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ANNEX II

to the Commission Implementing Decision on the financing of the special measure in favour of Yemen
for 2023

Action Document for Supporting pathways for Economic Recovery in Yemen

ANNUAL MEASURE

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Supporting pathways to Economic Recovery in Yemen OPSYS number: ACT-61722 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Yemen
4. Programming document	No programming document / Special Measure
5. Link with relevant MIP(s) objectives / expected results	N/A
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	N/A
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 8 Decent Work and Economic Growth SDG 10 Reduced inequalities SDG 5 Gender Equality SDG 16 Peace, Justice and Strong Institutions
8 a) DAC code(s)	15142 - Macroeconomic policy – 10% 15111 –Public finance management – 10% 15114 – Domestic revenue mobilisation -10% 25010 – Business policy and administration -10% 32130 - Small and Medium-sized enterprises (SME) development – 60%
8 b) Main Delivery Channel	12003 Public Corporations

9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance				
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective	
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	RIO Convention markers	Not targeted	Significant objective	Principal objective	
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
		Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	/	
Connectivity @		<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
digital connectivity energy transport health		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	/	

	education and research		<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020130-C1-INTPA Total estimated cost: EUR 18 000 000 Total amount of EU budget contribution EUR 18 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.2 Direct management through Grants			

1.2 Summary of the Action

Yemen has entered into its eighth year of war and despite international peace efforts, the parties have shown no sign of reconciliation. On the contrary, the country has been *de facto* split between north and south, thus creating significant governance and stability challenges. The humanitarian crisis that has unfolded is first to a multiple layer of other problems, such as the fragmentation of state institutions, foreign exchange and liquidity shortages, rise in inflation, soaring commodity prices, disruption of trade flows, weak public sector and rising costs of doing business. On the societal level, Yemen faces severe challenges such as extreme poverty, depletion of water resources, climate vulnerability, gender inequality and youth unemployment.

The last UN-mediated truce expired on 2 October 2022 and has left the country in a “no war no peace” limbo that fuels uncertainty. In light of the continuing war, most donors and the Government of Yemen agreed that a merely humanitarian approach does not respond to the country's needs. Development tools are needed to preserve basic state functions, maintain the social fabric and ensure the resilience of economic actors. This will help prevent the state from collapsing and will keep a base for reconstruction, especially in preparation for a possible ‘day after’ scenario.

The overall objective of this Action is to support pathways for the economic resilience of Yemen’s conflict-affected population, as well as its institutional and economic systems. This action will provide support for the rehabilitation of the economic fabric and for the preservation of the resilience of economic actors.

The first component of the action will contribute to enabling the effective functioning of key central level economic institutions. Capacity needs of the Internationally Recognised Government (IRG)’s central economic institutions will be addressed in order to improve the design and implementation of reforms in key policy areas for economic recovery. The EU’s intervention will be closely coordinated with Yemeni beneficiaries and international donors providing assistance in the area.

The second component of the action will contribute to enabling the economic empowerment of women and youth, as main drivers of change who can help build a more inclusive and resilient society. Assistance in this domain will include support to Micro, Small and Medium-Sized Enterprises (MSMEs) to promote women and youth-led entrepreneurship, including in green and digital businesses. This will be achieved through tailored support in managerial, business and leadership skills, support in access to finance, and increase of existing capacity at local and national level.

The action will contribute to the realisation of the EU Gender Action Plan 2021-2025 GAP III¹, in particular to its thematic area of engagement “Promoting economic and social rights and empowering girls and women” and “Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation Digitalisation, Climate change and environment”.

The overall action will follow a humanitarian-development-peace (HDP) nexus approach and a “do no harm” principle. It will take into account the interventions of other international donors and implementing partners in Yemen, and is designed in close coordination with EU Member States through a Team Europe approach.

¹EU Gender Action Plan 2021-2025 GAP III: https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf

2 RATIONALE

2.1 Context

After over eight years of conflict in Yemen, the prospects for most Yemenis remain bleak. The overall situation in the country continues to be **fragile and volatile**. Protracted armed conflict, political instability, economic fragmentation, climate induced shocks, persistent security challenges and socio-economic vulnerability have exacerbated the ongoing **humanitarian crisis**, with an estimated 21.6 million people (almost three-quarters of the population) in need of humanitarian assistance and protection in 2023.

Yemen is the one of the world's worst humanitarian and development crisis. The conflict and economic decline are responsible for the death and suffering of millions of Yemenis, for setting back human development by decades and for **reversing progress toward the SDGs**.

The **economic situation** is characterised by a drastic rise in inflation, fragmentation of economic institutions, a liquidity crisis, currency devaluation, non-payment of public salaries and soaring unemployment. The private sector has suffered severe losses, compounded by difficulties in accessing liquidity or credit and forcing massive lay-offs and closures.

