability and social cohesion

<sup>16</sup> The 'hard' part of the Educational Development Package refers to the rehabilitation sub-activity of **Activity 1.2.4** : Integrated support to restoring education services in affected communities helps restore livelihoods, stability and social cohesion

|  |                    |                |          |     |
|--|--------------------|----------------|----------|-----|
|  | Market Support     | Infrastructure | National | PWP |
|  | Access to Services | Microfinance   | National | TBC |

As discussed below, L2RF Management will not be outsourced to an external Responsible Party and kept at UNDP. Moreover, given the localized nature of Governorate, District, Urban and Community priorities (those eligible for funding through the L2RF windows), the expressed desire of local authorities to ‘shop locally’ to support local economic development, and to further strengthen the local ‘ecosystem’, Responsible Parties for the implementation of these priorities will be identified and selected after the list of approved projects has been compiled. Even in the case of the disbursement of the L2RF for Year 1 of the Project (discussed below) and the rehabilitation etc. of the educational infrastructure (discussed below), which predominantly concerned infrastructure and other hardware components, the *national* Responsible Party (PWP) implements through local contractors.

#### *Local Resilience & Recovery Funds (L2RF)*

The L2RF form a key part of the Institutional Resilience Component. They not only comprise the largest part of the Project’s budget; they are also an integral part of the ‘capacity development – district development planning – funding priorities’ triangle, and as such serve as ‘proof of systems’, that is, the tangible demonstration that local authorities can plan for, allocate and disburse funds in a transparent and accountable way to local development priorities that have been decided upon in a participatory manner. Given its central importance, therefore, the Project Team took a closer look at the proposed L2RF approach and structure, compared it with lessons-learned in similar projects (in Yemen and elsewhere) and discussed different options with national and international experts. This resulted in three main conclusions:

1. In order to safeguard the neutrality of L2RF disbursement, to prevent the emergence of disruptive institutional dependencies and relationships, and to guarantee national coherence of public investment, L2RF management should not be outsourced to one or more local Responsible Parties. The UNDP Project Team will therefore take the tasks associated with L2RF management upon itself, that is, after receiving the list of priorities eligible for L2RF funding from the Governorates, Districts, Communities and Urban Centers, the **UNDP L2RF Disbursement Team** will, on the basis of clear criteria, identify and select those projects which will receive funding. It will then contract (new) Responsible Parties to implement these projects. This approach has already been piloted to satisfaction in the L2RF disbursement of Year 1 of the Project (see below).
2. As stated in the DoA/ProDoc, L2RF disbursement will be **performance-based**. L2RF funding is conditional. Proposed priorities need to reflect the normative Public Expenditure Management (PEM) Cycle standards, as taught in the capacity development activities, and need to be based upon *participatory* planning processes resulting in District Resilience & Recovery Plans (D2RP), as facilitated in the Local Collaboration activities of the Project. Proposed priorities which do not meet these conditions sufficiently, will *not* be eligible for L2RF support. The implication of this approach will be that ‘good performers’ will have greater access to the L2RF and that no Governorate, District, Community or City is entitled to a pre-determined share of the L2RF. The 50%-50% division between the areas under control of the DFA and the IRGY, therefore, refers to the Project’s *activities* (and is dependent upon implementation speed).

3. In the second year of the Project, the Project Team will develop and introduce the **L2RF Maturity Model** that will contain a graduation scheme in which the gradual transfer of L2RF funded priority implementation to the local authorities (at the Governate and District Level) will be laid out. This L2RF Maturity Model is in recognition of the fact that the aim of the capacity development and local collaboration/planning activities of the Project is to establish effective, transparent, and accountable local government systems, which eventually should include the autonomous implementation of L2RF funded projects. The L2RF Maturity Model, however, will also take into account the risk appetite of the European Union and UNDP and ensure expenditure will follow due process. Last but not least, the L2RF Maturity Model will account for the significant capacity differences between the different Governorates and Districts in terms of the PEM Cycle and organizational efficiency. It is not foreseen that for the current Project duration any Governate or District will fully graduate to 100% autonomous implementation of L2RF funded priorities. The starting point in Year1 is, in all cases, implementation by Responsible Parties.

