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Report No: PADHI01381

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT

IN THE AMOUNT OF SDR 14.6 MILLION
(US$20 MILLION EQUIVALENT)

TO THE

UNITED NATIONS DEVELOPMENT PROGRAMME
FOR THE BENEFIT OF THE REPUBLIC OF YEMEN

FOR

MODERNIZING PUBLIC INSTITUTIONS AND SYSTEMS IN YEMEN PROJECT

May 13, 2026

Governance
Middle East, North Africa, Afghanistan, Pakistan

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2026)

Currency Unit =	
SDR 1.372 =	US$ 1.00
US$ 0.729 =	SDR 1.00

FISCAL YEAR

January 1 - December 31

Regional Vice President: Ousmane Dione

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ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti Money Laundering / Countering Financing Terrorism
APA	Alternative Procurement Arrangements
AWP	Annual Work Plan
CBY	Central Bank of Yemen
CE	Citizen Engagement
CMU	Country Management Unit
CPF	Country Partnership Framework
CSO	Central Statistics Organization
ECA	Entry Criteria for Access
ESF	Environmental and Social Framework
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
FCV	Fragility, Conflict and Violence
FMFA	Financial Management Framework Agreement
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GM	Grievance Mechanism
GRS	Grievance Redress System
HBS	Household Budget Survey
HRM	Human Resource Management
HRMIS	Human Resource Management Information System
IDA	International Development Association
FMIS	Financial Management Information System
IFR	Interim Financial Report
IMF	International Monetary Fund
IPs	Implementation Partners
IRG	Internationally Recognized Government
ISIC	International Standard Industrial Classification
IT	Information Technology
LMP	Labor Management Procedure
M&E	Monitoring and Evaluation
METAC	Middle East Regional Technical Assistance Center
MoCSI	Ministry of Civil Service and Insurance
MoF	Ministry of Finance
MoICA	Ministry of Interior and Civil Affairs
MoPIC	Ministry of Planning and International Cooperation
OECD	Organisation for Economic Co-operation and Development
OP	Operations Policy
PDO	Project Development Objective
PFM	Public Finance Management
PIU	Project Implementation Unit
PMO	Prime Minister's Office
POM	Project Operations Manual
PSC	Project Steering Committee
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan
SMP	Security Management Plan

SNA	System of National Accounts
SPI	Statistical Performance Indicator
TA	Technical Assistance
TACD	Technical Assistance and Capacity Development Working Group
ToC	Theory of Change
TPM	Third Party Monitoring
TSA	Treasury Single Account
UN	United Nations
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
WBG	World Bank Group
YPG	Yemen Partners Groups
YPTT	Yemen Partners Technical Team

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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name	
Yemen, Republic of	Modernizing Public Institutions and Systems in Yemen	
Operation ID	**Financing Instrument**	**Environmental and Social Risk Classification**
P512475	Investment Project Financing (IPF)	Moderate

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[✓] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[✓] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[✓] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
04-Jun-2026	30-Jun-2031
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

To strengthen the public statistical, financial and human resource systems and management.

Components

Component Name	Cost (US$)

Strengthening Yemen’s Statistical System and System of National Accounts	7,750,000.00
Strengthening core PFM and HRM/payroll functions and systems	7,750,000.00
Project management and coordination and readiness towards "localization" and change management	4,500,000.00

Organizations

Borrower/Recipient:	United Nations
Implementing Agency:	United Nations Development Programme

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	**20.00**
Total Financing	**20.00**
of which IBRD/IDA	**20.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	20.00
IDA Grant	20.00

IDA Resources (US$, Millions)

Country/Region Window	Regional Insitution	Credit	Grant	SML	Guarantee	Total
National Performance-Based Allocations (PBA)		0.00	20.00	0.00	0.00	20.00
Total		**0.00**	**20.00**	**0.00**	**0.00**	**20.00**

Expected Disbursements (US$, Millions)

WB Fiscal Year	2026	2027	2028	2029	2030	2031
Annual	0.00	4.90	9.92	2.06	1.56	1.56
Cumulative	0.00	4.90	14.82	16.88	18.44	20.00

PRACTICE AREA(S)

Practice Area (Lead)

Governance

Contributing Practice Areas

Finance, Competitiveness and Innovation; Poverty and Equity; Macroeconomics, Trade and Investment

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	High
3. Sector Strategies and Policies	Substantial

4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Moderate
8. Stakeholders	High
9. Other	Substantial
10. Overall	High

POLICY COMPLIANCE

Policy

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

[ ] Yes [√] No

Does the project require any waivers of Bank policies?

[√] Yes [ ] No

Have these been approved by Bank management?

[√] Yes [ ] No

Is approval for any policy waiver sought from the Board?

[ ] Yes [√] No

ENVIRONMENTAL AND SOCIAL

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

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant

ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

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

LEGAL

Legal Covenants

Sections and Description
The Recipient shall prepare and adopt, not later than sixty (60) days after the Effective Date, or such later date as the Association may agree, and thereafter maintain throughout the period of implementation of the Project, a Project Operations Manual ("POM"), in form and substance acceptable to the Association, and shall ensure that UNFPA and Yemen Partners carry out their respective activities under the Project in accordance with the POM.
The Recipient shall not later than sixty (60) days after the Effective Date adopt and furnish to the Association the Annual Work Plan and Budget for the calendar year 2026, and thereafter not later than December 15 of each year, prepare and furnish to the Association an Annual Work Plan and Budget containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts, sources of financing and eligible costs.
No later than one (1) month after the Effective Date, the Recipient shall establish and maintain the Grievance Mechanism, under terms and structure satisfactory to the Association.

Conditions

Type	Citation	Description	Financing Source

I. STRATEGIC CONTEXT

A. Project Strategic Context

1. ***The ongoing conflict in Yemen has had a severe impact on its population.*** Yemenis are running out of coping mechanisms as the severe pressures on daily life in areas controlled by the Internationally Recognized Government (IRG) and Houthi movement persist. Yemen was already one of the poorest countries in the world before violence erupted in 2015. Yemen's Gross Domestic Product (GDP) contracted by 43 percent in real terms between 2015 and 2024. Living conditions in Yemen are dire, with modelled poverty estimates indicating that at least 74 percent of Yemen's population live in poverty, up from 49 percent before the conflict. Yemen faces extensive food insecurity, with approximately 19.5 million people in need of humanitarian assistance.[1] Furthermore, current regional trade disruptions in the Red Sea and strait of Hormuz may exacerbate the situations for Yemeni population.

2. ***The fragmentation of Yemeni public institutions caused by the conflict has severely undermined both service delivery and the economy***. The conflict has split the country into two distinct economic and administrative zones, each is governed by its own set of institutions and policies and staffed by distinct bodies of public sector workers. Houthi-controlled areas account for estimated 70 percent of the population and half of GDP, while IRG-controlled areas hold the country's oil and gas resources. IRG institutions have suffered significant losses in data, systems, and technical capacity since the fragmentation. Basic core functions of the state have been undermined by the emergence of parallel institutions, from national statistics and monetary policy to public finance management (PFM) and civil service management. Some subnational authorities in IRG-controlled areas are increasingly autonomous in resource mobilization and service delivery. The Houthi movement's blockade of oil exports, coupled with the absence of a clear path to lasting peace, has exerted substantial pressure on public finances and external accounts. The IRG's fiscal revenues, excluding grants, fell from 4.6 percent of GDP in 2023 to 2.5 percent of GDP in 2024, causing delays in payments to civil servants, putting pressure on the exchange rate and leaving the IRG in debt distress.[2] Following a few months of political tension, the new IRG cabinet was appointed in February 2026, suggesting a new political settlement within IRG coalition, and the IRG's commitment to restore fiscal discipline, revenue collection and economic recovery.

3. ***Strengthening the capacity of public institutions to perform their core functions is vital for continued delivery of critical services to Yemenis and building foundations for a future economic recovery and job creation.*** Basic tools and capabilities for evidence-based policymaking are a prerequisite for future peace-building and economic recovery. Although public institutions are fragmented, core state functions can be strengthened pragmatically and incrementally, building upon the existing institutional capabilities. First, strengthening production, use, and dissemination of official statistics is critical for macro-fiscal policy, public finances, service delivery, and private sector growth and job creation. Official statistics also play a key role in informing peace negotiations on fiscal arrangements between tiers of governments. Second, building and strengthening country systems, including the integrity of PFM, is a prerequisite for effective revenue mobilization, budgeting, fiscal management, and public service delivery. It is also an essential condition for building public trust in public institutions, as well as a risk mitigation measure for future development partners' support. Building institutional capacity and systems for core PFM functions will contribute to enhancing fiscal sustainability while improving accountability and integrity, ultimately enabling more predictable and efficient resource allocation to critical services. Effective systems for the payment of public sector employees' salaries—particularly teachers and healthcare workers—are critical for service delivery, by maintaining workforce attrition and institutional capabilities. Third, consolidation of domestic revenues and public spending through a Treasury Single Account (TSA) enables responsible cash management and transparency and accountability in public spending. Finally, these functions can be strengthened and adaptable to any future changes to the state's architecture resulting from dialogue within IRG-controlled areas or the peace-building

[1] *Ibid*; World Bank. (2024). Yemen Poverty and Equity Assessment: Living in Dire Conditions. Washington, DC: World Bank.
[2] World Bank. (2025). Yemen Economic Monitor Spring 2025: Persistent Fragility amid Rising Risks. Washington, DC: World Bank; World Bank. (2024). Yemen Economic Monitor Spring 2024: Navigating Increased Hardship and Growth Fragmentations. Washington, DC: World Bank.

negotiations for the whole of Yemen. Support in these areas will strengthen the sustainability of public institutions and help prevent Yemen from falling into a vicious cycle where limited state capacity prevents economic recovery, while economic fragmentation further erodes what remains of state functionality in IRG controlled area.

B. Sectoral and Institutional Context

The official statistical system and system of national accounts

4. ***The protracted conflict has significantly affected the production of official statistics, a key input for effective decision-making.*** Over the last decade of conflict and instability, the Central Statistics Organization (CSO) has been underutilized and underfunded, eroding the CSO's capacity and function. Further, from an operational perspective the CSO has been split into two offices since 2019, one in Sana'a and the other in Aden.[3] Before the conflict, CSO-Aden was a governorate-level department of the CSO, responsible for data collection following central guidelines from the headquarters in Sana'a. Therefore, CSO-Aden's only experience in official statistics has been data collection, with little investment in the overarching statistical system and production of core economic statistics.

5. ***Despite limited resources and capacity, CSO-Aden developed an ambitious strategy and roadmap in 2023.*** CSO-Aden operates under the Statistics Act of 1995, which establishes the CSO as the main body responsible for collecting, analyzing, and disseminating official statistics. However, IRG funding to CSO-Aden barely covers the running costs of the building, the wages of 86 civil servants and additional contracted staff. Nonetheless, recent advances have been made in implementing CSO-Aden's roadmap through reactivating statistical units in line ministries, launching the Household Budget Survey (HBS) in late December 2025, and reestablishing the Statistical Training Center.[4]

6. ***The current national statistical system has been unable to produce key national statistics, particularly those under the system of national accounts (SNA).*** The SNA plays a key role in enabling the government to assess economic performance, growth of the economy, identify growth sectors, and design, monitor and evaluate targeted interventions. The latest data collection for estimation of real sector statistics was conducted in 2014. For the last decade, national accounts have not been calculated by CSO-Aden or Sana'a, and real sector estimates have been produced with support from the International Monetary Fund (IMF) and the World Bank based on partial administrative data.[5] The CSO split, difficulties in collecting data in Houthi-controlled areas, and a lack of funding, have disrupted the SNA compilation. CSO-Aden also has no established regular statistical business processes—including maintenance of administrative records, data collection, processing, quality control and dissemination—to properly produce SNA as official statistics.

Core Government Functions and Systems - Public Finance and Human Resource Management

7. ***The conflict has significantly undermined PFM in Yemen–from budget credibility and comprehensiveness to cash management and expenditure control.*** No information is publicly available on Houthi movement's revenues and expenditures, although interviews with unofficial sources indicate that Houthi movement are continuing to use the pre-conflict financial management information system (FMIS). The IRG does not have access to the FMIS. Since 2015, the IRG has updated the budget only twice, for 2019 and 2026, using the 2014 then the 2019 budgets as the legal basis for expenditures until 2025. Extra-budgetary transactions have increased, especially at governorate level, due to fragmentation, unauthorized revenue retention, and unauthorized hiring. The IRG Ministry of Finance (MoF) approves releases to spending units based on quarterly cashflow estimates, but revenue volatility means that the estimates are not

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[3] In this document, CSO refers to the once united CSO (prior to 2019) while CSO-Aden refers to the CSO based in Aden, mandated by IRG to be the statistics authority for areas under its control, and CSO-Sanaa refers to the CSO based in Sana'a with mandate in Houthi-controlled areas.

[4] CSO 2023. The First National Strategy of the Central Statistics Organization.

[5] In 2025, the IMF produced independent, but limited, estimates of some SNA elements required for Article IV covering IRG-controlled areas, making use of available partial datasets and extrapolating from data collected in 2014.

robust. Moreover, the MoF is not able to prevent spending units from incurring expenditure commitments that exceed their expenditure ceilings, especially on payroll. Some governorates retain national revenue collected in their territory to cover spending, affecting revenue consolidation and cash availability at the central level. The government treasury function is managed by the Central Bank of Yemen (CBY) in Aden, with limited oversight from the MoF. Limited IRG capacity for cash forecasting and severe weaknesses in commitment and expenditure controls have led to increasing arrears and debt to CBY-Aden. There is currently no TSA, and the IRG identified in 2026 about 121,000 accounts from government entities in commercial banks. Limited expenditure controls and the lack of revenue centralization have contributed to minimal cash management, expenditures control and clarity on revenues and expenditures. Paper-based processes are still operational and widespread, for instance, the accounting guidelines from the pre-conflict era include automated procedures but also require printed documents, manual signatures and official stamps to validate transactions legally. The IRG MoF has identified the development of a financial management information system (FMIS) with updated Chart of Accounts and TSA implementation as the top priorities, and has included it as the first pillar of its proposed *National Program for Financial Sustainability and Digital Transformation* developed in March 2026. A basic FMIS would be an important building block for improving the core PFM principles and functions of (i) budget preparation, (ii) revenue consolidation, (iii) commitment and expenditure control, (iv) public procurement, (v) debt management, and (vi) reporting, accounting, and auditing.