Gender inequality is a major obstacle to development progress and poverty reduction in Yemen. Female participation in the labour market is only 6%. Employment opportunities for women are curtailed primarily due to strict societal norms and related government regulations. Yemen consistently ranks among the worst countries to be born as a woman, and continues to score at the bottom on most global indexes related to gender, such as the Global Gender Gap Report, the Women Peace Security (WPS) Index, and United Nations Development Programme (UNDP) Gender Inequality Index.²

The Country Level Implementation Plan 2021-2025 (CLIP)³ is aligned with the EU Human Rights and Democracy Country Strategy (HRDCS, 2021)⁴ and the EU Roadmap for engagement with Civil Society Organisations (CSOs) for Yemen.⁵

In spite of the ongoing violent conflict and humanitarian crisis, Yemen has the **potential to achieve a peaceful future and make gains towards poverty reduction and sustainable development**. The EU development cooperation with Yemen aims to support and strengthen this potential, by **addressing the root causes of the crisis**.

The war economy and the economic warfare are the main drivers of the Yemen's multiple crises, in particular food insecurity and malnutrition.

Therefore, **revitalizing Yemen's economy** is a key objective in support of sustainable peace and inclusive development. By tackling financial and economic challenges, the EU can contribute to increasing the legitimacy and sustainability of the Yemeni government, and ensuring the provision of goods and basic services to people in Yemen. In addition, the EU will invest resources to enhance the **economic empowerment of women in all their diversity and youth**, as main agents of change who can help build a more inclusive and resilient society.

The EU cooperation in Yemen follows a humanitarian-development-peace (HDP) nexus approach and a “do no harm” principle as also highlighted in the UN Economic Framework for Yemen⁶. This Action is in line with the Framework's pillar 3 “Paving the way for stability by improving business conditions”, in particular improving an inclusive and gender-responsive investment climate to support SMEs, and pillar 4 “Supporting peace with macroeconomic reform and investment growth”. It will build on the EU's added value in the macro-economic sector, where the EU, with support from the UN Special Envoy to Yemen and UN Resident Coordinator, has spearheaded international coordination on macro-economic bottlenecks, as well as supported capacities for macro-economic policy making across the country.

² Country Level Implementation Plan 2021-2025 Yemen <https://capacity4dev.europa.eu/library/clipyemen>

³ Country Level Implementation Plan 2021-2025 Yemen <https://capacity4dev.europa.eu/library/clipyemen>

⁴ EU Human Rights and Democracy Country Strategy for Yemen:

<https://www.eeas.europa.eu/sites/default/files/documents/2021%20EU%20Annual%20Human%20Rights%20and%20Democracy%20Country%20Reports.pdf>

⁵ EU Human Rights and Democracy Country Strategy for Yemen, 2021.

⁶ UN Economic Framework: A Nexus Approach for Yemen, Dec 2022.

There is no Team Europe initiative in Yemen due to the very low presence of EU Member States (EUMS) as development donors in the country (Germany, Sweden, Netherlands, France). Nevertheless, this Action will ensure close coordination with EUMS through a Team Europe approach to the Yemeni crisis. At present, the European Union Delegation to Yemen and EUMS co-finance two projects (on economic development and community resilience); the EU and Germany have elaborated a joint evaluation in the field of women's economic empowerment.

2.2 Problem Analysis

The ongoing conflict continues to weigh on Yemen's economy. Competing factions to the conflict have left the country and its institutional landscape with a *de facto* division between the north and the south. The political influence of the Internationally-Recognised Government (IRG) continues to be a challenge, and essential economic institutions remain fragmented.

After a UN-brokered ceasefire expired on 2 October 2022, economic indicators in the areas controlled by IRG have steadily deteriorated. The halt of oil production and exports following the Houthis-led drone attacks on facilities in the south in early October 2022, has deprived the IRG from its main source of revenue and foreign reserves, accounting for an estimated loss in domestic income of up to USD 1.6 billion on an annual basis. Given the economy's import-dependency, the rise in global commodity prices as a consequence of Russia's war of aggression against Ukraine, has led to an acceleration of inflation, and a prolonged erosion of purchasing power.

The bifurcation of Yemen's economy has brought about the existence of parallel governance structures, monetary and banking systems. The *de facto* authorities controlling Sana'a are making use of existing institutional infrastructure, while the GoY is relying on the development of new institutional capacity.

The dynamics between the parties have led to the instrumentalisation of the economy in quest of legitimacy, recognition and revenue collection. The ensuing economic war directly undermines the stability of the foreign exchange rate, trade flows, and compromises the business environment as a whole.

The conflict has impaired an already weak private sector, which suffers severe losses, compounded by difficulties in accessing credit and forcing massive lay-offs and closures. Yet, the private sector plays a vital role in turning the wheel of economic activity in Yemen. Therefore, enabling the private sector to become more resilient to conflict can help communities to better deal with risks and shocks by increasing economic self-reliance.