#### **2.4.4 Local Governance & Local Development**

SIERY aims to strengthen both sub-national authorities for better public service delivery and support local economic resilience. As formulated in the DoA/ProDoc, the link between the two main objectives of the Project is tenuous and thin, with its focus on capacity development on the one hand and targeted support to micro, small and medium enterprises (MSMEs) on the other. During the Inception Phase, the Project set out to integrate the two components further and ensure close mutual collaboration, greatly helped by the suggestion of the Delegation of the European Union to shift the emphasis of the Economic Component a bit more to Medium Enterprises (the main aim being the creation of employment opportunities at scale) and the reality on the ground, as explored during the Mission to the Governate in the area under control of the IRGY. The following describes the (provisional) findings and the way in which the Project intends to respond.

There are many reasons why sub-national authorities would benefit from strong local economic resilience and development. The fragmentation of the State in Yemen has *de facto* led to a significant expansion of the sub-national portfolio, a situation exacerbated by the emergence of new urgent policy areas, such as internally displaced people (IDP) management and climate resilience. Local economic development, and its ability to generate employment and livelihood, has become a key task for sub-national authorities. Moreover, with the shrinking (or disappearing) resource allocations from the center, sub-national authorities are in need of an expanding local revenue base to pay for public investments and public services, and economic development offers new opportunities for taxation. Last but not least, the key to a successful local authority is in its ability to collaborate closely with the (for profit and non for profit) private sector in the development and delivery of public services ('co-creation of public value'). The surging demand for public services can never be met by the public sector alone, and certainly not in Yemen.

The local private sector, be it small, medium or large, on the other hand, has a huge stake in the ability of the local authorities to create and sustain an enabling business environment, in as far that is under the control of these authorities (obviously, the current currency problems cannot be dealt with at the sub-national level). Moreover, the opening up of business opportunities in what has been called earlier 'co-creation of public services', such as in waste collection and disposal, utilities, etc. is bound to grab the attention of local entrepreneurs.

The potential and need for intense collaboration between sub-national authorities and entrepreneurs, business and private sector is abundantly clear, but it is equally clear that both the public and private sectors lack the capacities, spaces and platforms to meaningfully and productively collaborate. On the side of the sub-national authorities, knowledge about local economic development, value chain analysis and public-private partnerships is extremely limited to non-existent, which hampers the discussions at the few interactive platforms available (such as the local Chambers of Commerce), provides poor evidence for planning and leads to unproductive initiatives. The private sector, on the other hand, unable to find many effective, formal entry points to the sub-national authorities, either gives up or resort to personal contacts.

This context provides the space to meaningfully link the Institutional Resilience and Economic Resilience components together in SIERY. It has been decided to take both a structural and opportunistic approach to these opportunities. At the structural level, SIERY will develop and incorporate in its capacity development curriculum training courses related to local economic development, such as value chain analysis, public-private partnerships and the like. It will also initiate and, when and where productive, formalize collaboration platform between local authorities and local entrepreneurs, to discuss needs and problems, identify priorities and co-create solutions. At the opportunistic level, the Project will either respond in an agile manner to emerging opportunities for scaling up, in as far as it is within the remit of the Project or find other partners and projects to link the initiative to.

#### **2.4.5 Educational Component**

The Educational Component is a smaller and separate part of the Institutional Resilience Component and has a double focus on the rehabilitation of educational infrastructure and peace curriculum development/collaboration with local authorities. The DoA/ProDoc does not prescribe the exact location and number of districts to be targeted and allows for some flexibility. In discussions with the Delegation of the European Union it was decided that the Project would, where possible and feasible, align the Educational Component with large(r)-scale education interventions by other development partners in Yemen, while staying within the geographical scope of the Project (the selected nine Governorates and 46 Districts).