8. ***Payroll data are outdated, and civil service management and payroll processes are fragmented and mostly manual.*** Following the split of institutions, the IRG Ministry of Civil Service and Insurance (MoCSI) lost access to the Unified Payroll System. Since 2020, the IRG has worked to re-build the payroll database from scratch, which now covers an estimated 90 percent of civil servants hired before 2014 in IRG-controlled areas. However, payroll processing for civil servants in IRG-controlled areas is fragmented and largely manual, involving multiple institutions and paper-based workflows. Personnel actions, such as appointments, promotions, transfers, retirements, and terminations, are initiated by the central MoCSI and data are transmitted to the MoF in Aden primarily through paper and Excel files. The MoF then reviews and approves the execution of payments by CBY-Aden. There is no unified and authoritative employee master database, resulting in persistent discrepancies between Civil Service records and payroll data. This fragmentation undermines payroll integrity and complicates verification, reconciliation, and wage bill management. To reduce the risk of payroll funds' diversion, the IRG has worked to increase the proportion of IRG civil servants paid through transfers to bank accounts (est. 95 percent as of end 2025) rather than in cash. The IRG Ministry of Interior and Civil Affairs (MoICA) has been collaborating with MoCSI to issue unique civil service employee IDs for government officials to minimize duplications and ghost workers. Additionally, the MoICA started to roll out new IRG National IDs, which include biometric information and became the common ID to open bank accounts in IRG controlled areas. However, there is no data reconciliation between IDs (pre-conflict national IDs, newly issued national IDs by IRG, and civil service employee IDs issued by IRG MoICA and MoCSI), bank accounts, and civil service records. There also is no interface to automate and secure payroll data exchange between the IRG's spending units, the MoCSI, the MoF and the CBY-Aden. Furthermore, the payroll data does not fully reflect the actual current public sector workforce (e.g., due to the addition of contractual staff and permanent staff departures) nor their location. Finally, the wage bill continues to represent the largest chapter in the IRG expenditure and accounts for 29.1 percent of IRG 2026 budget, excluding interest payments and subsidies (reported est. 60 percent in 2025, including interest payments and subsidies). The IRG has been borrowing from CBY-Aden to partly cover government workers' compensation, accumulating both arrears to civil servants in delayed salaries and benefits (YER 48 billion in 2026), and debt to CBY-Aden. In Houthi-controlled areas, payments of public sector workers' salaries are

reportedly sporadic and partial. The demand for the immediate resumption of payment of public sector workers' salaries has been one of the key recurring topics in the UN-led peace negotiations.[6]

Project Implementation and Management ("Localization")

9. ***Lack of institutional capacity, experience, and qualified workforce for direct project implementation within CSO-Aden, MoF, and MoCSI calls for a transitional period to prepare them for future direct implementation.*** The IRG institutions lack experience, systems, processes, procedures, and staff dedicated to core project implementation functions (e.g., project and change management, financial management, procurement, environmental and social safeguard, monitoring and evaluation) due to the split between Sana'a and Aden and continued reliance on contractual workers. Project implementation experience largely remains within the parallel institutions in Sana'a. A UNDP capacity assessment of CSO-Aden indicates weak technical capacity, in addition to insufficient project management experience and operational inefficiencies. Furthermore, ongoing World Bank advisory support to CSO-Aden has revealed a gap in terms of financial management, budgeting and planning required for core statistical activities. The IRG MoF and MoCSI share similar constraints as the IRG payroll assessment[7] and the ongoing PFM/HRM systems assessment (see para 32) suggest. Institutional fragmentation has led to the prevalence of largely manual and ad-hoc processes and procedures, existence of significant variation in capacities between individuals and departments, vacant positions or individuals being assigned for multiple positions, and the limited capacity building that undermines required skillsets and capacities. This limited institutional capacity and experience indicates the need for multimodal capacity building in project implementation and management as a crucial step towards future direct project implementation, and it is a part of the World Bank Group's (WBG) Yemen Country Partnership Framework's (CPF) localization objectives.

C. Relevance to Higher Objective and Corporate Commitments

10. ***The project aligns with IRG priorities, as well as WBG and IDA priorities.*** The project is aligned with the IRG's *Government Plan for Economic Development and Urgent Priorities,* MoF's *National Program for Financial Sustainability and Digital Transformation,* and the IRG's programs with the Arab Monetary Fund and the IMF/IMF Middle East Regional Technical Assistance Center (METAC). The project supports the WBG priority under the Refreshed FCV Strategy (2026-2030) of taking a differentiated approach in Yemen: working with platforms with a lasting impact, i.e., local institutions, as a "country in crisis". Restoring basic government systems that can be scaled up when countries reach transition period is also key. The project contributes to goal of the new Yemen CPF (FY26-30)[8] to strengthen domestic institutions' capacity for service delivery and address the FCV drivers related to weak institutions, governance, and the social contract.[9] Furthermore, the project is aligned with the IDA21 Policy Framework by directly contributing to the *Prosperity* and *Digital Transformation* focus areas by strengthening core government systems and functions that facilitate resource mobilization, finance, private sector development, financing household surveys, and enhancing core IT infrastructure and systems to close data gaps and foster evidence-based decision-making. Strengthening domestic institutions capacities, systems, and functions will help mitigate FCV drivers and strengthen resilience amidst the security, economic, and humanitarian challenges and crises Yemen continues to face (IDA 21 FCV lens).[10] The project will advance these goals by: (i) strengthening the IRG's institutional capacity for core functions, notably the production of official statistics, evidence-

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[6] United Nations. *Briefing by the UN Special Envoy for Yemen, Hans Grundberg, to the Security Council*, 14 February 2024; United Nations News. *Yemen's fragile calm unravels as unpaid salaries and economic pressures deepen*, 14 January 2026.

[7] An assessment carried out by the World Bank in close collaboration with the IRG MoF and MoCSI. Concluded in 2024.

[8] The upcoming CPF for Yemen is expected to be discussed at the WBG Board in 2026.

[9] Draft Yemen Country Partnership Framework FY26-30 (Decision Review version).

[10] World Bank Group. (2024). IDA21 Replenishment: An Overview of the Draft IDA21 Policy Framework. Publicly posted for discussion. Ending Poverty on a Livable Planet: Delivering Impact with Urgency and Ambition. Washington, DC: World Bank.

based policy making, and public financial management, including payroll; and (ii) modernizing foundational processes and systems for these core functions that are critical to the IRG's efforts to achieve fiscal stability, improve service delivery, and foster private sector growth and job creation.

11. ***Paris alignment, climate co-benefit, geographical hazards, and disaster risks.*** The project is fully Paris-aligned and addresses the recommendations of the World Bank's Yemen Country Climate and Development report, through its emphasis on strengthening Yemen's institutional, statistical, and PFM systems in ways that could enhance climate-informed governance and long-term resilience. The Republic of Yemen faces increasing climate and geographical hazards, such as extreme temperatures, precipitation and humidity, flooding, and drought, that the project locations and its physical infrastructure and assets are likely to be exposed. These risks, in combination with the frequent electricity supply disruptions, could interrupt the continuity of operations for key statistics and PFM/human resource management (HRM) functions as well as digital infrastructure and service delivery. The project's Climate and Disaster Risk Screening assessed these risks as high, though the risk to the Project Development Objective (PDO) is assessed as low in view of the project's planned mitigation measures. These measures include institutional capacity building for long-term strategic planning, operations and maintenance, and relevant data gathering, monitoring and information management systems. Moreover, the project will take advantage of the hybrid power systems—a combination of solar generated power and diesel generators—to create a more reliable, efficient, and stable energy supply for the buildings of the IRG entities involved in the project for data processing and storage solution with a cloud service, in addition to considering the use of climate-resilient IT infrastructure. The amount of US$0.8 million (4.01 percent) is allocated to the project's climate co-benefit largely deriving from the hybrid power system approach for mitigating the expected electricity supply disruptions and enhance institutions' ability to integrate climate-risk considerations.

12. ***Gender*****.** Accelerating gender equality to end poverty on a livable plant is not only the WBG's corporate priority but also is a key cross-cutting enabler in the Yemen CPF (FY26-30) to increase the participation of women in society and the economy. Recent World Bank analysis, most notably the *2024 Yemen Poverty and Equity Assessment*, highlighted significant gender gaps, showing that women and girls face disproportionate food insecurity and limited access to services. Female secondary school completion is only 38.5 percent compared to 51.2 percent for boys, and adolescent fertility remains high at 75 births per 1,000 girls aged 15-19. Women's participation in the labor force and income levels has not been captured since 2013 and is likely underestimated given the unpaid role of women in the agriculture sector and within the household. These findings reinforce the need for improved official statistics, sex-disaggregated data systems, and strengthened PFM to inform policy making and support more equitable service delivery. This project will contribute to achieving meaningful job creation and livelihood improvement in Yemen by narrowing the existing gender gaps. First, this project will contribute to the gender gap by providing reliable, regular, and accessible official statistics on gender by completing the last phase of the Household Budget Survey (HBS) 2026, providing key labor market indicators for men and women. Second, women in the public sector in Yemen tend to be less represented in key positions. The project will address this gender gap in the public sector by (i) ensuring female public sector workers are targeted by the capacity building activities financed by the project and (ii) providing updated data on civil service records disaggregated by sex, and TA to inform the gender dimension of civil service management roadmap.

13. ***Citizen engagement (CE) and beneficiary feedback*****.** The project will engage with beneficiaries throughout its implementation to inform the performance of the project. The project integrates various CE mechanisms based on the diverse types of stakeholders the project will engage for various purposes. First, the project will systematically collect feedback from the trained public sector workers with exit satisfaction surveys to improve the capacity building efforts. Second, the project will seek data users' satisfaction and other types of feedback to better understand how data users are using available statistical data and collect their suggestions on data gaps, quality, and dissemination. Summary results of

the data users' satisfaction and feedback will be shared with the public in an easily understandable manner by utilizing a scorecard format. Third, the project will implement a grievance mechanism (GM) to collect and address beneficiary and citizen information request and feedback related to the project to better inform project implementation.

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

14. ***The PDO is to strengthen the public statistical, financial and human resource systems and management.***

B. Theory of Change and PDO Indicators

15. *Development Challenge:* ***Yemen's protracted conflict has severely weakened public institutions' capacity to perform core state functions, affecting in turn service delivery to citizens, private sector's investment, and job creation***. IRG's processes for national statistics, PFM, and HRM are mostly ad-hoc, fragmented, and manual, and undermines economic policy, public resource management, and service delivery:

(a) *Degraded statistical capacity and no statistical business process*: The CSO-Aden and line ministries lack the capacity and digital infrastructure to produce economic data. Core socio-economic indicators have not been updated since 2014, limiting the evidence available for public policy making, partners' support, and private sector investment. Available administrative data sources do not follow unified standards and classifications, and data sharing is manual and ad-hoc. Low statistical capacity within CSO-Aden and line ministries hinders the computation and compilation of key indicators.

(b) *Weak PFM*: Rudimentary budget and payroll processes and systems, fragmented revenue mobilization, and weak commitment and expenditure controls limit the capacity of IRG to allocate, control, and report on public finances, affecting its capacity to manage resource and debt effectively for economic recovery policies and priorities.

(c) *Fragmented HRM*: The lack of a consolidated and updated civil service registry and modern information systems prevent effective management of the public sector workforce, leading to payroll inaccuracies and leakages, affecting the capacity of IRG to address civil service pending challenges (e.g., wage bill arrears, civil service allocation, temporary staff management, pension management), while those a key for sustained service delivery, stability, and citizens' perception on the role of state.

(d) *Limited institutional readiness for direct project implementation*: Capacity gaps in core project management, procurement, financial management, contract management, and monitoring and evaluation constrain CSO-Aden, MoF, and MoCSI's ability to undertake adequate planning and implementation of donor-financed operations.

16. ***Theory of Change*** *(see Figure 1):* ***the project is designed to break this cycle by rebuilding the core systems and functions for public statistics, PFM, and HRM***. By strengthening those core functions, the project will contribute to restore essential state capacity, enabling evidence-based policymaking, transparency and efficiency in public finance and human resource management, and service delivery, creating the conditions for economic recovery. More specifically:

17. ***Establish a robust national Statistical System and SNA:***

(a) *Intervention*: Build the statistical foundations, introduce an efficient statistical business model, develop SNA-aligned accounts, and build capacity to compute GDP and its components.

(b) *Outcome*: This will provide timely, public, high-quality data on economic conditions. Policymakers will be able to use SNA for macroeconomic monitoring, fiscal planning, and debt oversight, and partners and private sector for investment planning.

(c) *Impact*: Reliable economic data will enable the targeting of scarce resources toward priority sectors, inform adaptive policy adjustments, and strengthen transparency. This builds confidence among development partners and markets, helping to mobilize financing for reconstruction and measure progress toward inclusive growth.

18. ***Improve and automate PFM core processes:***

(a) *Intervention*: Improve, streamline and automate critical PFM functions, including budget preparation, treasury single account, cash management, expenditure controls, and reporting.

(b) *Outcome*: The new FMIS will enhance the timeliness and accuracy of public financial management, reduce the risk of errors, improve cash planning, and enhance credibility of budget execution report.

(c) *Impact*: Those improved core PFM functions will support efforts to enhance revenue collection, improve debt management, and strengthen budget allocation of limited resources to policy priorities. Increased transparency from publicly available fiscal reports also fosters trust of international partners and private sector.

19. ***Improve and automate HRM core processes:***

(a) *Intervention*: Improve, streamline, and automate critical HRM functions, including updating the public sector employees database and identity verification, and automating salary payment direct to bank accounts.

(b) *Outcome*: A more accurate and comprehensive civil service registry and establishment will support payroll clean-up, and wage bill forecasting and commitment control. Automated controls and direct payment will enable more timely and efficient payroll processing, provided there is fiscal space.

(c) *Impact*: Effective civil service and payroll management will enable IRG to improve wage bill management and planning, enhance adequacy of public workforce and service delivery, and address related challenges (e.g., wage bill arrears, contractual staff status, and pensions).

20. ***Localization: Build capacity towards future project implementation and management:***

(a) *Intervention:* Delivering multimodal, dedicated training programs on project implementation and management, including on-the-job training to members of CSO-Aden, MoF and MoCSI's Implementation Task Force (ITF).

(b) *Outcome:* Staff of CSO-Aden, MoF and MoCSI gain experience in project implementation and management.