Since 2015, gender relations in Yemen have been impacted by the on-going conflict, displacement, severe economic challenges, near collapse of basic services and fractured governance. Overall, the conflict has negatively impacted the lives of most Yemenis, with the intersection of gender, marginalisation and vulnerability playing a significant role⁷.

The main problems that this Action intends to address are:

- **Weak capacity of economic institutions in Yemen to promote economic recovery:** The political and institutional fragmentation of institutions has had an impact on the availability of financial and human resources and information systems necessary to provide basic services and promote sustainable policy reforms. Lack of monetary coordination and zero-sum game mentality have hampered the functioning of the banking and financial system, allowing for high informality and increased risk of speculation and money laundering.
- **Deterioration of women's and young people's livelihoods and economic inclusion:** Decades of political instability and cyclical armed conflict have curtailed Yemen's economic growth, job creation and labor productivity. The conflict has exacerbated chronic unemployment, affecting approximately 70% of the population under the age of 25. Female participation in the labour market is only 6%. Traditional gender stereotypes and lack of opportunities for skills development hinder women's participation in the workforce and their access to financial services. Yemen's financial inclusion is one of the lowest in the

⁷ Country Level Implementation Plan 2021-2025 Yemen <https://capacity4dev.europa.eu/library/clipyemen>

world. Only 6 % of Yemenis hold bank accounts (2 % for women). Women and youth lack financial resources, capacities, outreach and institutional support to establish or scale up entrepreneurial activities.

- **Capacity gaps within the private sector:** The Yemeni private sector suffers from significant management gaps in strategic planning, business development, sustainable funding, networking, international linkages, and visibility. Lack of banking infrastructure (less than 5% banking infiltration) and difficulty in securing credit have been among the main factors hindering the strengthening of the private sector in Yemen. Businesses also face challenges due to weak infrastructure, import tariffs, foreign exchange fluctuations, trade bottlenecks, double taxation across areas, and lack of skilled workforce.
- **Weak digital inclusion and lack of green transition.** The key challenges to digital inclusion are the lack of infrastructure, digital culture and digital literacy. These challenges are intertwined with social issues like poverty, conflict, gender inequality, forced migration and lack of access to basic services. An agenda on transition towards a green economy is lacking due to the need to sustain the immediate needs of the population, while Yemen ranks 171 out of 182 countries in the ND-GAIN index (2020) for climate vulnerability and low readiness score. Yemen considerably lags behind in climate change adaptation and mitigation, as well as in policies and investment for the preservation of the environment, water resources, energy saving, and promoting clean infrastructure, circular economy and sustainable farming.

Identification of main stakeholders and corresponding institutional and/or organisational issues

(mandates, potential roles, and capacities) to be covered by the Action:

- **Yemeni economic institutions** (e.g. Central Bank, Ministry of Finance, Ministry of Planning and International Cooperation, Presidential Leadership Council's Economic Team, Prime Minister's office Executive Bureau, Central Statistical Organisation, Tax authority, Customs Authority, Chamber of Commerce, Ministry of Industry and Trade, Ministry of Electricity and Energy, Ministry of Oil and Minerals, Ministry of Fisheries, Ministry of Telecommunications and Information Technology etc.). The relocation of institutions from Sana'a to the temporary capital of Aden without securing the necessary information systems, human and financial resources has severely affected the capacities of the economic institutions to ensure public governance and conduct policy reforms.
- **Micro, small and medium enterprises (MSMEs).** They are the main employer in the country, creating opportunities for thousands of people entering the labour force every year. Yet, MSMEs face numerous challenges in terms of limited know how in strategic planning, and business development, difficulties in accessing finance, sustainable funding, domestic and international linkages as well as lack of support for green entrepreneurship.
- **Yemeni Non Governmental Organisations** supporting business development and promotion, and providing business development services to businesses and entrepreneurs.
- **Women's associations.** The ongoing conflict has created a new window for women's involvement in the labour market. Supporting women's empowerment at this crucial time could lead to progressive social change and their structural inclusion into the country's economy.
- **Commercial banks.** The weakening of Yemen's commercial and Islamic banks has had wide-ranging consequences: black market activity, exchange rate destabilization, and increased difficulty for traders to finance imports.
- **Capacity building organisations.** Existing non-profit Non-Governmental organisations, such as the Yemen Loan Guarantee Programme and Yemen Microfinance Network, founded by the Yemeni Social Fund for Development (SFD) could empower microfinance banks and entrepreneurs to act as agents of economic recovery.
- **Business associations.** Business associations in Yemen are generally weak, and very few MSMEs are members of organizations that could advocate their interest or provide them with needed services.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this Action is to support pathways for economic recovery in Yemen

The Specific Objectives (Outcomes) of this Action are to:

1. Improve the functioning of key economic institutions and their ability to design and implement policy reforms and measures to lead economic recovery
2. Enhance the economic empowerment of young people and women and participation in the economy of Yemen

The Outputs to be delivered by this Action contributing to the corresponding Specific Objectives are:

- 1.1 Strengthened technical and operational capacities of key economic institutions for the development of their competencies
- 1.2 Improved economic governance and processes for the design, formulation and development of policies and reforms for economic recovery
- 1.3 Enhanced private sector development and public private dialogue for building economic resilience
- 2.1 Improved knowledge and technical skills of women and youth for entrepreneurship and labour inclusion, with a focus on digital and green economy
- 2.2 Increased access to finance for women and youth-led MSMEs which are tailored to their needs and capacities, with a focus on digital and green economy
- 2.3 Strengthened organisational ecosystem supporting women's and youth entrepreneurship at regional and national level

3.2 Indicative Activities

Activities relating to Output 1.1

- Train government officials and civil servants including women from central economic institutions on key policy areas
- Support, if appropriate, financial and human resources needs and equipment supply

Activities relating to Output 1.2:

- Provide strategic guidance on economic reforms
- Support the preparation and implementation of planning and/or strategic documents

Activities relating to Output 2.1:

- Train women and young entrepreneurs in management, entrepreneurship and leadership skills
- Train women and young entrepreneurs in digital and green economy ventures
- Establish mentoring programmes and support networking initiatives at local and national level

Activities relating to Output 2.2:

- Support concessional finance solutions for women and youth-led MSMEs
- Promote digital and green finance

Activities relating to Output 2.3:

- Establish a forum or a network at local level for dialogue and leadership
- Support a study for the establishment of a national-level body for the promotion of youth and women-led entrepreneurship

The activities related to the specific objective 2 will be implemented in close coordination with relevant EU member states, following a Team Europe approach.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design.

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is a significant and deliberate objective, but not the principal reason for undertaking the action.

The action will have a strong focus on the empowerment of women in its design and implementation, including by:

- Ensuring gender sensitivity, acceptability and access to programme interventions, whether due to location, timing, cultural suitability or need for identification documents which may affect participation.
- Strengthening inclusive economic recovery and livelihoods programming.
- Championing women's roles in entrepreneurship.

The design and the implementation of the Action is informed by the main findings of the study on 'Economic empowerment of women and youth in Yemen' and by the EU Gender Action Plan (GAP III). Economic empowerment is an area that is more likely to pave the way towards social and political empowerment.

Human Rights

In line with the 2021 "Updated Tool-box for placing rights-holders at the centre of EU's Neighbourhood, Development and International Cooperation"⁸ and the respective Council Conclusions⁹, the action will be designed and implemented following a human rights-based approach, encompassing all human rights, which will be particularly relevant for people in vulnerable and disadvantaged situations, including IDPs and those living in rural and marginalised areas. The action will take into account the following working principles: (i) applying all human rights for all (ii) meaningful and inclusive participation, (iii) non-discrimination and equality, (iv) accountability and rule of law, (v) transparency and access to information.

The actions will be aligned with the EU's Human Rights and Democracy Country Strategy for Yemen¹⁰, which was developed in partnership with EU Member States in 2021.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that persons with disability are not specifically targeted, although individual actions funded under this action may have a specific focus on inclusion and economic empowerment of people with disabilities.

Reduction of inequalities

In Yemen all segments of the population do not enjoy equal access to resources and well-being. Cultural, political and conflict dynamics drive the exclusion of particular groups, women, older people, people with disabilities, refugees and migrants, and internally displaced persons (IDPs). Inclusion of these populations is vital in ensuring that assistance meets the needs of the entire population, and leaves no one behind.

⁸ https://international-partnerships.ec.europa.eu/system/files/2021-07/swd-2021-human-right-based-approach_en.pdf

⁹ Council conclusions on a rights-based approach to development and Tool-box – a rights-based approach encompassing all human rights for EU development co-operation: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/142682.pdf

¹⁰ EU Human Rights and Democracy Country Strategy for Yemen, 2021.

Democracy

By creating an enabling environment for the economic empowerment of women and youth, the action could potentially create the conditions for a broader participation of women and youth in the decision-making process and policies that affect their lives.

Conflict sensitivity, peace and resilience

The Action will be guided by the **Conflict Analysis Screening** for Yemen. It will ensure that the complexity of the Yemeni conflict will be thoroughly taken into consideration, by applying a conflict-sensitive approach, ensuring adherence to the “Do No Harm” principle.

The EU has further developed a best practice in incorporating a **conflict sensitivity platform** within the structure of its largest programme for resilience support (the ERRY programme, implemented by four UN agencies under the lead of UNDP), an INGO (Search for Common Ground) was specifically tasked with monitoring and advising implementing agencies regarding local conflict dynamics and local perspectives on programme activities. This best practice will be taken on board in the implementation of the action.