However, given the massive needs of the educational sector, the long run-up time of new large-scale education projects to come online (and the complicated procedures to align with these) and the imperative to align the Project's interventions with the *local* authorities (the large-scale projects tend to be run top-down), the Project decided, while preventing overlap and ensure coordination where needed, to focus on locally formulated priorities.<sup>17</sup> In addition, the Project decided, given the (relatively) limited resources available, to concentrate in the case of education infrastructure habilitation on girl schools or, in the case of mixed schools, on girls' facilities.

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<sup>17</sup> Please note that 'local priorities' in the context of the Educational Component refers to the outputs dedicated specifically to Education, and *not* to the priorities identified in the Institutional Component proper. Only the latter are eligible for L2RF funding. Given the huge needs, it is highly likely, though, that also in the D2RP priorities, education will feature prominently.

## **Chapter 3: Project Implementation in 2021 (until 31 October)**

Project implementation in 2021 started after Governorate validation, District selection, District Facilitation Team (DFT) members identification, Rapid Needs assessment (where possible) and Responsible Parties contracting were either concluded or in advance stages. Delay in the areas under control of the DFA initially led to the postponement of the formal finalization of the Inception Phase (i.e., the approval of the Inception Report) and thereby the formal start of the Implementation Phase. As mentioned above, the Project Team introduced the two-track implementation approach and decided to go ahead in the areas under control of the IRGY. The following therefore refers, unless otherwise mentioned, to implementation in the Southern Governorates.

### **3.1 Visit to Southern Governorates**

In August and early September, the Chief Technical Advisor and the two National Coordinators visited Aden, Hadramout (Mukallah and Saiyun), Lahj and Marib. The Team was accompanied by two officials from MoLA- Aden. A similar visit to Ta'iz had to be canceled last minute due to security and access reasons. Efforts to bring a Ta'iz Governorate delegation to Aden failed due to political reasons. Eventually a meeting was conducted via Zoom.

During the visits, formal and informal, individual and plenary discussions were held at the Governor's Office in the capitals, with (Deputy) Governors, Governor Council Chairmen, officials from the Governor's Office, Governorate Executive Organs (Sector Offices, such as Health, Education, Water, Planning etc.), National Women's Committee and the different Departments of the Diwan, District Directors, District Managers of selected Districts and other relevant officials from the sub-national administration. The Team also met the Chambers of Commerce and other representative of the private sector, several local non-governmental organisations, women organisations, and local experts. When possible, the Team also visited district offices, such as in As-Shihr and Ghayl Ba Wazir in coastal Hadramout and Tarim in the valley, met with the district managers and discussed needs and priorities.

In the case of the Institutional Resilience Component, the mission:

- Introduced and discussed the Project, including its approach, methods and activities, the different roles and responsibilities, in extensive detail with a broad group of stakeholders and secure the buy-in and active participation of key officials;
- Activated the District Facilitation Teams (DFTs), the most important local interlocutor of Project implementation, and discuss the division of labor between the DFTs and the Responsible Parties, streamline capacity development and local collaboration/planning activities in on-going training and planning processes, and tentatively plan for the coming period;
- Established an extensive network of key officials, organization and individuals involved in the implementation of the project and thereby extending the reach of the Project;
- Assessed existing individual and organizational (planning) capacities of the sub-national authorities at the Governorate and District level and to get an impression of the different local challenges and opportunities for capacity development and local collaboration;
- Met local non-governmental organisations, civil society organization and other relevant local capacity that could be part of the local ecosystem to support local authorities, including women's organisations;

- Mapped and assessed local training capacity;
- Got an impression of local political dynamics influencing the performance of local authorities, the impact of the national conflict on sub-national governance structures, and possible new (political) space for local authorities to fulfill their mandates.

In the case of the Economic Resilience Component, the mission (apart from the general results mentioned above):

- Succeeded to select, in a participatory, critical, evidence-based and locally prioritized manner, the most promising sectors in the selected (economic resilience) districts;
- Succeeded to select, building upon the positive outcomes of the identified sectors, possible targets for market infrastructure rehabilitation supported by the Project;
- Mapped women entrepreneurs' initiatives/organisations etcetera, enabling the Project to target this group in the near future;
- Presented, discussed and decided on potential initiatives to encourage collaboration between local authorities and the local private sector (as discussed above);
- Discussed the different elements of the Project with local Chambers of Commerce and other private sector representative, to gather ideas, input and opinions on the Economic Resilience Component, possible collaboration between local authorities and private sector, and the selected sectors and market infrastructure rehabilitation (the main recommendation was a focus on an enabling structure for exports).