(c) *Impact:* CSO-Aden, MoF and MoCSI will be eligible to implement donor-financed operations in future, with the skills required for project implementation unit.

21. ***Together, these interventions are mutually reinforcing and enable "localization" by strengthening the country system.*** The SNA provides data needed to guide policy and inform investment planning, the FMIS provides the mechanism for predictable, timely, and transparent budget preparation and execution, the human resource management information system (HRMIS) enables alignment of civil service with service delivery needs to implement policy priorities, and local project implementation and management capacity is developed. By restoring these core functions, the project supports the country system to deliver services, effectively manage future development financing, fostering economic recovery, and private sector-led jobs creation.

22. ***Achievement of the PDO, which is to strengthen the public statistical, financial and human resource systems and management, will be measured by the following indicators:***

(a) ***Strengthened country statistical system*** is measured by the percentage increase in Yemen's score across selected sub-indicators of the World Bank's Statistical Performance Indicator (SPI). This tailored indicator tracks the restoration of foundational capacity to produce and disseminate reliable national statistics.

(b) ***Strengthened PFM*** is measured by the timely publication of quarterly consolidated budget execution reports. This indicator demonstrates commitment to transparency as well as the enhanced ability for public administration to generate and consolidate budget execution reports from spending units thanks to implemented treasury single account system, updated charts of accounts, better commitment control and effective FMIS roll out.

(c) ***Improved HRM*** is measured by the percentage of public sector employees registered in the new HRMIS and paid directly to their bank accounts. This tracks progress in updating civil service establishment and registry, and enhanced payroll control, thanks to effective HRMIS.

(d) ***Enhanced localization*** is measured by the number of public sector employees with verified enhanced knowledge and capacity in core PFM, HRM, and World Bank regulations on fiduciary management, procurement, environmental and social safeguards, and project management. This indicator captures the public sector human capital development essential for sustaining the project's institutional reforms and managing development resources effectively.

23. ***The project implementation will adopt an incremental approach to adapt to country context***. The scope of the activities can be adjusted during project implementation. The project will support the implementation of foundational information technology (IT) systems, infrastructure, and capacity building, focusing on a few key processes—which could then be expanded to other functions or government entities, depending on what the evolving country context allows. The project will harness innovative solutions to both adapt to country context (e.g., power and connectivity challenges, online training) and support the Republic of Yemen to leapfrog, when possible.

24. ***The achievement of project results will be subject to a number of critical assumptions***:

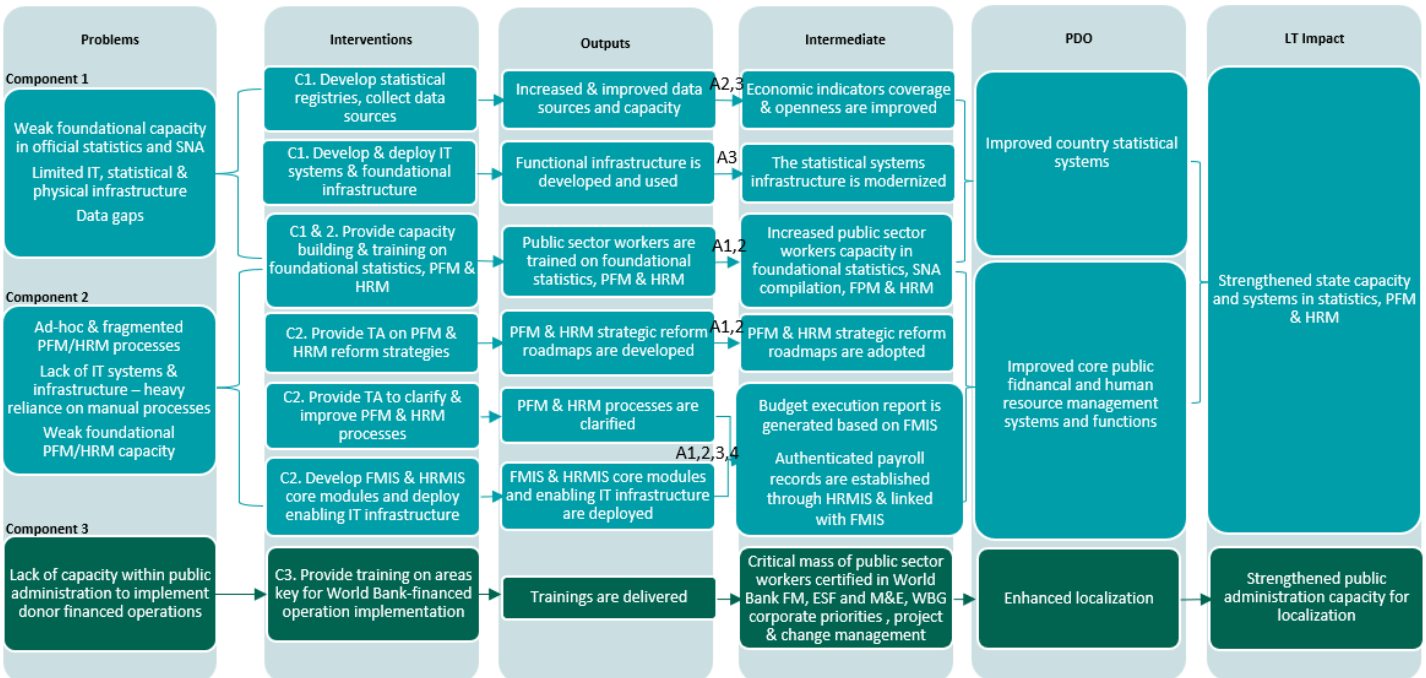
(a) The IRG political coalition maintains basic stability in areas under its control.

(b) The IRG political leadership remains committed to reforms in statistics, PFM, and HRM supported by this project.

(c) System enablers, i.e., electricity, connectivity and basic IT staff capacity, are in place to ensure IT systems' functionality and sustainability beyond the project's duration.

(d) The IRG continues to secure external financial support for the wage bill and strengthen domestic resource mobilization as this project does not provide financing for public sector workers' salaries.

Figure 1: Theory of Change (ToC)



Critical assumptions:
A1. The IRG political coalition maintains basic stability in areas under its control; **A2.** The IRG political leadership remains committed to reforms in statistics, PFM and HRM supported by this project; **A3.** System enablers, i.e., electricity, connectivity, and basic IT staff capacity, are in place to ensure IT systems' functionality and sustainability beyond the project's duration; **A4.** The IRG continues to secure external financial support for the wage bill and strengthen DRM (this project does not provide financing for salaries).

25. ***The project contributes to the following three WBG Corporate Scorecard Outcome Areas: (i) Effective Macroeconomic and Fiscal Management, (ii) Digital Services, and (iii) Better Lives for People in FCV.*** Components 1 and 2 will support the IRG with foundational business process and IT systems for the statistics system, PFM, and civil service management, which relates to the WBG Corporate Scorecard on macroeconomic and fiscal management and digital services. Further, Component 2 will support the IRG in designing and key reforms, including a Debt Management Strategy, that will enable Republic of Yemen to improve fiscal sustainability and expand fiscal space for essential government functions and services. While the project contributes to harnessing digital solutions for public administration efficiency, PFM, and supporting better service delivery, it falls short of fulfilling the requirement of the indicators (ii) "Countries with tax revenues-to-GDP ratio at or below 15 percent" as the project will support a new FMIS, enabling TSA but not directly support tax and customs departments and reforms directly and (ii) "people using digital services", as the project will not provide new digitally provided services or service-interfaces to citizens or businesses. The project will also contribute to the outcome area "better lives for people in FCV" by strengthening the core government systems and functions that enable continued service delivery and foster economic growth. Indirectly, the project will contribute to achieving the associated indicator "displaced people provided with services" by strengthening state core functions. However, it does not finance service delivery directly or specifically to displaced populations or host communities.

C. Project Beneficiaries

26. ***The main direct beneficiaries of the project are the CSO-Aden, the MoF, and the MoCSI.*** The direct beneficiaries of component 1 include the CSO-Aden, statistics units in selected line ministries in IRG-controlled areas, and the University of Aden. Under Component 2, the direct beneficiaries are the MoF and the MoCSI and their focal points at subnational level. In addition, select line ministries and the CBY-Aden will also benefit from capacity building on core government

functions through Component 2. Lastly, CSO-Aden, MoF, MoCSI, CBY-Aden, Prime Minister's Office (PMO), and Ministry of Planning and International Cooperation (MoPIC) are the beneficiaries of capacity and coalition building towards "localization" under Component 3. Potential expansion of project activities, which may require adjustments of the direct project beneficiaries, can be considered during project implementation.

27. ***The ultimate beneficiaries of this project are the Yemeni citizens and the data users in IRG-controlled areas***, including those from government, international agencies, donors, academia, think-tanks, journalists, and the people of Yemen who will benefit from strengthened production, use, and dissemination of national statistics and strengthened country systems for more effective revenue mobilization, budgeting, fiscal management, and public service delivery.

D. Project Components

28. **The total project cost is US$20 million, financed by an IDA grant.** The summary of allocation of project funds is shown in Table 1. The project explores the possibility of complementary World Bank-executed technical assistance (TA) and analytical activities financed by trust funded sources, including but not limited to the World Bank's Resilience, Recovery, and Reconstruction Umbrella Trust Fund i.e., the Yemen Fund.

Table 1: Summary of project components and sub-components

Components/ Sub-components	Allocation	
	US$ (millions)	Percentage
Component 1. Strengthening Yemen's Statistical System and System of National Accounts	**7.75**	**38.75**
Sub-Component 1.1. Strengthening the statistical system and function	3.25	16.25
Sub-Component 1.2. Developing SNA and its elements	4.5	22.5
Component 2. Strengthening core PFM and HRM/payroll functions and systems	**7.75**	**38.75**
Sub-component 2.1. Strengthening core PFM	1.3	6.5
Sub-component 2.2. Strengthening core HRM and payroll	1.3	6.5
Sub-component 2.3. Setting enabling IT system and functions for PFM and HRM	5.15	25.75
Component 3. Project Management and Coordination and Readiness towards "Localization" and Change Management	**4.5**	**22.5**
Sub-component 3.1. Project management and coordination	3.2	16
Sub-component 3.2. Readiness towards "localization" and change management	1.3	6.5
Total	**20**	**100**

Component 1. Strengthening Yemen's Statistical System and System of National Accounts (US$7.75 million)

29. ***The main objective of this component is to rebuild the foundations of Yemen's statistical system in IRG controlled areas and restore the production of the SNA.*** The component will focus on strengthening institutional capacity, infrastructure and required governance arrangements, while also developing and collecting the necessary administrative and survey based data required for SNA compilation**.** This will contribute to ensuring official statistics are credible, timely and usable for government, development partners, and the public.

30. **Subcomponent 1.1: Strengthening the statistical system and function**. Activities include:

(a) ***Building institutional and technical capacity.*** This includes delivering on-the-job training for the public sector workers of CSO-Aden and line-ministry staff based on the Generic Statistical Business Process Model, foundational training in official statistics, data management and data analysis, supplementary training on English language and programming, and establishing an official statistics course at the University of Aden. This university course will ensure that capacity of CSO-Aden staff (current and future) can be built beyond the lifetime of the project.

(b) ***Modernizing physical and IT infrastructure*.** Investments include installation of a hybrid data storage and transmission system that combines a physical location with a cloud solution, hybrid solar power systems, local and wide-area connectivity, laptops, IT hardware, and statistical software (including a comprehensive IT statistical system, provided by an appropriate peer national statistical office). Training sessions will ensure that the IT department is able to maintain installed hardware and software, and a study visit will be arranged with the appropriate national statistical office to impart knowledge of the statistical system.

(c) ***Strengthening governance, coordination, and partnerships.*** To improve communication and engagement within the statistical system, a package of activities will be financed, including a review of the statistical business process and the design and implementation of stakeholder-engagement strategies and communications campaigns. In addition, this subcomponent will support the development of annual and five-year statistical plans. Project sustainability will require regular discussions with the MoF on the CSO-Aden’s budget and its annual approval.

Subcomponent 1.2: Developing SNA and its elements. Activities include:

(a) ***Strengthening legal and governance framework to establish national accounts.*** The project will support the drafting of a Statistics Act, subject to future legislative approval, alongside implementing bylaws and regulations to operationalize data access, confidentiality, and institutional coordination. This aims to ensure independence, confidentiality, and mandatory data reporting for official statistics, and drafting bylaws specifying the official mandate for national accounts and assigning responsibility for producing GDP and related aggregates, and free of charge access and use of administrative records in a timely manner by the statistical office. The draft updated Act and bylaws will incorporate confidentiality and data protection, including clear rules that protect individual data and guarantee its use only for statistical purposes. In addition, this legal basis will propose establishment of an inter-agency coordination mechanism to build foundations for data sharing between ministries, CBY-Aden, business registry, and data providers, leveraging the established economic statistics task force. The project will provide TA and workshops to develop and approve national statistical classifications with definitions aligned with international classifications. The classifications will include, but are not limited to, International Standard Industrial Classification (ISIC) for industries, Classification of Individual Consumption According to Purpose for consumption, and Central Product Classification for products. Furthermore, the project will support development of the necessary legislation to implement classifications in administrative registers. The project will also develop a 10-year SNA strategy and a public release calendar.

(b) ***Digitizing administrative data and expanding data sources for SNA.*** The project will: (i) set up digitized systems for regular administrative data transmission; (ii) provide TA for establishing registries; and (iii) expand non-administrative data, including sector specific economic surveys and the last phase of the HBS. The project will prioritize developing an up-to-date list of enterprises and establishments (a business register) for the establishment of SNA. The minimum requirements for the business register should include a unique business ID (aligned with tax ID), legal form, ISIC classification, size (employment/turnover band), location (region), and status (active/inactive). Prioritization of five sector specific economic surveys will occur during the first year of the project, with subsequent data collection. The project will also support the development of other administrative registries, through a prioritized and modular approach. The FMIS and HRMIS proposed in Component 2 can be used to produce public finance data and public wage data that can be automatically shared with CSO-Aden. Publications and dissemination events will accompany each data source to provide further engagement with data users and collect feedback to improve future efforts. When possible, indicators and data will be disaggregated by gender (e.g., labor market indicators in the HBS, or women-owned-businesses in the business register), to further understand women’s contribution to the economy. Innovative approaches—such as phone surveys, satellite imagery, geographic information system, and machine learning—will be applied to estimate production in sectors with access constraints or to make processes more efficient and reduce costs.