Disaster Risk Reduction

N/A

Other considerations if relevant

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1. External environment	Delays in the implementation of the action due to the conflict and political fragmentation.	H	M	Flexibility in implementation, for example using flexible procedures for crisis and emergency situations, adjusting project documents to the changing context, developing contingency plans.
1. External environment	Stricter rules limiting the enabling environment	H	H	Ensure implementation through local implementing partners capable of working effectively on the ground
2. Planning, process, systems	Delays due to various political and bureaucratic hurdles in issuing permits or travel documents.	H	H	Making better use of virtual means to organise access to workshops and trainings. Building in sufficient time in project implementation periods to remain flexible. Maintaining a flexible, adaptive approach to project implementation.
2. Planning, process, systems	Corruption and financial mismanagement.	M	L	Applying strict practices and procedures will help mitigate the risk of corruption effectively. Monitoring, evaluation and audit tools and processes effectively utilised and deployed.

3. People and organisation	Operational performance affected by insufficient/inadequate human resources	L	L	Regular monitoring meetings with implementing partners and continuous coordination.
3. People and organisation	Gender norms prevent women's participation	H	M	Further analyse gender-related challenges and adapt project design to ensure largest possible inclusion of women in planned activities.
5. Communication and information	In a highly polarized context, the risk of not being seen to maintain an impartial profile and act accordingly leads to a situation where an individual or a group views the project as one-sided and declines to participate.	M	L	Whenever necessary due to sensitivity and security, beneficiaries should be granted confidentiality and the visibility of their activities could be kept low.
5. Communication and information	Perception of inequity of benefits among regions, communities or involved project participants	M	L	The selection of participants, communities and regions will be done on equitable basis following an objective needs assessment and will consider the representation of different groups within the community. Inclusive and accessible participatory processes will be utilised.

Lessons Learnt:

The action will build on a comprehensive set of lessons learned from past and ongoing interventions in support of capacity building of economic institutions and economic empowerment.

In relation to programming content:

- Economic empowerment programming should reflect a strong **humanitarian-development-peace nexus** seeking to incorporate research and understanding that has emerged from humanitarian and peacebuilding programming.
- **Partnering with local organisations** improves the efficiency and effectiveness of the support, in particular the beneficiary and community accountability of interventions.
- Invest in **digital opportunities** specifically targeting women and youth, entrepreneurship and MSMEs, as many young women are high achievers.
- Adopt an **ecosystem approach** to entrepreneurship and MSME support instead of isolated interventions.

In relation to implementation approach :

- Projects should not be built on **overly ambitious logical frameworks** and theories of change, especially in view of a challenging operating context. Key aspects that are often not adequately factored into project timelines include the time it takes to build relationships and trust on the ground; delays due to slowness in securing permits from authorities, access and authorisations in particular when attempting to work in Houthi-controlled areas; and EU and implementing partners' bureaucratic and procedural processes.
- A **flexible, adaptive programming approach** is most appropriate for projects in Yemen.
- In a challenging context such as Yemen, taking risks is unavoidable. The EU should develop a **solid approach to risk management** and mainstreaming of **conflict sensitivity principles** across all EU engagement in Yemen.
- Expand the **use of evidence-based research to improve programming and implementation**, including the use of third-party monitoring agents to monitor interventions and impact evaluations to better understand direct and indirect results from economic programming.

3.5 The Intervention Logic

The underlying intervention logic for this action is that strengthening the capacities of economic institutions in the design and implementation of policies will contribute to improving the functioning of key central level economic institutions, and help in the monetary stabilisation of the country, while building trust and strengthen legitimacy of government actors. In addition, supporting the economic advancement, power and agency of young people and women (representing about the 70% of the population in Yemen) will contribute to increasing the economic productivity, reducing the unemployment rate and promoting gender equality. In the long run, this will create conditions for a sustainable and inclusive economic recovery. From a conflict-sensitivity perspective, increasing young people's economic opportunities could also contribute to curbing recruitment by armed groups.

The **Theory of Change** for the action reads as follows:

IF the action strengthens the technical and operational capacities of key economic institutions for the development of their competencies (Output 1.1), improves the economic governance and processes for the design, formulation and development of policies and reforms for economic recovery (Output 1.2), and enhances private sector development and public private dialogue for building economic resilience (Output 1.3), **AND** provided that internal divisions between factions do not jeopardise unity of the Internationally-Recognised Government of Yemen, the liquidity challenges and lack of salary for civil servants are improved or stay at a manageable level and Corruption will not jeopardise the achievement of the overall objective (Assumption 1), **THEN**, the functioning of key economic institutions and their ability to design and implement policy reforms and measures to lead economic recovery will improve (Outcome 1).