The selection of the sectors was done in collaborative workshops with the local authorities (district managers and executive offices), the private sector (Chamber of Commerce and businessmen) and the women sector (mainly businesswomen and women NGOs). The workshop used the Value Chain Development approach (workshop participants were first introduced to the key concepts and tools of this approach). In addition, the selection of the sectors was based on the following:

- Sectors that have the protentional to create job opportunities
- Products that can have added value and competitive advantage in the markets
- New business lines that can produce new products to new markets for youth and women
- Products that can have access to central markets as well as exports.

The selected sectors in the workshops by the local authorities and the private sector are as the following:

- **Hadramout** (valley): Honey, wheat, horticulture, and palm dates.
- **Hadramout** (coast): fish farming, fish processing, henna and green houses for horticulture products.
- **Aden**: fish sector, fish processing, local tourism, dairy products specially Camal milk and vocational training.

The main criterium for market infrastructure (rehabilitation) was to support markets that complete the value chain support for the production, processing, and trade phases. Since these will be central markets, assembly markets and/or export markets, this support sometimes goes beyond the borders of the targeted districts to cover neighboring districts and the whole productive area ('Districts', of course, are *administrative* divisions which do not always neatly correspond with *productive* areas).

The selection of the markets the Project will support followed from the choice of sectors:

**Hadramout (valley):**

- Two central horticulture assembly markets will be supported (Tarim and Al-Qten districts).
- One central market for honey trading center, including a honey testing center in Al-Qten which will serve the beekeepers in Al-Qten and all the districts around Al-Qten who produce honey.
- A small date processing market for small businesses to promote and market the added value dates products.

**Hadramout (coast):**

- One fish landing site in Al-Shihr district for the fishermen.
- One central assembly market for the horticultural products.

**Aden:**

- One central market for the fish processing products in A-Burayqah.
- One fish landing site for the fishermen in A-Burayqah.
- One central market for the dairy products, especially to promote camel milk (products) in Dar Sa'ad district.

### 3.2 2021 Priorities eligible for L2RF in the Southern Governorates

The immediate (and most important) result of the visit was the collection of Governorate and District priorities, based on existing 2021 plans, which would be eligible for L2RF funding in 2021. The DoA/ProDoc explicitly states that, contrary to Year 2 and Year 3 of the Project, in Year 1 priorities will be eligible for L2RF without being preceded by SIERY capacity development and district resilience and recovery planning. Proposed priorities, however, did need to have resulted from an official planning process, demonstrably benefit a broad range of citizens, including women, and would preferably be realizable in 2021.

The Project did not dictate which priorities should be selected. In all cases, the opportunity was presented and discussed, and it was agreed that the local authorities would debate among themselves which priorities would be shortlisted. This would allow for a meaningful planning discussion at the Governorate's Office and for a balanced and focused proposal. The Team would either come back the next day (as in Mukalla and Saiyun), a week later (Aden), or have the list send by email, followed by a Zoom discussion (Marib, Lahj and Ta'iz). In all cases, given the high need, the local authorities were not completely able to remain within the approximate boundaries and left the final decision to the Project.

The Project discussed the proposals, using a list of criteria that included the conditions mentioned above, and made a weighted selection (listed below). The Responsible Party PWP was approached to implement the projects and work has commenced by the time of writing of this report.