(c) ***Strengthening SNA compilation capacity.*** This will include embedding key experts, conducting study visits, and delivering dedicated training in SNA 2008/transition to SNA 2025, production, income, expenditure approaches, Supply-Use Tables, deflation and volume measures, benchmarking and revisions, and use of administrative data to enable CSO-Aden to compile the SNA and supply use tables. SNA compilation manuals for Yemen, source and method tables, assumption logs, revision policy and quality reports will be produced as an outcome of the capacity building. SNA validation workshops will be held following the verified publication of components of the SNA with relevant documentation, further improving collaboration while addressing weak incentives and a staff culture reliant on data collection associated per-diems. A detailed criteria matrix will be developed in the Project Operations Manual (POM) and verified by third-party monitoring (TPM) before annual validation workshops.

Component 2. Strengthening core PFM and HRM/payroll functions and systems (US$7.75 million)

31. ***The main objective of this component is to develop foundations for core government functions and systems by: (i) supporting the adoption of strategic reform roadmaps; (ii) building institutional capacity and processes for core PFM and HRM functions, including budget preparation, expenditures and payroll management; and (iii) modernizing the PFM and HRM information systems.*** This will contribute to improved public expenditure controls, including better wage bill management; reduced leakage of public funds; more timely budget execution; and higher data integrity and transparency of public finances. This component will support (i) generating strategic and pragmatic roadmaps on PFM/HRM reform priorities and data updates, (ii) developing essential modules of a PFM and HRM information system to build on, (iii) strengthening the capacity of the MoF and MoCSI to deploy the systems in line ministries, governorates and CBY-Aden, and (iv) progressive use of the system for revenue data consolidation, timely budget releases and payments, adequate expenditures control, and overall stronger transparency and accountability.

32. ***An ongoing IRG PFM/HRM/payroll systems assessment informs the component design.*** The World Bank is working closely with the IRG MoF and MoCSI on the design of the FMIS/HRMIS and the identification of institutional capacity development needs with the support from the World Bank's Resilience, Recovery, and Reconstruction Umbrella Trust Fund—a trust fund managed by the World Bank. This assessment clarifies the design for a fit-for-purpose system and capacity development needs in the IRG, and its sequencing given the country context and constraints. This assessment informs the preparation of a PFM modernization roadmap as well.

Sub-component 2.1. Strengthening core PFM. Activities include:

(a) TA to the MoF and the forthcoming IRG *Governance, Oversight, and Institutional Building Working Group* led by the MoF to adopt a strategic reform roadmap. This Working Group is one of the technical committees IRG planned to implement their key reforms, and reports to *High-Level Supervisory Committee* led by Prime Minister. Building on the MoF's draft strategic white paper for financial and digital reforms, this project will support domestic policy dialogue and coalition-building to develop a strategic roadmap that details and sequences PFM reform priorities, including through additional assessments, e.g., debt and arrears management plan. The goal of the strategic roadmap is to identify both short-term and medium-term pragmatic actions measures to boost revenue, improve macro-fiscal forecasting, strengthen budget credibility and cash management, establish a TSA, and improve spending controls.

(b) TA to MoF to redesign core PFM processes which are currently outdated, inter alia for budget preparation process, budget execution through the TSA, cash management, expenditure controls, and financial reporting. Manuals will be revised and key texts to the extent possible, within the current legal framework[11]. This will include a revised Charts of Accounts and clarification of organizational arrangements, roles, and responsibilities. The objective is to improve consistency, comprehensiveness, and transparency of current budget preparation, budget release and cash management, expenditures control and periodic financial reporting. The processes will also need to be streamlined and adapted for the transition to automated business processes to be executed through the FMIS.

[11] Due to the ongoing conflict, a new legal framework in IRG-controlled areas is unlikely. However, decrees and circulars can be issued.

(c) Capacity-building for key public sector workers involved in budget preparation and expenditures at MoF, the CBY-Aden, and targeted spending units at central and sub-national levels to implement the revised rules and processes. When possible, working with local training facilities (e.g., the National Institute of Administrative Sciences) could ensure the sustainability and recognition of the capacity built.

Sub-component 2.2. Strengthening core HRM and payroll. Activities include:

(a) TA to the MoCSI to adopt a strategic roadmap for HRM reform. The MoCSI is also a member of the forthcoming *Governance, Oversight, and Institutional Building Working Group* and leads the formulation and implementation of HRM policies. This body will serve as a policy-level coordinating platform to ensure compatibility, synergies, where relevant, and coordination between the MoF and the MoCSI as they generate the PFM and HRM strategies respectively through domestic policy dialogues and coalition-building.

(b) TA to the MoCSI to clarify basic HRM rules and processes for the public sector workforce, which are currently ad-hoc. Manuals will be revised and key texts to the extent possible, within the current legal framework, especially with regards to the comprehensive and timely update and verification of workforce records (grade and position, employee identity, salaries and benefits, bank account). Harnessing the implementation of those processes and related information systems, the TA will also support the estimation of arrears (salaries, benefits), retirement benefits, and compensation of contractual staff, and the development of a HRM roadmap.

(c) Capacity-building of key public sector workers involved in human resource and payroll management at the MoCSI, the MoF, and CBY-Aden, as well as targeted spending units at central and sub-national levels, to implement the revised processes. This capacity building will target key staff in pilot line ministries (e.g., health and/or education given the size of their wage bill[12] and synergies with World Bank-financed sector operations[13]) and pilot governorates incrementally, and use local training facilities, when possible.

Sub-component 2.3. Setting enabling IT systems for core PFM and HRM functions. Activities include:

(a) Purchase of Information Systems and IT infrastructures for both PFM (FMIS) and HRM (HRMIS) that fit the context in terms of functional needs, connectivity, power outages, and risk of destruction. The project will finance the necessary IT infrastructure and systems to manage public finance, payroll and HR through an incremental, building block-type approach, that prioritizes essential functions while enabling future expansion. The design and incremental implementation of the modules and link between FMIS and HRMIS will provide an opportunity to streamline and simplify business processes for the targeted modules and functions (e.g., payroll management, cash management and commitment controls, internal control). Beyond the software and related TA, the project will adopt a hybrid approach of local hosting of data in a primary data processing and storage solution with a cloud service for back-up and redundancies. Also, the project will support an active on-premise hot disaster recovery data processing and storage solution in IRG controlled areas with real-time replication of the servers and underlying data with minimal manual intervention in case of damage to the local servers. This will require establishing a robust Help Desk with Service Level Agreements and Disaster Recovery Plan, based on Recovery Time Objective and Recovery Point Objective. To harness complementarity, a similar approach will be taken for Component 1, which will modernize physical and IT infrastructure of the national statistics.

[12] According to the 2014 Wage Bill, the education and health sectors accounted for the largest shares of public employment outside of the military. An estimated 350,000 civil servants were employed in the education and health sectors, accounting for approximately 70 percent of the civilian payroll in that year. World Bank (2023) Yemen Economic Monitor, June.

[13] The Yemen Emergency Human Capital Project (P176570), the Sustaining Education and Learning project (P509685), and Yemen Health Nutrition and WASH Project (P514502; Pipeline).

Component 3. Project Management and Coordination and Readiness towards "Localization" and Change Management (US$4.5 million)

33. ***This component will cover two main activities, implementation cost and readiness for future project implementation.*** Sub-component 3.1. project management and coordination will finance the cost of the implementing partner (UNDP) will cover expenses such as fees, direct costs related to implementation support, management, audit, environmental and social aspects, and overall monitoring and evaluation (M&E) to ensure satisfactory project implementation. This sub-component will also finance the establishment and maintenance of project-level GM. The budget allocation for this sub-component follows the Joint Cost-Recovery Policy.

34. ***Sub-component 3.2. strengthens readiness for potential future direct implementation by the IRG of donor financing by training CSO-Aden, MoF, and MoCSI*** *in cooperation with MoPIC.* With the aim of fostering country ownership and preparing for future direct implementation by the IRG, the component will roll out training to CSO-Aden, the MoF, and the MoCSI in coordination with the MoPIC on areas key for IDA-financed project implementation: fiduciary management, project management (ToC, planning, M&E and change management), environmental and social safeguards, and WBG's corporate commitments. As the implementing agency, the UNDP will prepare a plan for incrementally involving key staff of CSO-Aden, the MoF, and the MoCSI in project management functions during the lifetime of the project. Given the fluidity of political context, understanding non-technical bottlenecks, identifying champions and building coalition around the benefits of the technical solutions supported by the project will help project implementation and anticipate hurdles in achieving desired outcomes. Concretely, this component finances expertise on change management and coalition building approaches for policy dialogue, multistakeholder engagement, and leadership on a need-basis. While direct implementation of this project will be led by the UNDP, the IRG has expressed interest in forming groups that would ensure smooth coordination between the IRG, the UNDP, and the World Bank for the implementation of this project and fostering the IRG's readiness for localization. With this, the project will form a high-level steering committee (Project Steering Committee: PSC) among the World Bank, the UNDP, and core IRG beneficiary institutions (i.e., CSO-Aden, MoF, and MoCSI) with MoPIC as an observer. Furthermore, to expedite the effort of the localization, this project will coordinate closely with the ITF, to be established by the IRG, to shadow the UNDP Project Implementation Unit (PIU), and facilitate the day-to-day technical project implementation. It will regularly meet at the MoF and include at least three staff from each of CSO-Aden, MoF and MoCSI that hold project management, procurement, financial management, environmental and social safeguarding, monitoring and evaluation and/or any other relevant project management duties of this project. Details of this coordination mechanism will be specified in the POM. Where relevant and feasible, localization efforts will be implemented in partnership with the IRG's existing civil service training institutes with an aim of institutionalization.

E. Role of Partners

35. ***The Yemen Partners Group (YPG) and its Technical Team, i.e., Yemen Partners Technical Team (YPTT), hosts Working Groups that facilitate donor and IRG coordination, and the project will benefit from these existing coordination platforms.*** The YPG aims to bridge the humanitarian and development approaches and programs in Yemen. The Data and Information Working Group was established in 2022, and in 2025 a sub-working group was established under the Technical Assistance and Capacity Development (TACD) Working Group that focuses on supporting official statistics. The TACD is co-chaired by the World Bank and IMF. The PFM and Governance Working Group was also established in 2025 and with thematic emphasis on PFM and HRM, and related capacity building. This Working Group is co-chaired by the United Kingdom's Foreign, Commonwealth and Development Office (FCDO), UNDP, the World Bank, and the IRG, represented by the MoF, MoCSI, PMO, and MoPIC. The project will ensure that the proposed activities complement the activities led by key development partners, including Organisation for Economic Co-operation and Development (OECD), PARIS21, and IMF, through consistent stakeholder engagement. Table 2 indicates the support from key development partners and their roles in coordination.

Table 2: A Snapshot of Development Partner Support and Roles

Name of Partner	Nature of Involvement / Description
OECD and PARIS21	• TA on the strategic direction of the national statistical system, including the establishment of the National Economic Statistics Task Force, chaired by CSO-Aden • Improving data visualization skills and uptake of data, updating of the Statistical Development Strategy and capacity-building for strategic statistical planning, and enhancing statistical leadership and management skills
United Nations Population Fund (UNFPA)	• TA for population estimates • Implementation of the HBS and the Maternal Mortality Survey • Annual training courses on ad-hoc topics
Food and Agriculture Organization	• Data collection for the Consumer Price Index with CSO-Aden
IMF and METAC	• TA and diagnostics on PFM: (i) Budget planning, preparation, execution, cash management; (ii) TSA design; (iii) Revenue Administration; (iv) Tax policy; and (v) Public Debt Management • TA on Central Bank Operations: foreign reserve management training, International Financial Reporting Standard 9 implementation, financial sector regulation • TA on SNA compilation • Co-chair of YPTT TACD Working Group
UNDP	• Strengthening statistical capacity on data quality, digital data collection, methodological support • PFM/HRM Training of Trainers for local authorities • Support to Central Organization for Control and Auditing and Technical Reform Unit-Project Management Office (anti-corruption, legislative review) • 11 District Annual Investment Plans, and governorate revenue assessments • Local governance for area-based development, financed by the European Union (EU) • Co-chair of YPTT PFM and Governance Working Group
UN Economic & Social Commission for Western Asia	• Development of the *National Program for Financial Sustainability and Digital Transformation* white paper with MoF
EU and OECD	• PFM: cash management training, transparency/accountability support, sector-specific tax audits • Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT): training • Women Economic Empowerment: gender analysis, baseline, public-private dialogue • Climate/green finance: climate-risk integration and green-finance strategy support • Providing key experts to support CSO-Aden's compilation of SNA in the short-term
FCDO	• Pensions reform: diagnostics and reform option development • Co-chair of YPTT PFM and Governance Working Group

F. Lessons Learned and Reflected in the Project Design

36. ***The design of this project is informed by the global lessons learned from interventions that have supported core government functions in FCV countries, and more specific lessons learned from supporting statistical capacity and building PFM and HRM reforms in FCV contexts, as well as the World Bank's prior engagement in the Republic of Yemen.*** A summary of how key lessons learned are integrated into this project's design is provided in Table 3 while the details of the global lessons learned are provided in annex 2.

Table 3: Summary of how global lessons learned informed the design of this project

Implications and recommendations	Proposed project design features
State and core government function building	
Build core government functions incrementally on existing institutional legacies	• The project focuses on basic functions through fit-for-context capacity development, core processes, and IT systems, infrastructure, and capacity based on assessments through a modular approach, with possible scale-up.