IF, the action improves knowledge and technical skills of women and youth for entrepreneurship and labour inclusion, with a focus on digital and green economy (Output 2.1), increases access to finance for women and youth-led MSMEs which are tailored to their needs and capacities, with a focus on digital and green economy (Output 2.2), and strengthens organisational ecosystems supporting women's and youth entrepreneurship at regional and national level (Output 2.3), **AND** provided that the the majority of the targeted areas remain accessible, the parties to the conflict are supportive of this action in both regions, authorities do not place severe constraints on women's participation in economic life, and liquidity shortages are kept at manageable level (Assumption 2), **THEN**, the economic empowerment of young people and women and participation in Yemen's economy will be enhanced (Outcome 2).

Achieving the intervention's outcomes is subject to the broader assumptions that: hostilities do not relapse into a full nation-wide conflict that would impede any degree of regular operative capacities of Yemeni stakeholders and their institutions; involved stakeholders have the power and authority to implement impactful change; and external shocks (e.g. tightening of blockade, fiscal crisis etc.) do not exacerbate the fiscal and monetary crisis to a degree where it would impede the capacity of stakeholders participating in the activities to implement meaningful change.

If these Outcomes are achieved, **THEN** the action will have contributed to creating pathways for economic resilience in Yemen. This is **BECAUSE** only by building economic resilience and conditions for viable economic growth, a transition towards a peaceful stable and sustainable economy can be achieved.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the Action depending on the different implementation modalities of this Action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the Action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support pathways for economic recovery in Yemen	1. Economic Inequality Score 2. Unemployment rate (total/ youth) (SDG 8.5.2) 3. Annual real GDP growth rate (SDG 8.1.1) 4. Female labour market participation rate	1. 8.0 (2022) 2. Total 13.9% (2021). Youth 26% (2021) 3. 2% (2022) 4. 5.99% (2021)	1 To be defined at inception 2 To be defined at inception 3 To be defined at inception	1. Fragile States Index (Fund for Peace) 2. World Bank and ILO modeled Statistics 3. IMF country data (Yemen) 4. World Bank data	<i>Not applicable</i>
Outcome 1	1.Improved functioning of key economic institutions and ability to design and implement policy reforms and measures to lead economic recovery.	1.1 Number of staff and institutions having benefited from trainings / workshops / peer exchanges implemented through the intervention 1.2 Number of institutions benefited by the intervention that have formulated reforms, measures, strategies and/or sector policies in alignment with international good/best practices 1.3. Number of new reforms, measures, strategies and/or sector policies implemented as a result of capacity building received	1.1. 0 1.2. 0 1.3. 0	1.1 To be defined at inception 1.2 To be defined at inception 1.3 To be defined at inception	<ul style="list-style-type: none"> - Progress and monitoring reports of the intervention - Baseline and endline surveys conducted and budgeted by the intervention - Database of beneficiaries/participants - Pre- and post-training test reports - Curriculum/training material - Text of laws and regulations; - Text of strategies and policy documents 	Internal divisions between factions do not jeopardise unity of Government of Yemen The liquidity challenges and lack of salary for civil servants are improved or stay at a manageable level Corruption will not jeopardise the achievement

						of the overall objective
Outcome 2	2. 2. Enhanced economic empowerment of young people and women and participation in the economy of Yemen	<p>2.1 Number of women and youth that have been trained in business management, entrepreneurship and leadership skills</p> <p>2.2 Number of jobs that have been created and/or maintained with EU support (GERF 2.13)</p> <p>2.3. Number of people, entrepreneurs or business owners, with access to financial services with EU support (GERF 2.17) Disaggregated by sex, age and sector</p> <p>2.4 Number of entrepreneurs and businesses that have implemented digital and green finance solutions. Disaggregated by sex, region and sector</p> <p>2.5 Number of members affiliated to youth-led business associations at local and national level. Disaggregated by sex, age, sector and region.</p>	<p>2.1 0</p> <p>2.2 0</p> <p>2.3 0</p> <p>2.4 0</p> <p>2.5 0</p>	<p>2.1 To be defined at inception</p> <p>2.2 To be defined at inception</p>	<p>2.1 Progress and monitoring reports</p> <p>2.2 Database including sector, company and beneficiary</p> <p>2.3 Financial institutions' reports</p> <p>2.4 Technical assistance reports and Business assessment reports</p> <p>2.5 Progress and monitoring reports of the intervention</p>	<p>The impact of the conflict does not worsen security extensively, therefore, the majority of the targeted areas remain accessible;</p> <p>The parties to the conflict are supportive of this Action in both regions;</p> <p>Authorities do not place severe constraints on women's participation in economic life.</p> <p>Liquidity shortages are kept at manageable level</p>
Output 1 relating to Outcome 1	1.1 Strengthened technical and operational capacities of key economic institutions for the development of their competencies	1.1.1 Number of people, public servants and/or staff of the competent institutions, who have improved their knowledge on policy design and implementation around economic	<p>1.1.1 0</p> <p>1.1.2 0</p>	1.1.1 To be defined at inception	1.1.1 Pre and post-training reports	