| # | Priority                                                                                                     | Governorate | District      |
|---|--------------------------------------------------------------------------------------------------------------|-------------|---------------|
| 1 | Providing educational complexes for girls with solar energy system                                           | Hadramout   | Al-Mukalla    |
| 2 | Furnishing and equipping 4 schools (chairs, tables, computers, blackboards, etc.)                            | Hadramout   | Al-Mukalla    |
| 3 | Rehabilitation and equipping the operations (surgeries) room at Ghail                                        | Hadramout   | Ghail Bawazir |
| 4 | Ma'yan Dhahban project to drill a well and make a complete solar pump system with a capacity of 11 kilowatts | Hadramout   | Ghail Bawazir |

|    |                                                                                                                                                                 |           |              |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------|
| 5  | Supplying a solar energy system for AlShahr District Hospital                                                                                                   | Hadramout | As-Shihr     |
| 6  | Water line improvement for the Alshiqaq area                                                                                                                    | Hadramout | As-Shihr     |
| 7  | Supplying furniture and administrative items for school management (Teachers office desks, printers, computers, etc.)                                           | Hadramout | Seiyun       |
| 8  | Maintenance, furnishing and preparing the meeting hall of the local council office                                                                              | Hadramout | Seiyun       |
| 9  | Furnishing and equipping the local authority and executive organs offices in Seiyun District with administrative items                                          | Hadramout | Seiyun       |
| 10 | The equipment and furniture of the Vocational & Technical Institute in Seiyun                                                                                   | Hadramout | Seiyun       |
| 11 | Rehabilitation and equipping of the health institute building                                                                                                   | Hadramout | Tarim        |
| 12 | Furnishing and equipping the local authority and executive organs offices in Tarim District with administrative items                                           | Hadramout | Tarim        |
| 13 | Removal of Saisban trees from torrential streams and construction of the necessary protections and gates with a length of 6km from the Al-Atfa area to Al-Akkad | Hadramout | Al-Qten      |
| 14 | Furnishing and equipping the local authority and executive organs offices in Al-Qtn District with administrative items                                          | Hadramout | Al-Qtn       |
| 15 | Building the fence of the Hashed and Cairo Medical Complex                                                                                                      | Aden      | Al-Mansoura  |
| 16 | Providing solar panels and batteries for the Health Office, Cairo Complex and Hashed                                                                            | Aden      | Al-Mansoura  |
| 17 | Connecting and providing the electricity cable for the health complex in Al-Mahariq area                                                                        | Aden      | Al-Shaikh    |
| 18 | Building three rooms for the Othman Code area Medical Complex                                                                                                   | Aden      | Alshaikh     |
| 19 | Providing medical devices and equipment for the health complex in Khormaksar                                                                                    | Aden      | Khormaksar   |
| 20 | Lighting the area of Al-Wihda Al-Sakania Al-Shaab with solar energy                                                                                             | Aden      | Aburaiqah    |
| 21 | Street lighting Farsi area with solar energy                                                                                                                    | Aden      | Aburaiqah    |
| 22 | Street lighting in Al-Buraiqa area with solar energy                                                                                                            | Aden      | Aburaiqah    |
| 23 | Maintenance of internal water networks                                                                                                                          | Aden      | Aburaiqah    |
| 24 | Rehabilitation of the health unit in As-Salam area (Al-Luhoom Al-Sharqia)                                                                                       | Aden      | Dar sa'ad    |
| 25 | Rehabilitation of Sultan Palace Health Center                                                                                                                   | Aden      | Dar sa'ad    |
| 26 | Supporting and furnishing the local authority building of the district (desk, chairs, printers, computers, etc.)                                                | Taiz      | Al-Qahira    |
| 27 | Construction/Adding 4 rooms plus a toilet for Alwihda health center in Aldabowah area                                                                           | Taiz      | Al-Qahira    |
| 28 | Providing medical devices and equipment plus furniture for Alrahmah health center for mothers and childs, al-Darbah area                                        | Taiz      | Al-Mudhaffar |
| 29 | Providing Medical devices and equipment for Al-Luqaiah health center for mothers and childern, Sinia area                                                       | Taiz      | Al-Mudhaffar |
| 30 | Implementation of a campaign to remove deformations and remnants of dust and stones from Al-Shamasi Square, Al-Ashbat and Al-Daran                              | Taiz      | Salah        |
| 31 | Solar street lighting for 300 lights                                                                                                                            | Taiz      | Salah        |
| 32 | Restoration and furnishing of the building of the General Administration of Agriculture Office - Asafra area                                                    | Taiz      | Governorate  |
| 33 | Supply and installation of central laboratory equipment for water, the branch of the Water and Sanitation Corporation                                           | Marib     | Marib        |