	• The project supports leapfrogging where possible using innovative solutions adapted to local conditions and capacities.
Start early to restore national capacities	• The project is the first institutional systems and capacity building project in Yemen since current conflict. • The project also supports the development of in-country capacity and readiness to design and implement future World Bank-financed operations. • The UN implementing partner was identified through a rigorous assessment.
Provide assistance without creating chronic dependence or parallel structures	• The project aims at building upon the existing state functions and capacities, based on assessments. The project is aligned with the IRG's priority reform areas and strengthens the country systems and inter-governmental coordination.
Expect temporary reversals	• The initial implementation starts with IRG controlled areas and can be adjusted during project implementation pending access. • The project adopts Entry Criteria for Access (ECA) to identify potential "stop" elements and relevant mitigation mechanisms.
Interventions require selectivity, sequencing, and context specificity	• The project is selective in its focus areas to restore national capacities, and the focus areas are aligned with the IRG's reform priorities. • Relevant assessments in collaboration with key local institutions informed the project design.
Statistical capacity building	
Build institutions and skills facilitating the success of technological solutions	• The project places significant emphasis on building the institutional and technical capacity for current and future CSO-Aden staff and supports strengthening of governance, coordination, and partnership.
Engage with the users of statistics more actively	• The project facilitates government-to-government and government-to-citizen/business use of statistics by (i) engaging with statistics staff in line ministries at the technical level, (ii) establishing and implementing stakeholder engagement strategies and communications campaign, and (iii) seeking statistics data users' feedback in the process.
Adopt international standards	• The project provides TA to adapt international classifications and methodologies to the Yemeni context.
Adopt performance-based incentives for stronger staff engagement	• Component 1 holds annual validation workshops for SNA compilation staff conditional on the completion of a verifiable checklist.
Invest in basic statistics instead of bypassing with technological solutions	• Staff are to be trained in the foundational elements of official statistics and project will develop an official statistics course at University of Aden.
PFM reforms	
Political commitment and sustained government ownership are essential prerequisites for success	• The project emphasizes the importance of coalition building for reforms. It also envisions harnessing the existing state platforms for inter-governmental coordination at political and technical levels to facilitate the adoption of relevant strategies.
Adopt deliberate step-by-step approach for TSA rollout to mitigate resistance	• TSA is one of the focus areas of the FMIS. • The project design is informed by a political economy analysis, and emphasizes the importance of coalition building for reforms.
Sequence interventions	• Development of the PFM strategic roadmap will enable further sequencing of the IRG's priority reform areas and step-by-step actions required. • The project supports the foundational IT systems and capacity as a means to accelerate implementation of key PFM reform activities
Civil service reforms	
Restore HR records to establish an accurate personnel database	• The project supports the development of a HRM strategic roadmap. • The project supports IRG efforts to restore HR records by establishing HRMIS in phases and implementing verification processes.

Establish control and wage bill management	• The project supports the IRG's ongoing reform efforts to control the wage bill by (i) equipping the MoCSI and MoF with FMIS and HRMIS, (ii) restoring HR records and verifications, (iii) supporting direct payments processes through personal bank accounts.
Build institutional capacity through comprehensive technical training incl. end-user training and training on system capabilities	• The project is informed by the ongoing PFM/HRM systems assessment, which includes capacity, skills, and training needs assessment. The project will support capacity development of MoCSI on core HRM/HRMIS.
Data storage and processing solutions	
Cloud-based solutions and off-the-shelf FMIS packages can be effective in FCV setting. Data storage and processing solutions should be designed to mitigate the risks of damage, looting and data losses while considering a weak connectivity	• Through the ongoing IRG PFM/HRM systems assessment, multiple approaches, including adaptation of cloud-based solutions and off-the-shelf FMIS/HRMIS packages that can be deployed quickly without significant front-end cost, are being discussed with IRG MoF and MoCSI. • Learning from the Yemen Financial Market Infrastructure and Inclusion Project, the project adopts a hybrid approach with a cloud service for back-up and redundancies.
Third party monitoring (TPM)	
Shift towards a World Bank-led TPM	• World Bank-hired TPM in recruitment

III. PROJECT IMPLEMENTATION

A. Institutional and Implementation Arrangements

37. ***Under the 2026 updated OP7.30 assessment, this operation will provide direct financing to the UNDP, which will implement the operation for the benefit of Yemen at the request and with the consent of the IRG.*** The UNDP was identified by the World Bank team as a suitable implementing partner for this project through a rigorous Implementing Agency Assessment, which assessed technical understanding and capacity as well as readiness for project implementation. The waiver of the application of the Anti-Corruption Guidelines to the UNDP in connection with the proposed Project is being sought from the Executive Directors. No waivers are required with respect to IDA eligibility criteria or the IDA Commitment Charge. Following the Financial Management Framework Agreement (FMFA) and the Alternative Procurement Agreement (APA), the UNDP can use its own Financial Regulation and procurement procedures in line with the Procurement Framework Policy Section III.F. The UNDP is expected to engage with national and local institutions as implementing partners under terms and conditions approved by the World Bank, if this arrangement becomes relevant for this Project. In case of working with implementing partner(s), the UNDP will assess the technical and fiduciary capacity of their local implementing partners to fulfill fiduciary and safeguard responsibilities under the project and will ensure these partners maintain experienced personnel for this purpose. The World Bank's fiduciary and safeguard teams will work closely with the UNDP to address fiduciary risks and challenges, drawing on experience and lessons learned of previous operations in Yemen. The UNDP will be responsible for preparing budgeted Annual Work Plans (AWPs) for implementation, together with a detailed procurement plan in agreement with the World Bank. This budgeted AWPs will be prepared for the first year no later than one month after the effectiveness date. It will highlight the activities to be implemented for the subsequent twelve months by component and subcomponent, indicating the targeted results, timelines, budget, and planned procurement activities.

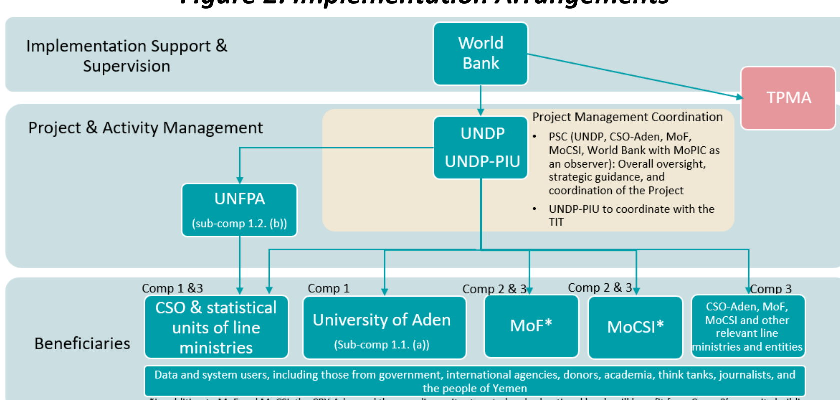
38. ***This arrangement is intended to maximize development impact on the ground while helping to preserve and build local institutional capacity and maintain engagement under FCV conditions, consistent with the project's Entry Criteria for Access (ECA).*** The ECA is a set of actionable risk-based measures serving as a "stop-and-go" mechanism for project activities when the criterion is not met. This will allow the project to halt activities in non-compliant parts of the country without affecting the implementation in other areas. This project is designed to lay the foundations to build on and scale up, and its scope can be adjusted during project implementation pending access. The ECA factors in challenges

and risks that exist including those related to: (i) restrictions of females participating in the Project; (ii) AML/CFT compliance, (iii) access and clearance to operate for UNDP and TPM agent(s); (iv) the UNDP's ability to operate in the country; and (v) political interference in the operations and governance of UNDP's key local implementing partners (if applicable) and contractors under the proposed project. For each of these risks, the World Bank and UNDP are identifying actionable management measures, indicators to assess the continuity of operations, and scenarios for immediate corrective actions. The agreed ECA between the World Bank and UNDP, and its details, including operational procedures and arrangements for monitoring their compliance, will be finalized and included in the POM.

39. ***Under the project, the UNDP serves as a grant recipient and implementing entity, and the World Bank will have a supervision and implementation support role.*** The UNDP therefore will be responsible for: (i) implementing the project as agreed with the World Bank; (ii) monitor Project targets and results in coordination with local partners; (iii) handle relevant procurement, financial management, environmental and social safeguards and practices, M&E, and disbursement management, including preparation of withdrawal applications; (iv) enter contractual arrangements with service providers; (v) carry out communications campaigns and beneficiary engagement activities, (vi) coordinate with other stakeholders on project implementation, including but not limited to the technical implementation team; and (vii) ensure that all reporting requirements for the World Bank are met in accordance with the Financing Agreement. To fulfill these responsibilities, the UNDP will establish a PIU. The UNDP will rely on its own procedures for selecting contractors, consultants, and implementation partners in accordance with its operational guidelines, with support from the World Bank. The World Bank will have a supervision and implementation support role. The World Bank will review and approve procurement plans and their respective updates. The Financing Agreement will require submission of the procurement plans and the periodic procurement progress reports for review. The World Bank will undertake at least two implementation support missions annually, to review implementation progress and achievement of project objectives.

40. ***Under the project, a Third-Party Monitoring Agent, hired by the World Bank, will provide independent operational and fiduciary review of overall project implementation and results as part of the implementation support and supervision.*** The independent monitoring by a TPM agent will include the implementation of fiduciary and environmental and social standards. The TPM agent will submit regular reports to the World Bank, the UNDP, and any applicable implementing partners, including monthly inception reports and quarterly analytical reports. These TPM reports will inform project management, highlight deviations, and support corrective actions. Feedback loops with the UNDP in collaboration with the relevant implementing partners and the World Bank will be established to improve project performance and address issues. The World Bank's Resilience, Recovery, and Reconstruction Umbrella Trust Fund will support this activity.

Figure 2: Implementation Arrangements



41. ***The project's three components will be implemented by the UNDP, which is expected to engage implementing partners under terms and conditions approved by the World Bank.*** The implementation arrangements are shown in

Figure 2. The UNDP will assess the technical and fiduciary capacity of their implementing partners (e.g., UNFPA for sub-component 1.2.(b)[14]) to follow UNDP procurement rules and policies when conducting any procurements and to fulfill fiduciary and environmental and social safeguard responsibilities under the project and will ensure these partners maintain experienced personnel for this purpose. The UNDP will maintain full fiduciary responsibility for financial management and procurement conducted by these partners.

B. Results Monitoring, Evaluation, and Verification Arrangements

42. ***Project monitoring and reporting will follow a standardized results framework aligned with the project's results framework.*** The UNDP, through its PIU, will coordinate data collection from IRG institutions, including University of Aden, and other implementation partner institutions (e.g., UNFPA) using uniform reporting formats aligned with the results framework. Primary sources will include: (i) CSO-Aden website, publications and datasets for the statistics component (national accounts tables consistent with SNA; adherence to the statistical release calendar; dissemination metrics), in addition to data user satisfaction surveys and staff capacity assessments; (ii) MoF and MoCSI administrative systems for the PFM/HRM/payroll component (FMIS/HRMIS activity logs, payroll registry updates and reconciliations, gender-disaggregated tracking of civil service salaries in priority sectors); and (iii) MoF and MoCSI outputs and government communications on PFM and HRM reforms, including debt and arrear management plans.

43. ***The UNDP-PIU will centrally consolidate data in collaboration with the designated focal points within each local institution***, to submit semi-annual technical and fiduciary progress reports to the World Bank using an agreed template. Regular field visits by UNDP staff (as security permits) and desk-based quality checks will complement routine monitoring. The TPM agent hired by the World Bank will provide supplementary field-level verification of inputs, outputs, and, where feasible, service delivery and beneficiary feedback. Budgeted AWPs will serve as the primary interface for communication between the UNDP and the World Bank, facilitating regular monitoring, progress evaluations, and agreement on corrective actions as needed.

44. ***The World Bank will conduct implementation support missions to Aden and other IRG-controlled locations, subject to security conditions, to ensure quality and accountability in project execution.*** Bi-weekly check-in meetings between the World Bank and the UNDP will review progress, refine implementation arrangements, and update action plans. When security constraints prevent in-country missions, reverse missions will be organized outside Yemen in coordination with the country management unit (CMU). Biannual missions will assess progress toward the PDO and the project's indicators, provide technical and implementation support, and evaluate risks and mitigation measures. The TPM agent will conduct quarterly verification rounds (e.g., site visits, spot checks, data audits, Environmental and Social Framework (ESF) compliance verification, and beneficiary feedback) and share reports with both the World Bank and the UNDP as per the Financing Agreement. To enhance near-real-time monitoring between TPM visits, UNDP will maintain dashboards/management information system which will be integrated into the World Bank's portfolio monitoring dashboard for Yemen. Hands-on oversight by the World Bank task team working closely with the CMU and the UNDP will strengthen stakeholder coordination and support adaptive management in response to evolving conditions, consistent with the CMU policy dialogue and projects' approach.

C. Disbursement Arrangements

45. ***The project will use the Interim Financial Reports (IFRs) to disburse funds to the recipient UN agency, i.e., UNDP.*** Advances to the UNDP will be in United States (US) Dollars, with the World Bank transferring funds to its corporate account at the headquarters. The advance ceiling will be variable, based on a maximum six-month cash flow forecast from the UNDP's annual work plan and budget, or on any other ceiling agreed upon and approved by the World Bank. Transfer from the corporate account to the UNDP country office in Yemen or to the implementing partner, if applicable, will be limited to a maximum of one month's cash flow need or any other ceiling agreed upon by the World Bank and the UNDP to meet

[14] Implementation of the data collection for the third phase of the HBS.

the project's short-term financial obligations, considering the prevalent compliance risk from commercial banks based in Yemen. In the case of working with implementing partners, the UNDP will prioritize the reimbursement or direct payment method when transferring funds to implementing partners and ensure that those implementing partners promptly justify any advance received. The UNDP disbursements are denominated in US Dollars. The UNDP and the implementing partners obtain market rates under the UN foreign exchange strategy, which is triggered by the UNDP's monitoring of daily market transactions through the Yemen Association for Money Exchangers. The UNDP follows the UN foreign exchange strategy and ensures that the commercial banks it deals with apply that rate. Payments to entities contracted with partners will be paid in local currency, US Dollars, and/or other currencies agreed upon.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

46. ***The project is expected to generate significant economic returns for the Republic of Yemen by establishing the foundational grounds for enabling service delivery and fostering economic recovery***.

47. ***Strengthening the statistical system and System of National Accounts (Comp 1) is an investment with economy-wide returns including job creation.*** Better national accounts underpin credible macroeconomic management and strengthen market confidence by reducing information asymmetries. The World Bank's experience suggests that the value of data remains untapped and that once core systems reach scale, the returns to improving data and the systems that support them are substantial and increasing. Linking and reusing data across sources (e.g., administrative, surveys, geospatial) further multiplies value for policy and markets.[15] IMF and World Bank experience links stronger transparency/standards to improved investor perceptions and market access. High-quality GDP data can prevent costly policy errors and improve cross-country comparability. For example, Ghana's GDP rose by about 60 percent in 2010, and this was largely due to updating the national accounts framework and base year.[16] The realigning of sector weights informed better macro decisions and fiscal/borrowing ratios—illustrating the material impact of accurate SNA implementation on perceived economic size and structure.[17] Beyond macro policy, stronger statistics enable better targeting and efficiency in public spending (e.g., poverty mapping and targeting), improve service delivery and accountability, and foster private sector growth and job creation by providing reliable market benchmarks.