		<p>recovery. Disaggregated by sex, age and institution</p> <p>1.1.2. Number of institutions that have received technical or financial support to increase their operational capacity and/or deepen the implementation of key strategies</p>		1.1.2 To be defined at inception	1.1.2 Progress and monitoring reports of the intervention	
<p>Output 2</p> <p>relating to Outcome 1</p>	1.2 Improved economic governance and processes for the design, formulation and development of policies and reforms for economic recovery	<p>1.2.1 Number of policy proposals that have been identified in a participatory manner to accelerate or deepen the process of economic recovery. Disaggregated by sector</p> <p>1.2.2. Number of legislative, planning or strategic documents that have been formulated and/or published with the guidance and advice of the intervention. Disaggregated by sector</p>	<p>1.2.1 0</p> <p>1.2.2 0</p>	<p>1.2.1 To be defined at inception</p> <p>1.2.2 To be defined at inception</p>	<p>1.2.1 Training and workshop reports</p> <p>1.2.2 Official Journal; Bylaws, Circulars</p>	
<p>Output 3 relating to Outcome 1</p>	1.3 Enhanced private sector development and public-private dialogue for building economic resilience	<p>1.3.1 Number of institutions and staff that have participated in peer exchanges, workshops and trainings on private sector development. Disaggregated by sex, age, region and sector</p> <p>1.3.2 Number of peer exchanges, workshops and trainings that have focused on green investment, clean infrastructure, energy reduction, water management</p> <p>1.3.3 Number of dialogues and synergies established as a result of capacity building on private sector development. Disaggregated by sector</p>	<p>1.3.1 0</p> <p>1.3.2 0</p> <p>1.3.3 0</p>	<p>1.3.1 To be defined at inception</p> <p>1.3.2 To be defined at inception</p> <p>1.3.3 To be defined at inception</p>	<p>1.3.1 Progress and monitoring reports of intervention</p> <p>1.3.2 Progress and monitoring reports of intervention</p> <p>1.3.3 Progress and monitoring reports of intervention</p>	

Output 1 relating to Outcome 2	2.1 Improved knowledge and technical skills of women and youth for entrepreneurship and labour inclusion, with a focus on digital and green economy	<p>2.1.1. Number of people and businesses who have benefited from skills trainings and capacity building intervention. Disaggregated by sex, age, region and sector</p> <p>2.1.2. Number of entrepreneurs who have been benefited by support networking initiatives at local and national level</p> <p>2.1.3. Number of entrepreneurs who have improved their knowledge and tools through the mentoring programmes. Disaggregated by sex, age, region and sector</p>	<p>2.1.1 0</p> <p>2.1.2 0</p> <p>2.1.3 0</p>	<p>2.1.1 To be defined at inception</p> <p>2.1.2 To be defined at inception</p> <p>2.1.3 To be defined at inception</p>	<p>2.1.1 Progress and monitoring reports of the intervention</p> <p>2.1.2 Progress and monitoring reports of the intervention</p> <p>2.1.3 Progress and monitoring reports of the intervention</p>	
Output 2 relating to Outcome 2	2.2 Increased access to finance for women and youth-led MSMEs which are tailored to their needs and capacities, with a focus on digital and green economy	<p>2.2.1. Number of people and businesses that have benefitted from access to finance through the intervention. Disaggregated by age, sex and region.</p> <p>2.2.2 Number of financial products, developed in partnership with financial institutions, that have been designed according to the needs and characteristics of the targeted populations.</p> <p>2.2.3. Volume of economic resources that have been invested by the intervention in businesses related to the green and digital economy.</p>	<p>2.2.1 0</p> <p>2.2.2 0</p> <p>2.2.3 0</p>	<p>2.2.1 To be defined at inception</p> <p>2.2.2 To be defined at inception</p> <p>2.2.3 To be defined at inception</p>	<p>2.2.1 Progress and monitoring reports of the intervention and Financial institutions' reports</p> <p>2.2.2 Financial institutions' reports</p> <p>2.2.3 Financial institutions reports,</p>	
Output 3 relating to Outcome 2	2.3 Strengthened organisational ecosystem supporting women's and youth entrepreneurship at regional and national level	2.3.1 Number of youth and or women-led business associations that have increased their operational capacity	2.3.1 0	2.3.1 To be defined at inception	2.3.1 Progress and monitoring reports of intervention; business associations reports	

		<p>through technical and/or financial support</p> <p>2.3.2 Number of entrepreneurs who have been involved in the activities and strategies promoted by youth-led business associations as a result of the intervention. Disaggregated by sex, age, region and sector</p>	2.3.2 0	2.3.2 To be defined at inception	2.3.2 Progress and monitoring reports of intervention	
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4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

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

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 0 will be carried out and the corresponding contracts and agreements implemented, is **72 months** from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer in duly justified cases.