|    |                                                                                                                     |       |                         |
|----|---------------------------------------------------------------------------------------------------------------------|-------|-------------------------|
| 34 | Restoration and furnishing of the branch building of the Water and Sanitation Corporation                           | Marib | Marib                   |
| 35 | Digging a water well + building a ground water tank with a capacity of (3,150) cubic liters + water network         | Marib | Marib                   |
| 36 | Addition of (3) classrooms + teachers' housing in Balqis Elementary Secondary School for Girls + toilets            | Marib | Harib                   |
| 37 | Additional classes at Al Jufra School                                                                               | Marib | Alabdia                 |
| 38 | Rehabilitation of the furnishing and restoration of the Ibn Siria School for Basic Education in the district center | Lahj  | Habil Jabr              |
| 39 | Rehabilitation of 22 May school                                                                                     | Lahj  | Tuban                   |
| 40 | Construct fence of Abi Zar Al-Ghofari School                                                                        | Lahj  | Al-Madarebah- Ras Alrah |
| 41 | Supply Solar System to 5 schools (Abi Zar Al-Ghefari, Ibn Khaldoun, 22 May, Hamza, Abdullah ibn Rawaha)             | Lahj  | Yafea                   |
| 42 | Complete construction of Al-Aqsa'a school (Al-Fayoush)                                                              | Lahj  | Tuban                   |
| 43 | Rehabilitation of Al-Turbah School                                                                                  | Lahj  | Almadarebah- Ras Alrah  |
| 44 | Pave Al-Salam Souq (Market)                                                                                         | Lahj  | Yafea                   |
| 45 | Paving the remaining squares of Dar Abdullah neighborhood and the adjacent places with stones                       | Lahj  | Ahoutah                 |
| 46 | Drainage of rainwater from Al-Farouq High School to the oxidation basins                                            | Lahj  | Ahoutah                 |

### 3.3 Visit and Priorities eligible for funding in the Northern Governorates

In the area under control of DFA a similar visit is scheduled for early 2022 (provisionally). Apparently prompted by news from the project visit to the Southern Governorates and the discussion of 2021 L2RF disbursement, SCMCHA send a list of Governorate and District priorities to UNDP senior management and the Project. The Project has initiated discussions with the authorities in the area under control of the DFA about the selection method of these priorities, the formal planning process, the beneficiaries, and the limited opportunities left to implement a part of the list. This has led to a slimmed down version of the list the Project will consider for starting in 2021. Internally, the Project has checked, through its field coordinators on location and other sources, the development relevance and need of shortlisted priorities. A final selection still needs to be made.

### 3.4 Educational Infrastructure Rehabilitation

In the third quarter of 2021, the Project approached PWP to implement the education infrastructure rehabilitation. PWP was instructed to coordinate with the Education Executive Offices (Sector Office) at the selected Governor's Offices, to conduct a needs assessment, validate the request on location, propose the selected rehabilitation projects to the Project, and commence implementation after approval. PWP contacted the Education Executive Offices in the selected Governorates, who in turn approached the Education Sector Offices at the District level, to compile existing infrastructure needs, and subsequently started with the steps described above. As per 31 October 2021, work has commenced at the following locations (areas under control of the IRGY and DFA):

| No. | Gov. | District | School Name | No. of students |
|-----|------|----------|-------------|-----------------|
|-----|------|----------|-------------|-----------------|