48. ***Quantifying a precise return on investment for national accounts is challenging because many benefits are diffused and accrue overtime***. The World Bank's research suggests that monetizing the value of public data is inherently imprecise given its nontrivial nature; however, the evidence base shows large social value when data meet conditions of coverage, quality, usability, and safety.[18] According to OECD estimates, open public data—which can include national accounts, macroeconomic statistics, and related datasets—generates indirect economic benefits substantially larger than direct costs. In some contexts, public data reuse has been estimated to generate value between 0.1 and 1.5 percent of GDP (public-sector data only), and higher (1 to 2.5 percent of GDP, sometimes up to 4 percent) when private-sector data is also involved.[19] This suggests that establishing a high-quality SNA may unlock analogous long-run gains through better data availability, transparency, and data-driven decision-making across the economy. This project therefore frames

[15] Vivien Foster; Robert J. Cull; Dean Mitchell Jolliffe. (2021) *World Development Report 2021: Data for Better Lives*. Washington, D.C.: World Bank Group; World Bank. 2024. Global Data Facility: Financing Data-Powered Development for Better Lives - Annual Report January - December 2024. Washington, D.C.: World Bank Group.

[16] Jerven, M., and M. E. Duncan. 2012. "Revising GDP Estimates in sub-Saharan Africa: Lessons from Ghana." African Statistical Journal 15: 13–24.

[17] Dean Mitchell Jolliffe; Daniel Gerszon Mahler; Malarvizhi Veerappan; Talip Kilic; Philip Randolph Wollburg. (2023) *The World Bank Research Observer*. -- Vol. 38, no. 2 (August 2023) pp. 325-426.

[18] Dean Mitchell Jolliffe; Daniel Gerszon Mahler; Malarvizhi Veerappan; Talip Kilic; Philip Randolph Wollburg. (2021) *Under What Conditions Are Data Valuable for Development?*. Washington, D.C.: World Bank Group.

[19] OECD (2019), *Enhancing Access to and Sharing of Data: Reconciling Risks and Benefits for Data Re-use across Societies*, OECD Publishing, Paris, https://doi.org/10.1787/276aaca8-en.

economic returns through the following: (i) avoided losses from mismeasurement, (ii) financing and credibility gains from timely, standards-aligned dissemination, and (iii) efficiency gains in public resource allocation via better evidence use.

49. ***Strengthening core government functions and systems for PFM and HRM (Comp 2), will contribute to stronger controls in budget execution, including payroll management, resulting in efficiency gains***. The implementation of a TSA will improve liquidity management and efficiency of government transactions, thereby increase the reliability of cash management processes and reduce payment delays. The MoF and the MoCSI will have more timely, automated, and comprehensive information on payroll and budget execution, enabling the MoF to identify inefficiencies and duplications, and the MoCSI to better manage the wage bill and civil service. For example, a 10 percent reduction in employees included in the payroll through the elimination of invalid entries, duplications, and inactive employees (deceased, retired, or have otherwise left public service) would yield annual savings of YER 33.5 billion. This in turn could free up financing for payment of pensions to employees who are beyond mandatory retirement age, or enable recruitment into the civil service. At present, 29 percent of the 73,345 staff included in the IRG's payroll are past the mandatory retirement age. Ultimately, the FMIS will provide a basis for revenue data and cash availability consolidation, facilitating better cash management and expenditures controls, timely budget releases and payments, and more timely and accurate financial reporting, which could support transparency in the use of public resources. Consistent and credible public revenue and expenditures data will enable the government to improve cash and debt management, budgeting, and revenue mobilization—and strengthen trust in the government's ability to manage funds— conditions for mobilizing larger-scale external support.

B. Fiduciary

Financial Management (FM)

50. ***The financial management arrangements of the UNDP, which will implement the project, are acceptable.*** As agreed with other United Nations Agencies, the project's financial management will comply with the FMFA between the World Bank and the UN. As a result, the UNDP's financial rules and regulations will apply to the recording, reporting, and archiving of the project's financial transactions. The UNDP will maintain separate ledger accounts for the project and retain supporting documentation in accordance with its rules and regulations. The project will disburse funds based on unaudited IFRs, which the UNDP should submit to the World Bank every quarter, within 45 days after the end of the quarter. Funds will flow from the World Bank to the UNDP corporate account, and then to the service providers, and suppliers of goods and equipment. Given the single audit principle, the World Bank will rely on the UNDP corporate audit and will not conduct project-specific audits or transaction reviews unless agreed with the UNDP.

51. ***The project's residual FM risk is assessed as high***, given the country's high inherent risks and compliance with asset money laundering and other risks targeting the commercial banks operating in Yemen. The main risks that could affect the implementation of the project are as follows: (i) liquidity shortages due to rationing of foreign currencies by commercial banks in Yemen which could negatively affect the implementation of the project and delay payments; (ii) project funds frozen in commercial banks; (iii) delays in processing external transfers of funds to contracted vendors/UNDP accounts held in commercial banks in Yemen as a result of stringent controls or reluctance of banks in the United States of America, Europe, and the United Kingdom, to make transfers to counterpart located in Yemen; (iv) transfers of funds to contractors on sanctions list; and (v) low capacity of implementing partners.

52. ***The UNDP has developed comprehensive risk mitigation measures in collaboration with the World Bank.*** These measures include the following: (i) limiting the cash flow transferred into Yemen to threshold based on risk level, maximum of one month cash flow needs or any other ceiling agreed with the World Bank tailored to evolving risk; (ii) prioritizing the direct payment and reimbursement method; (iii) opening bank accounts only in areas controlled by the IRG; (iv) adopting screening measures against the sanctions list before processing payments initiated directly by UN agencies or local

implementing partners (IPs); (v) providing in the progress report or the IFR, the list of fixed assets procured by the project if any, advances to implementing partners and banks holding their accounts, with aging analysis, and a detailed analysis of the budget performance; (vi) sharing information on suspected or substantiated fraud and corruption cases with the World Bank Integrity (INT) Vice Presidency in a timely manner; (vii) building the capacity of the local implementing partners in the management of operational and financial risks in fragile settings; (viii) sharing the assurance reports (audits and spot checks) of the implementing partners in a timely manner; and (ix) including the project on the UNDP Internal Audit Department's audit scope based on the risk methodology.

Procurement

53. ***The Alternative Procurement Arrangements (APA) will be applied for the project.*** The UNDP's procurement procedures have been assessed by the World Bank's Operations Policy and Country Services under previous agreements and found consistent with the Bank's Core Procurement Principles, as permitted under Section III.F of the Procurement Framework Policy. The UNDP will therefore follow its own procedures for the procurement of services and supplies, including installation at destination.

54. ***The UNDP's core procurement responsibilities are to (i) implement the procurement plan agreed with the World Bank and (ii) prepare quarterly reports on procurement and distribution progress, in addition to the agreed procurement reporting/dashboard tool***. If the UNDP engages local implementing partners, the UNDP will assess their technical and fiduciary capacity to ensure they can effectively fulfill procurement responsibilities under the Project. The UNDP will maintain full fiduciary responsibility and accountability for all procurement conducted by local partners. A procurement plan covering the first 18 months of implementation was prepared in coordination with the World Bank together with the Project Procurement Strategy for Development. The UNDP will monitor and report to the World Bank on procurement progress to verify timely completion of activities. Furthermore, the UNDP will ensure its procurement unit is adequately staffed, including qualified local procurement specialists to manage all procurement functions. The UNDP will also ensure that local implementing partners designate experienced procurement personnel to effectively discharge their responsibilities.

55. ***Procurement Risks is assessed as High due to the security situation in the Middle East and Yemen, supply chain disruptions, limited market competition, constrained availability of service providers, and conditions in conflict or post-conflict areas that may affect Project activities.*** Mitigation measures of these contextual risks include: (i) frequent reporting and regular direct engagement between the World Bank and the UNDP to review activities' status; (ii) close coordination by the UNDP with all relevant stakeholders to address identified risks; (iii) World Bank review of the procurement plan and updates; (iv) UNDP provision of quarterly progress reports on procurement implementation; and (v) pre-screening of companies and individuals by the UNDP, in accordance with the World Bank's sanctioned and temporarily suspended lists, prior to contract awards financed by the Project. The UNDP will ensure that all local implementing partners also conduct such screening. Other mitigation measures may include conducting market outreach to identify alternative suppliers, expanding supplier base, and exploring different shipping and delivery methods.

C. Environmental, Social and Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

56. ***Environmental Risks.*** Based on the nature of the activities and interventions planned under each component, the environmental risk associated with this project is assessed as low. Potential risks are limited to the final disposal of batteries and other electronic components related to the operation of the Solar Photovoltaic System, as well as the disposal of obsolete or replaced IT equipment, such as computers and servers, which may generate small quantities of hazardous waste. Further, the project will support refurbishment of a building or buildings that will house the data storage and hosting solutions, which may generate small amount of paint and plaster. These risks are typical of IT-related and refurbishment activities and can be effectively mitigated through standard operational procedures, and adherence to applicable national regulations and relevant good-practice guidelines for electronic equipment management.

57. ***Social risks***. The project's social risk is assessed as moderate. Key risks include: (i) non-inclusion of key stakeholders and weak transparency across fragmented institutions, with potential exclusion of vulnerable groups if consultations and communication are not inclusive; (ii) labor and working-conditions risks for workers across the CSO, the MoF, the MoCSI, line ministries, and contractors, including potential child labor[20] in vendor and supply chains and occupational heath and safety (OHS) risks during solar installations; (iii) sexual exploitation and abuse/sexual harrassment (SEA/SH) risks, especially during mixed-gender trainings and engagement activities; (iv) accessibility and gender gaps; and (v) data-secuirty and privacy risks involving household surveys as well as the personal and payroll/HR data during digitization and FMIS/HRMIS rollout. The mitigation measures include the following: (i) preparing and implementing an inclusive, FCV-sensitive Stakeholder Engagement Plan (SEP), maintaining a project-level GM with multiple access channels, andpublishing how the beneficiary feedback loops are being closed; (ii) developing and enforcing an labor management procedure (LMP) with clear terms of employment, establishing worker GMs for contractors and for beneficiaries, including but not limited to CSO-Aden, MoF, MoCSI, adopting a Code of Conduct (CoC), integrating simple OHS procedures into installation contracts, implementing SEA/SH protocols, and age verification; (iii) developing and implementing a SEA/SH Action Plan with a sensitive GM, CoC, and targeted training; (iv) promoting inclusion and equitable access across units with phased capacity building for women; and (v) adopting robust IT security, data-protection protocols, and cybersecurity measures to safeguard confidentiality and prevent misuse or breaches in FCV contexts.

Grievance Redress Services:

58. ***Grievance Redress.*** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

[20] Child labor is prohibited for individuals under the age of 18 in accordance with Yemen's Labor Code, Act No. 5 of 1995 and the World Bank's Environmental and Social Standard 2 (ESS2) requirements.

V. KEY RISKS

59. ***The overall risk to the achievement of the PDO is assessed as High***, as detailed in Table 4.

Table 4: Risk assessments: risks and mitigation measures

Risk categories and risks	Proposed mitigation measures
Political and governance risks are assessed as high • Strengthening core government systems and functions in IRG-controlled areas can contribute to furthering the parallel public sector systems and division within Yemen. • The implementation of a payroll module can raise expectations of payment of public sector salaries and other allowances not within the project scope. • Current country context does not enable major legal framework changes, including updating the mandates of key institutions such as CBY-Aden[21] or amending laws. Lack of political consensus on some reforms combined with the absence of sitting legislative institution to discuss and solve political tensions may represent a risk for some project activities.	• The project will rely on incremental implementation by designing systems that can be expanded during project implementation. The project will attempt to provide capacity building (e.g., standards and classifications of official statistics) to relevant technical public officials from both Houthi movement and IRG controlled areas if the operating space allows. • The project will support domestic policy dialogue to build consensus and coalitions around strategic roadmaps for future PFM/HRM reforms and Statistic law amendments, and communicate on the project's scope clearly. • The project will prioritize reform implementation with spending units willing to engage, propose process simplification and IT solutions adapted to existing legal framework keeping changes to regulatory realm. • The project will liaise with international partners involved in peace negotiations and budget support to foster synergies on payroll and expenditures control.
Macroeconomic risks are assessed as high • Yemen's macroeconomic outlook remains uncertain due to regional and domestic fragility caused by the ongoing conflict, oil export constraints, and disruptions in the Red Sea and the strait of Hormuz. • The Foreign Terrorist Organization designation of Houthi movement, and their arbitrary detention of UN workers, has made the implementation of World Bank financed operation increasingly challenging.	• The project will rely on incremental implementation, focusing initially on the areas controlled by the IRG. The project's scope will be adjusted during project implementation.
Sector strategies and policy risks are assessed as substantial • The conflict in Yemen significantly affected policies and sectoral strategies. Lack of information on sector strategies in Houthi-controlled areas poses a significant risk. Yet, the IRG's *Government Plan for Economic Development and Urgent Priorities* and the project is aligned.	• The project will focus on incremental implementation. • The project intends to mitigate the potential fragmentation within IRG controlled areas through coordination and coalition-building activities to support policy and strategy development and implementation.
Technical design of project is assessed as substantial • The ongoing conflict has resulted in significant loss in data, systems, and technical capacity, particularly for the IRG. • Resistance to new concepts, approaches, and reaching consensus on how to modernize and build fit-for-context systems and functions can potentially cause delays during implementation (e.g., political fragmentation across line ministries can hinder sharing of data needed for the SNA).	• The project will focus on incremental implementation and pragmatic approach, while supporting development of institutional and digital skills while focusing on change management, coalition building, and stakeholder engagement. • The project will support development of strategic roadmaps to identify feasible reform measures.

[21] In areas controlled by IRG, CBY-Aden performs the treasury functions that are typically handled by the MoF in other countries, and the disagreements over mandates and functions have caused tensions between IRG CBY and MoF in the past.