The choice of an indicative implementation period of 72 months is justified by the extraordinary circumstances in Yemen. The country is in a crisis situation, with two split entities between the North and the South, lack of control over certain territories by the central government, difficult access to implementation areas, and delays in obtaining permits to implement from the respective authorities. Consequently, these factors cause consistent delays in the implementation of operations.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures¹¹.

4.3.1 Direct Management (Grants)

Grants: (direct management)

(a) Purpose of the grant(s)

The purpose of the grant is to contribute to the achievement of the Specific Objective/Outcome 2 of the Action, i.e. enabling the economic empowerment of young people and women.

(b) Type of applicants targeted

The applicants targeted consist of a public agency or a non-governmental organisation active in the field of business development and economic empowerment. A direct grant will be awarded to the organisation that fulfils the criteria mentioned in the paragraph below.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to a public agency or a non-governmental organisation selected using the following criteria:

- Proven experience in Yemen and in the Middle East/Gulf region;
- Relevant technical expertise in economic empowerment and business development
- Partnership with Yemeni stakeholders in the field of economic empowerment;

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified pursuant to Article 195(a) of the Financial Regulation

¹¹ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

because Yemen is in crisis situation within the meaning of Article 2(21) of the Financial Regulation as per the Commission Declaration of Crisis 2022-2023 for Yemen, and in light of the fact that potential beneficiaries with relevant technical competence, specialisation and administrative power, are limited in number pursuant to Article 195(f) of the Financial Regulation.

A direct grant may be awarded considering the exceptional circumstances in Yemen, notably the crisis situation, the *de facto* split of the country into two territories with parallel political/institutional and economic structures, the volatile security context and the limited number of organisations having the capacity and the technical expertise to implement the Action.

4.3.2 Indirect Management with an entrusted entity

The first component of this action (Specific Objective/Outcome 1) may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Experience in economic development and capacity building in Yemen and/or in conflict and/or fragile countries
- Experience in supporting beneficiary countries in policy guidance and reforms in key economic areas
- Prior or current engagement in capacity building activities and peer exchanges in the area of private sector development

4.3.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances

If the implementation modality in direct management for Specific Objective 2 cannot be implemented due to circumstances outside of the Commission's control, that part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission's services using the criteria defined in section 4.3.1.c above.

Equally, if the implementation modality in indirect management with an entrusted entity for Specific Objective 1 cannot be implemented due to circumstances outside of the Commission's control, that part of the action may partially or totally, be implemented through a direct grant award with an entity, as justified in section 4.3.1 c), which will be selected by the Commission's services using the criteria defined in section 4.3.2 above.

4.4 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
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Implementation modalities – cf. section 4.3	
Objective/Output 1: Economic Institutions composed of	
Indirect management with an entrusted entity- cf. section 4.3.2	8 000 000
Objective/Output 2: Youth and Women economic empowerment composed of	
Grants (direct management) – cf. section 4.3.1	10 000 000
Grants – total envelope under section 4.3.1	10 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	May be covered by another Decision
Contingencies	N.A.
Totals	18 000 000

4.6 Organisational Set-up and Responsibilities

A Steering Committee (SC) shall be established for each of the two components with participation from local authorities when appropriate as well as relevant CSOs and rights holders. The EUD may participate as a full member or as an observer depending on the mandate of the steering committee. The mandate, composition and other arrangements will be agreed between the implementing partner and the EUD considering the context of the projects to be implemented under this action.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

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

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

Roles and responsibilities for data collection, analysis and monitoring:

- The implementing partners are responsible of collecting data and for implementing the necessary analysis in line with the logical framework (disaggregated by sex);
- The specific requirements in terms of information and data collection methods are defined by the implementing partners;

- The selection of monitoring tools should always be compatible with the competencies of the people in charge of data collection, analysis and reporting;
- The implementing partners should ensure coordination mechanisms to establish synergies and complementarity of action, if applicable.

Monitoring and evaluation will assess gender equality results, participation of youth, environmental issues (with a focus on green economy), risk management, conflict sensitivity principles, and the implementation of the rights-based approach working principles and rights of persons with disabilities (applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data). Monitoring and evaluation will be based on indicators that are disaggregated by sex, age and disability when applicable.

5.2 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation(s) may be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation may be carried out for problem solving and learning purposes, in particular with respect to assessing the implementation of the action, and potential follow-up actions.

The final or ex-post evaluation may be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that lessons learnt can inform the future programming in the sector.

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

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

5.3 Audit and Verifications

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

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 [“Communicating and Raising EU Visibility: Guidance for External Actions”](#), it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These

resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.