|    |          |                |                                                                                                            | Girls | boys |
|----|----------|----------------|------------------------------------------------------------------------------------------------------------|-------|------|
| 1  | Hodeideh | Alhawak        | Rehabilitation of Osameh bin Zaid Basic school for girls, ghalil, Alhawak "18 class"                       | 2281  | 0    |
| 2  |          | Bait Alfageeh  | Rehabilitation of 22 May Basic school, Bait Alfageeh city "12 class"                                       | 218   | 729  |
| 3  |          |                | Rehabilitation of Alwadi Basic school, Koaiee Alshargeiah "6 class"                                        | 70    | 239  |
| 4  | Aden     | Alshikh Othman | Rehabilitation of Belgees secondary school, Alshikh Othman                                                 | 1800  | 0    |
| 5  |          |                | Rehabilitation of Khaled Hayder school, Alshikh Othman district.                                           | 650   | 352  |
| 6  |          | Al Mansura     | Saeed Naji school , Al Mansura to be replaced by Bin Zaidoon school for girls                              |       |      |
| 7  |          |                | Edrees Hanbleh school, Al Mansura                                                                          | 485   | 988  |
| 8  | Ibb      | Jebleh         | Rehabilitation of Arwa school for girls, Jebleh                                                            |       |      |
| 9  |          |                |                                                                                                            | 850   | 0    |
| 10 | Hajeh    | Hajeh city     | Rehabilitation of Alzahraa basic school for girls "12 class"                                               | 891   | 0    |
| 11 |          |                | Rehabilitation of 22 May Basic school "9 class"                                                            | 160   | 215  |
| 12 |          | Almahabisha    | Rehabilitation of Alnajah school, shamsan, Almahabisha to be replaced by 22 May secondary school for girls |       |      |
| 13 |          |                | Rehabilitation of Alfawoz school, bait Almaghreby, Almahabisha city                                        | 193   | 142  |
| 14 | San'a'a  | Jihanah        | Rehabilitation of Alshaheed Sakhr Ezaddein school                                                          | 218   | 344  |
| 15 | Mareb    | Mareb city     | Rehabilitation of Alshaheed Mohammed Hayel basic school for girls                                          | 2834  | 0    |
| 16 |          |                | Rehabilitation of Ali bin abi taleb school                                                                 | 389   | 413  |
| 17 |          | Mareb district | Rehabilitation of Alsedeg school in Alhozmeh                                                               | 609   | 696  |
| 18 |          |                | Rehabilitation of Alkhansaa school for girls                                                               | 932   | 0    |

### 3.5 Local Collaboration Workshop with Local Authorities and Private Sector, preceded by dedicated workshop for Women Entrepreneurs

Economic empowerment for women is one of the main objectives of the Project. The selection workshops for the economic sectors started in the southern governorates in Hadramout (the valley and the coastal areas separately) and Aden. The selection workshops were designed to be a collaboration between three main stakeholders, namely the local authorities, the private sector and businesswomen. There were two workshops in each area.

The first workshop identified the economic needs of (business) women. The main goal of this workshop was to gather a significant number of women from different entities (businesswomen, NGOs, chamber of commerce, local authorities, government, etc.) to discuss needs, priorities, main challenges and propose practical solutions and policies. The outputs of this workshop were presented in the next workshop to the local authorities and CoCs, to raise women voice as one, to demand for their rights and to participate fully in the economic sectors' selection workshop. Businesswomen participations in the selection workshops was very active and practical which made all businessmen, COC and LAs listen to them and ask them for solutions. The interaction was high and respectful. (*"This is the first time we all women from different entities gather and unify our needs and at the same time have the right to propose solutions to the local authorities, usually we gather as only NGOs or human rights activists but today we all together talking the same language".*)

The presentations were specific, and needs were realistic, and the solutions were mostly accepted from the local authorities and Chamber of Commerce. The policies needed to be raised to the governors as they have the right to approve it such as allocating 1% of the fuel revenues to support businesswomen and entrepreneurs. Some decisions were made during the workshops by the local authorities and Chambers of Commerce such as reducing the registrations fees, giving lands for women agri-business activities, and reducing some public services' fees such as the electricity and taxes.

One of the stunning outputs of the workshops that shows how such workshops inspired women to be more empowered was establishing the first businesswomen forum in Hadhramaut for both the valley and coast area started with 43 businesswomen. This is the first businesswomen forum in Yemen and one of few gathering entities between the valley and the coast in Hadhramaut. Women realized that working individually will not reach their voices to anyone, but by gathering in one forum their voices and needs will be heard and recognized.