Institutional capacity for implementation and sustainability risks are assessed as high • The ongoing conflict has split public institutions between areas controlled by IRG and Houthi movement, with severe losses in data, systems, and technical capacity, particularly for the IRG. • The operational and Yemen's country contexts are not suitable for pursuing implementation of legal framework reforms at this time.	• The project places significant emphasis on strengthening core functions through systems and infrastructure adapted to legal, capacity and fiscal constraints, accompanied by major capacity building embedded in country system. • The project will (i) have an incremental and pragmatic approach to adjust as needed, (ii) conduct robust stakeholder engagement, (iii) support capacity and coalition building, (iv) develop roadmaps to identify feasible reforms, (v) foster synergies for donor-financed activities in relevant fields, and (vi) contract an implementing partner with experience in institution-building.
Fiduciary and procurement risks are assessed as high • Major liquidity constraints, delayed payments, and the potential freezing of funds due to non-compliance risks in the Yemeni banking sector, make the overall fiduciary risk level high. • Sanctions on Yemeni financial institutions may increase risk-aversion in the banking sector, potentially constraining payment channels and delaying payments. • The security situation and supply chain disruptions caused by conflict in the region may significantly impact the delivery of goods and services. • Limited availability of goods, suppliers, and service providers could further delay procurement and limit competition.	• Limit cash flow in the Yemen bank to a ceiling agreed upon with the World Bank, and open the bank account in Aden. • These risks will be addressed by the implementing partner through advanced procurement planning approach, exploring alternative shipping routes, and securing critical project supplies in advance. • The implementing partner will conduct market outreach to identify alternative suppliers, expand the supplier base, and, where feasible, pre-position essential goods to prevent disruptions.
Stakeholder risks are assessed as high • Institutional fragmentation between areas controlled by IRG and Houthi movement translates in stakeholders' fragmentation among Yemeni stakeholders complexifying collaboration even at technical level. • The political fragmentation within the IRG-controlled areas, across line ministries, and/or between the central and sub-national entities can hinder the sharing of data needed for the data systems, FMIS, and HRMIS. • Resistance to internalizing and reaching consensus on how to modernize systems and approaches that integrate all line ministries and government entities at subnational level (e.g., governorates) may affect the project's design and potentially delay its implementation.	• The project will mitigate the potential stakeholder risks by (i) relying on incremental implementation, (ii) engaging with relevant IRG stakeholders, (iii) facilitating donor coordination through the YPG and YPTT Working Groups and bilaterally for the few partners heavily involved (e.g., UNFPA, IMF, Kingdom of Saudi Arabia, FCDO), and (iv) rigorous assessment of the selected implementing partner. • The project will pursue a pragmatic approach through capacity building, policy dialogues, coalition building, and improvements in processes to the extent possible. • The project will rely on layers of coordination mechanisms: (i) a high-level steering committee with high level representation from the CSO-Aden, MoF, and MoCSI with MoPIC as an observer together with the World Bank and the UNDP; and (ii) a technical implementation team that includes technical staff from CSO-Aden, MoF and MoCSI.
Other: Security risks assessed as substantial • A deterioration in security in Yemen or the region could prevent effective implementation and supervision. • The security situation in Yemen may impact the assets procured under the project.	• The implementing partner has been selected because of its capacity to adapt to the volatile context in Yemen. • The IT solutions and systems are designed to fit the country constraints and mitigate the risk of data losses due to damages, and ensure continuity.

ANNEX 1. RESULTS FRAMEWORK

Program Development Objective Indicators

Program Development Objective(s)

To strengthen the public statistical, financial and human resource systems and management.

PDO Indicators by PDO Outcomes

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Strengthening Yemen's Statistical System and System of National Accounts					
Improved country Statistical Performance Indicator (SPI) (Percentage)					
Jan/2023	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
31.80	33	36	40	50	56
Strengthening core PFM and HRM/payroll functions and systems					
Quarterly consolidated budget execution report timely published (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	25	75	75	75
Percentage of public sector employees registered in the new payroll system and paid direct to bank accounts (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	0	10	50	80
Project Management and Coordination and readiness towards "Localization"					
Number of public sector employees with completed training in PFM, fiduciary management, procurement, environmental and social safeguards, and M&E, by gender (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	100	300	700	1,100	1,400
➢Number of public sector employees with completed training in PFM, fiduciary management, procurement, environmental and social safeguards, and M&E, by gender - Female (Number)					
Jan/2026	Jun/2027	Jun/2028	Jun/2029	Jun/2030	Jun/2031
0	0	50	100	250	300

Intermediate Indicators by Components

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Strengthening Yemen’s Statistical System and System of National Accounts					
Improved capacity of the CSO staff in official statistics (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	50	100	150	200	250
Improved capacity of the CSO staff in official statistics (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	50	100	150	200	250
➢Improved capacity of the CSO staff in official statistics by gender - Female (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	30	60	90	150
Improved expertise of the CSO staff in SNA (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	20	30	50	70	80
Increase in regular digital data transmission from line ministries’ statistical units to CSO HQ (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	1	3	4	6	7
Increased use of official statistics measured by the number of site visits (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
5,650	7,000	8,000	9,000	10,000	11,000
Improved data user satisfaction (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	20	30	50	70	80
Improvement in coverage and openness of economic indicators, applied only to SNA (ODIN) (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	15	30	40	50	60
Increased availability of economic indicators from the UNSD minimum set of gender indicators (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	6	10	14	14
Strengthening core PFM and HRM/payroll functions and systems					
Processed for the targeted core public finance and civil service management functions are updated (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	2	7	7	7	7
Budget is timely, published (Yes/No)					
Jan/2026	Feb/2027	Feb/2028	Feb/2029	Feb/2030	Jun/2031

No	No	No	Yes	Yes	Yes
Treasury Single Account is implemented (Text)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
No TSA	Inventory of all spending units' bank accounts completed	TSA architecture, regulation, rules and procedures adopted	At least 10% of cash balances consolidated on a monthly basis	At least 80% of cash balances consolidated on a monthly basis	At least 80% bank and cash balances are consolidated on a weekly basis
Timely monthly cash planning and management report produced (Yes/No)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
No	No	No	No	Yes	Yes
Share of monthly budget execution reports timely submitted to MoF by central level spending units through FMIS (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	0	10	30	60
PFM roadmap is finalized (Yes/No)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
No	No	No	Yes	Yes	Yes
Debt and arrears management roadmap is finalized (Yes/No)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
No	No	No	No	Yes	Yes
Share of spending units using new HRMIS to verify employee identification and monthly update establishment records for payroll (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	0	0	20	50	80
HRM roadmap is finalized (Yes/No)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
No	No	No	No	Yes	Yes
Project management and coordination and readiness towards "localization" and change management					
MoF, MoCSI and CSO employees involved in project management (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	3	9	9	9	9
MoF, MoCSI and CSO employees involved in project management (Number)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jun/2031
0	3	9	9	9	9
➢MoF, MoCSI and CSO employees involved in project management, by gender - Female (Number)					
					Jun/2031
					3
Satisfaction of public sector employees trained through the project (Percentage)					
Jan/2026	Jan/2027	Jan/2028	Jan/2029	Jan/2030	Jan/2031

0	60	70	70	70	70

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Component 1. Strengthening Yemen's Statistical System and System of National Accounts	
PDO 1. Improved country Statistical Performance Indicator (SPI) (Percentage)	
Description	The Statistical Performance Indicators (SPI), developed by the World Bank, is a framework of 5 pillars and 14 dimensions to assess the maturity of national statistical systems. This PDO indicator will tailor the statistical performance indicator (SPI) with a weight of one weights given to the pillars of data sources (except for sub-dimension on censuses) and data infrastructure and a weight of zero to the other pillars that will either be captured through intermediate results indicators or are not expected to change as a result of the project.
Frequency	Annual
Data source	https://datanalytics.worldbank.org/SPI/
Methodology for Data Collection	Reporting of publicly available result with consistent use of weights.
Responsibility for Data Collection	UNDP and to be verified by the TPM
Component 2. Strengthening core PFM and HRM/payroll functions and systems	
Quarterly consolidated budget execution report timely published (Percentage)	
Description	Share of quarterly consolidated budget execution reports published by MoF on its website within 8 weeks after quarter's end, on the basis of four quarterly reports per annum (for 100 percent).
Frequency	Annual
Data source	MoF official website
Methodology for Data Collection	MoF Official document verification
Responsibility for Data Collection	UNDP and to be verified by the TPM
Share of public sector employees registered in the new payroll system and paid directly to bank accounts (Percentage)	
Description	Salaries of full-time civil servants registered in the new payroll system and paid directly to bank accounts. This does not include security sector nor contractuals/temporary staffs. Total civil servants' population used is the latest provided by MoCSI's database.
Frequency	Annual
Data source	MoCSI database
Methodology for Data Collection	Review of the MoCSI database
Responsibility for Data Collection	UNDP and to be verified by the TPM
Component 3. Project Management and Coordination and readiness towards "Localization" and Change Management	
Number of public sector employees with succesful completed training in Public Finance Management and project management, by gender (Number)	
Description	Number of employees in central ministries/public sector entities who completed satisfactorily one training in PFM, project management and M&E, World Bank FM, World Bank procurement, and World Bank ESF. Succesfully completed training is measured by score above 80 percent on exit knowledge test. For example, one person completing two training modules counts for two.
Frequency	Annual
Data source	List of compiled list of trainees and randomized control of test scores
Methodology for Data Collection	Review of compiled list of trainees and randomized control of test scores
Responsibility for Data Collection	UNDP and to be verified by the TPM

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Component 1. Strengthening Yemen's Statistical System and System of National Accounts	
Improved capacity of the CSO staff in official statistics (Number) ➢ Improved capacity of the CSO staff in official statistics by gender - Female (Number)	
Description	Number of trained staff (CSO-Aden, line ministries' statistical units) passing module specific exit test (passing means >80% score). Modules include: official statistics (required for all), Microsoft tools (required for all), statistical sampling methods (required for all), Geospatial data management and analysis, Database management and security, Data analysis using statistical software, Coding and programming, Data visualization and dissemination, and Survey management.
Frequency	Annual
Data source	Training modules.
Methodology for Data Collection	Assessment of training module participants designed around course objectives completed upon course completion.
Responsibility for Data Collection	UNDP and to be verified by the TPM
Improved expertise of the CSO staff in SNA (Percentage)	
Description	Average grade of CSO-Aden staff assessments of knowledge of SNA out of 100. Baseline survey to be implemented before project effectiveness.
Frequency	Annual
Data source	Annual assessment on knowledge of SNA completed by 15 staff involved in SNA compilation
Methodology for Data Collection	Annual assessment on knowledge of SNA completed by 15 staff involved in SNA compilation
Responsibility for Data Collection	UNDP and to be verified by the TPM
Increase in regular digital data transmission from line ministries' statistical units to CSO HQ (Number)	
Description	Number of line ministries with digital registries that submit required data annually to CSO in Aden verified by the TPM.
Frequency	Annual
Data source	Digital registry and tranmission of required data
Methodology for Data Collection	Verification of digital registry and transmission of required data
Responsibility for Data Collection	UNDP and to be verified by the TPM
Increased use of official statistics measured by the number of site visits (Number)	
Description	Average number of visits per month to CSO-Aden website over last FY based on the CSO-Aden website statistics and reported by UNDP.
Frequency	Annual
Data source	CSO-Aden's website: https://demo2.cso-ye.org/
Methodology for Data Collection	Extracted from the CSO-Aden website statistics
Responsibility for Data Collection	UNDP and to be verified by the TPM
Improved data user satisfaction (Percentage)	
Description	Data user satisfaction survey capturing satisfaction in the following areas: Availability of data relevant to needs, Timeliness of data publication, Ease of accessing data, Clarity of metadata and documentation, Consistency and reliability of statistics, Usefulness of data for decision-making /analysis, in addition to trust in official statistics. The data user satisfaction data is collected and the summary of feedback and how the feedback is used are made available to the public via CSO website. Baseline survey to be implemented before project effectiveness.
Frequency	Annual
Data source	Web-based user satisfaction survey
Methodology for Data Collection	Annual web administered survey of data users from government, academia, thinktanks, donors and journalists
Responsibility for Data Collection	UNDP and to be verified by the TPM

Improvement in coverage and openness of economic indicators, applied only to SNA (ODIN) (Percentage)	
Description	The Open Data Inventory (ODIN) measures how complete a country's statistical offerings are and whether their data meet international standards of openness. This is captured separately for 22 sets of data categories, including national accounts.
Frequency	Annual
Data source	https://odin.opendatawatch.com
Methodology for Data Collection	Review of publicly available reporting
Responsibility for Data Collection	UNDP and to be verified by the TPM
Increased availability of economic indicators from the UNSD minimum set of gender indicators (Number)	
Description	Number of UNSD Minimum List gender indicators available using data collected within the past 5 years. Indicators should be available on CSO-Aden website and include: • I.2 Average number of hours spent on total work (paid and unpaid), by sex • I.3 Labor force participation rate for persons aged 15-24 and 15+, by sex • I.4 Proportion of employed who are own-account workers, by sex • I.5 Proportion of employed who are contributing family workers, by sex • I.6 Proportion of employed who are employers, by sex • I.7 Proportion of youth (aged 15-24 years) not in education, employment or training, by sex • I.8 Percentage distribution of employed population by sector and sex • I.9 Proportion of informal employment in non-agriculture employment, by sex • I.10 Unemployment rate, by sex, age and persons with disabilities • I.11 Proportion of adults (15+) with an account at a bank or other financial institution, by sex • I.13 Gender gap in wages, by occupation, age and persons with disabilities • I.14 Proportion of employed working part-time, by sex • I.15 Prime-age employment-to-population ratio by sex, household type and presence of children • I.16 Proportion of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural)
Frequency	Annual
Data source	CSO-Aden's website: https://demo2.cso-ye.org/
Methodology for Data Collection	Review of publicly available reporting
Responsibility for Data Collection	UNDP and to be verified by the TPM
Component 2. Strengthening core PFM and HRM/payroll functions and systems	
Processes for the targeted core public finance and civil service management functions are updated (Number)	
Description	MoF and MoCSI manuals are revised to detail the standard processes for core PFM and HRM functions to improve workflow, transparency and accountability. Core functions targeted are budget preparation, budget execution control, cash management, public procurement, fixed asset management, budget execution reports, as well as establishment management, employee records management, payroll and benefits management.
Frequency	Annual
Data source	MoF and MoCSI
Methodology for Data Collection	Review of MoF and MoCSI official documents
Responsibility for Data Collection	UNDP to be verified by the TPM
Budget is timely published (Yes/No)	
Description	Annual budget is available online within four weeks after official approval. Annual budget should include at least (i) macrofiscal assumptions; (ii) the forecast of the fiscal deficit or surplus or accrual operating result; (iii) previous year's budget outturn, presented in the same format as the budget; (iv) aggregated budget data for both revenue and

	expenditure according to the main heads of the classifications used, including data for the previous year with a detailed breakdown of revenue and expenditure estimates.
Frequency	Annual
Data source	MoF offical document and website
Methodology for Data Collection	Review of Budget documents published on MoF website
Responsibility for Data Collection	UNDP and to be verified by the TPM
Treasury Single Account is implemented (Text)	
Description	Incremental implementation of TSA as described in texts.
Frequency	Annual
Data source	MoF and CBY official documents
Methodology for Data Collection	Review of MoF and CBY documents
Responsibility for Data Collection	UNDP and to be verified by the TPM
Timely monthly cash planning and management report produced (Yes/No)	
Description	MoF produces a monthly report on government's current liquidity position and highlights upcoming financing needs and obligations (including wage bill). The report includes a fiscal-year cash flow forecast that is updated monthly based on actual cash inflows and outflows. The indicator is yes if at least 10 monthly reports were producent in the past 12 months.
Frequency	Annual
Data source	MoF official document
Methodology for Data Collection	Review of MoF official document
Responsibility for Data Collection	UNDP and to be verified by the TPM
Share of monthly budget execution reports timely submitted to MoF by central level spending units through FMIS (Percentage)	
Description	Indicator represents the share of monthly budget execution reports submitted through the FMIS within 10 days after month end to MoF by central government' spending units. The annual indicator is the number of monthly reports timely submitted out of all monthly reports that should have been submitted by all spending units at central level.
Frequency	Annually
Data source	MoF official document
Methodology for Data Collection	Review of MoF official document
Responsibility for Data Collection	UNDP and to be verified by TPM
PFM roadmap is finalized (Yes/No)	
Description	The authorities adopts the PFM roadmap and submits it to decision-making authorities.
Frequency	Annual
Data source	Governance and Institutions Working Group official documents
Methodology for Data Collection	Review of Governance and Institutions Working Group official documents
Responsibility for Data Collection	UNDP and to be verified by TPM
Share of spending units using new HRMIS to verify employee identification and monthly update establishment records for payroll (Percentage)	
Description	Percentage of spending units using the new HRMIS for monthly update of employees and establishment records, and for which identities of most civil servants have been verified (i.e. more than 80 percent) within past 12 months.
Frequency	Annual
Data source	MoCSI official document and HRMIS

Methodology for Data Collection	Review of MoCSI Official document and HRMIS data
Responsibility for Data Collection	UNDP and to be verified by TPM
HRM roadmap is finalized (Yes/No)	
Description	The HRM roadmap identifies strategic priority measures to improve public sector human resource management in the next three years, at least with regards to establishment update, employee records update and verification, payroll arrears, de facto temporary workforce management (contractuals).
Frequency	Annual
Data source	official documents
Methodology for Data Collection	Review of official documents
Responsibility for Data Collection	UNDP and to be verified by TPM
Component 3. Project management and coordination and readiness towards "localization" and Change Management	
Satisfaction of public sector employees trained through the project (percentage)	
Description	Annual satisfaction survey of public sector employees trained through the project, capturing satisfaction in the following areas: Content and relevance of the training, Training delivery and design, Material and resources provided, Logistics and organization.
Frequency	Annual
Data source	Satisfaction surveys
Methodology for Data Collection	Data collection (satisfaction survey) administered by TPM
Responsibility for Data Collection	UNDP and to be verified by TPM
MoF, MoCSI and CSO employees involved in project management (Number) ➢ MoF, MoCSI and CSO employees involved in project management, by gender - Female (Number)	
Description	Involvement of employees from MoF, MoCSI and CSO in project management tasks as hands-on training, including on annual planning of activities, developing ToRs, procurement, change management, monitoring, reporting.
Frequency	Annual
Data source	UNDP reporting and other meeting records, interviews
Methodology for Data Collection	Verification by TPM based on the UNDP reporting and other meeting records
Responsibility for Data Collection	UNDP and to be verifired by TPM

ANNEX 2: Global lessons learned on supporting core government functions in FCV contexts

1. ***Key lessons learned from past Bank support to core government functions in FCV contexts emphasize the importance of building incrementally on existing institutional legacies.*** This means avoiding attempts to replicate comprehensive reforms or good-practice blueprints from different country contexts. Success depends on starting efforts to restore national capacities early and providing assistance without creating chronic dependence or parallel structures that crowd out local capacity. It also depends on earning stakeholder support and restoring citizens' confidence through quick wins and visible benefits. Finally, it involves pragmatism in accepting that temporary reversals are all but inevitable and understanding that rebuilding efforts need to support the prevailing political settlement that ended the conflict.[22] Interventions require selectivity, sequencing, and context-specificity, recognizing that trade-offs between political priorities, technical criteria, and normative principles must be actively managed through prioritization and adaptation to local constraints.[23]

2. ***Experience with World Bank-financed statistical capacity-building operations in FCV countries reveals that data gaps are often dire in these settings***. Archives may be missing, statistical agencies may have ceased functioning, and staff may have emigrated taking institutional knowledge with them.[24] Key lessons include: (i) standard project models must be adapted to FCV contexts, as overly complicated designs led to implementation challenges and significant fund cancellations; (ii) technological solutions cannot bypass the need for sound institutions and proper skills, i.e., the core of statistical capacity building; (iii) statistical capacity-building programs must involve the users of statistics more actively, particularly policymakers, as the contribution to developing a culture of evidence-based policymaking remains difficult to assess without explicit strategies for achieving outcome objectives; (iv) adoption of international standards can strengthen data quality and dissemination practices; (v) human and institutional capacity development requires long-term engagement of eight to ten years, with more attention given to training to encourage demand and use of data; and (vi) assistance must support national capacity, build country systems, and be based on national ownership to avoid risks of chronic dependence (UN/World Bank, 2016).[25] It is essential to start early and build on existing institutional legacies rather than adopting ambitious comprehensive reforms. Strategic investments can yield transformative results, as demonstrated by Sudan's US$34.4 million population census, which proved instrumental in defining power-sharing arrangements.[26] Recent experience has shown that performance-based incentives have been instrumental in moving away from pure data collection activities that provide staff with "per-diems" to a data systems approach which compiles and analyzes administrative data sources. CSO-Aden has had more experience as a data collection agency, and this approach will be beneficial to incentivizing stronger staff engagement with the SNA and national statistical system.

3. ***Lessons learned from PFM reforms in FCV countries reveal that political commitment and sustained government ownership are essential prerequisites for success***, while institutional and political economy factors—rather than technical knowledge or funding—are often at the heart of reform failures or suboptimal outcomes. Experience demonstrates that the "basic" yet fundamental PFM reforms focusing on expenditure control, commitment management, prevention of procurement and payroll leakages, and reliable accounting are often more challenging than "advanced" reforms due to political economy incentives, as these controls threaten vested interests that benefit from existing leakages. TSA implementation has proven particularly complex, as it encounters resistance from line ministries and agencies that prefer maintaining their own accounts as buffers against delayed budget releases (or as opportunities for leakage), and from

[22] United Nations & World Bank. (2016). *UN-WBG Core Government Functions: Draft*. December 2016; IEG. (2016). World Bank Group Engagement in Situations of Fragility, Conflict, and Violence: An Independent Evaluation.
[23] United Nations & World Bank. (2016). *UN-WBG Core Government Functions: Draft*. December 2016.
[24] Ibid.
[25] IEG. (2011). *Global Program Review: Marrakech Action Plan for Statistics, Partnership in Statistics for Development in the 21st Century, and Trust Fund for Statistical Capacity Building.* Washington, DC: World Bank Group; United Nations & World Bank. (2016). *UN-WB Core Government Functions: Draft*. December 2016.
[26] IEG. (2017). *Data for Development: An Evaluation of World Bank Support for Data and Statistical Capacity.* Washington, DC: World Bank Group.

commercial banks that stand to lose government deposits. Successful TSA rollouts have adopted deliberate step-by-step approaches rather than attempting comprehensive implementation at once. In budget preparation, the experience shows that full-fledged Medium-Term Expenditure Frameworks are often over-ambitious in low-capacity fragile contexts—indeed, reforms tend to remain partially completed for extended periods across countries, and advocated expected impacts frequently exceed actual results. Good cash management is crucial for supporting effective service delivery, as sector ministries need predictability in accessing funds for operations, maintenance, and capital investments. FMIS can be perceived as "complex systems" requiring country-specific designs, with prerequisite reforms including improved budget classification, unified charts of accounts, and reliable TSA infrastructure before software development begins. Cloud-based solutions and off-the-shelf FMIS packages have proven effective in FCV contexts, enabling rapid deployment while reducing upfront costs.[27]

4. Lessons learned from HRM investments in FCV contexts highlight that one of the most critical early priorities is conducting a rapid provisional count of government employees to establish an accurate personnel database, as HR records are often destroyed, missing, or unreliable following conflict—and ghost workers on the payroll represent a significant fiscal leakage. Establishment control and wage bill management are essential, as post-conflict settings typically experience rapid and uncontrolled expansion of public employment driven by legitimate service delivery needs, political pressures for representative workforces, patronage among elites, and citizens' search for secure employment, all of which raise serious concerns about long-term fiscal sustainability. Experience demonstrates that sound personnel recruitment rules must be established, but realistic transitional formulas are needed that balance the merit principle with the necessity for group representativeness to support political settlements—indeed, a rush to neutral standards can inadvertently favor well-placed elites over disadvantaged groups, undermining state credibility and legitimacy. Training emerges as critical across three dimensions: comprehensive technical training for specialists, end-user training for the large numbers of staff involved in operations, and training managers to understand system capabilities.[28]

5. The World Bank prior engagement in Yemen's public sector modernization also informs the design on this project. The Bank's engagement prior to the conflict on PFM and civil service reforms have unfortunately yielded limited results, with projects consistently rated unsatisfactory or moderately unsatisfactory. The Civil Service Modernization Project[29] fell short of achieving its core objectives of streamlining the civil service and improving HRM systems. The project's overambitious design—encompassing five components, fifteen subcomponents, and twelve implementing agencies—overwhelmed Yemen's limited institutional capacity. While the Accounting and Financial Management Information System component showed some progress with rollout to pilot ministries, it was not linked to the payroll and the biometric identification system and employee database never became fully operational. The wage bill nearly doubled rather than decreased as intended.[30] The subsequent Institutional Reform Development Policy Grant[31], which aimed at increasing non-oil growth and strengthening governance, similarly struggled to achieve a leaner and better functioning

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[27] Dener, C., Watkins, J., & Dorotinsky, W.L. (2011). *Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't*. World Bank Publications; Fritz, V., Fialho Lopez, A.P., Hedger, E., Tavakoli, H., & Krause, P. (2012). *Public Financial Management Reforms in Post-conflict Countries*. Washington, DC: World Bank; United Nations & World Bank. (2016). *UN-WB Core Government Functions: Draft*. December 2016; World Bank. (2016). *Political Economy of Public Financial Management Reforms*. World Bank Group; (2024). *GovTech in FCV*. Equitable Growth, Finance & Institutions Insight. World Bank Group; (2025). *Ensuring Better Outcomes: A Compendium of Good Practices for FMIS Implementation*. World Bank Group.

[28] United Nations & World Bank. (2016). *UN-WB Core Government Functions: Draft*. December 2016; World Bank. (2016). *Political Economy of Public Financial Management Reforms*. World Bank Group; (2025). *Ensuring Better Outcomes: A Compendium of Good Practices for FMIS Implementation*. World Bank Group.

[29] The Civil Service Modernization Project was a credit in the amount of US$30 million to the Republic of Yemen. The World Bank Group Board approved the project on April 20, 2000, and the project became effective in November 2000. The ICR's outcome performance rating was "moderately unsatisfactory", and the project closed on December 31, 2005.

[30] World Bank. (2010). *Implementation Completion and Results Report (ICR) on a Credit in the Amount of SDR 22.4 Million to the Republic of Yemen for a Civil Service Modernization Project* (Report No. ICR00001688). World Bank.

[31] The project was approved by the World Bank Group Board on December 6, 2007, and closed on September 30, 2011.

civil service by eliminating ghost workers and double dippers.[32] The Public Finance Modernization Project[33] was ultimately suspended in March 2015 due to conflict. Key lessons emerging from this portfolio prior to the conflict include: (i) civil service reform projects must be scaled to country capacity and political economy realities, particularly in fragile states where public employment serves welfare and patronage functions; (ii) complex IT solutions should not precede basic institutional and process improvements—the biometric system was implemented without resolving fundamental HR data management deficiencies; (iii) wage increases should be sequenced with and conditioned on restructuring savings rather than implemented independently; and (iv) robust M&E frameworks with objectively verifiable indicators must be established at entry, as their absence impeded timely corrective action throughout implementation.[34] Additionally, this proposed project design will incorporate ECA—a set of "stop-and-go" mechanisms that will allow for some elements of the project to be paused if certain risks materialize, based on compliance with the pre-set criteria.

6. Third-party monitoring (TPM) is an essential component of M&E systems in situations of FCV. The World Bank may encounter significant security risks and consequently face access restrictions, have its staff based remotely, or implement its projects through partners. TPM allows the Bank to verify project implementation, offers a level of additional fiduciary oversight, and generates primary data that can inform programming. TPM has played an important role in World Bank-financed operations in the Republic of Yemen as the active conflict continues and the World Bank's access is severely limited. However, unlike most other FCV contexts, Yemen is one of the few examples where the World Bank relies on UN-executed rather than World Bank-executed TPM. The World Bank's rapid assessment of TPM for its Yemen portfolio in 2022/23 identified transitioning to a new World Bank-led model. The establishment of a World Bank-led TPM was endorsed by the YPTT meeting in April 2023, and this project will be the first one to execute the World Bank-led TPM model in the World Bank's Yemen portfolio.

[32] IEG. (2012). *ICR Review: Yemen Institutional Reform Development Policy Grant* (Report No. ICRR13947). World Bank Group.
[33] The project was approved by the World Bank Group Board on December 20, 2010.
[34] World Bank. (2010). *Implementation Completion and Results Report (ICR) on a Credit in the Amount of SDR 22.4 Million to the Republic of Yemen for a Civil Service Modernization Project* (Report No. ICR00001688). World Bank; IEG. (2011). *ICR Review: Yemen Civil Service Modernization Project* (Report No. ICRR13603). World Bank Group.