

Women Entrepreneurs Finance Initiative (We-Fi)

**THEMATIC FUNDING REQUEST
ON A PROPOSED FINANCING
IN THE AMOUNT OF USD 5,546,376
TO THE**

ISLAMIC DEVELOPMENT BANK

FOR

BRAVE Women Yemen 2.0 Blended Finance

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I. EXECUTIVE SUMMARY:

Both the ongoing armed conflict, protracted crises, political divide, and COVID-19 have tested the resilience of Yemen's economy. It has presented urgent challenges for realizing Yemen's compelling national development vision and risks further reducing any likelihood of achieving progress towards the achievement of the 2030 Agenda for Sustainable Development.

Furthermore, it is worth noting that the COVID-19 pandemic has further magnified pre-existing inequalities in Yemen, particularly gender-based inequalities, in line with similar patterns observed in other countries. While the SME sector has traditionally occupied a dominant role within the nation's socio-economic fabric with the latter employing approximately 73 % of the labor force and over 97% of firms employing less than 2.06 workers, women remain underrepresented with approximately 5% of firms owned by women. It is thus imperative for any private sector initiative as part of a COVID-19 response to include a strong gender lens providing support to women owned or led small and medium enterprises ('WSMEs', from here onwards).

This proposed initiative by the Islamic Development Bank Group seeks to strengthen the resilience and performance of 500 WSMEs in Yemen considering the pandemic and ongoing conflict. While remaining centered on the three premises of Access to Finance, Markets and Skills, it will combine principles of Financial Literacy training and matching grants to enhance access to commercial Islamic finance facilities that are to be underwritten by a Credit Guarantee Scheme (CGS) provided by a national partner for the financing of assets and working capital thus addressing supply-determined constraints. In parallel, an e-commerce solution supporting Business to Business (B2B) transactions among women entrepreneurs shall be designed and rolled out as the first of its kind in the country thus addressing demand-side constraints faced by WSMEs while minimizing points of contact.

The initiative shall build upon the existing infrastructure and results of the BRAVE Yemen and BRAVE Women projects in terms of their market absorption, capacity, bank partnerships and appetite to support the WSME sector. It shall ultimately serve as a foundation for national upscaling in a manner that is aligned with the country's post-conflict reconstruction and recovery.

The objectives of this project emanate from We-Fi's Results Framework and are focused towards: (a) improving the performance of WSMEs and raise their incomes; (b) increasing the number of women starting a new enterprise; (c) increasing the number of jobs created by WSMEs; (d) empowering women, through capacity development in the form of training as well as by increasing the confidence level of women entrepreneurs and e) increasing the number of WSMEs that thrive and grow.

The total size of the budget is estimated at USD 12,410,756 of which USD 5,546,376 is to be covered by We-Fi yielding a leveraging ratio of 1.24.

II. WE-FI THEMATIC REQUEST – DATA SHEET

BASIC INFORMATION

IP Name	Islamic Development Bank
Program/Project Name:	BRAVE Women Yemen 2.0 Blended Finance
Thematic Focus Area (s)	1) Leveraging Finance & Data to drive the systemic changes needed to support WSMEs to build back better from the COVID crisis. 2) Harnessing the transformative power of digital technologies for WSMEs to build back better from the COVID crisis.
# of WSMEs benefiting from the program	500
Regions	Middle East
Countries (% IDA; % FCS)	Yemen
Private Sector, Public Sector or Both	Both
Implementation Start Date	30 th November 2022
Commitment End Date	30 th November 2024
Supervision End Date	31 st May 2025
IP Focal Point Contact	Key Program Management Contact Person(s) Kristonia Lockhart, Lead Women’s Empowerment Specialist, IsDB klockhart@isdb.org
Key Staff Contacts	Project Lead Arman Kulchmanov, IBES Division Principal, ICD. Akulchmanov@isdb.org M&E and Results Contact Person Ismael Barry, IBES Division Principal, ICD. IBarry@isdb.org Communications Contact Person Mounir Jouanedy, Lead Principal Marketing & Communication Mjouanedy@isdb.org

WE-FI FUNDING REQUEST

USD	Year 1	Year 2	Year 3	Total	% IDA Estimate	% FCS Estimate	Total IDA & FCS% Estimate
Total requested from We-Fi	5,167,071	291,565	87,740	5,546,376	100%	100%	100%

TOTAL PROGRAM COST & LEVERAGE:

Sources of Financing	Amount, US\$ (do not round)
We-Fi financing requested (A)	5,546,376
IP Contribution [1] (B)	1,028,800
Public-sector contributions [2] (C)	500,000
Private sector financing directly mobilized [3] (D)	5,335,580
Additional funds mobilized [specify] (E)	-
Total Non-We-Fi Mobilized Funds (F)= (B+C+D+E)	6,864,380
Total Activity Size (G)= (F+A)	12,410,756
Of which % IDA and % FCS (IDA+FCS / G)	100%
Leverage (F/A)	1.24

BRAVE Women Yemen 2.0 BLENDED FINANCE

WE-FI FUNDING PROPOSAL

III. PROGRAM/PROJECT DESCRIPTION

A. Objectives:

The ongoing armed conflict, political divide, the protracted crises, and COVID-19 have tested the resilience of Yemen's economy. It has presented urgent challenges for realizing Yemen's compelling national development vision and risks reducing even more any likelihood of achieving progress towards the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Similarly, it is worth noting that countries in the MENA region were impacted twice because of the epidemic due to the correlated contraction in the hydrocarbons market and subsequent collapse in the international oil price. As per the Sanaa Economic Center Unit, in the hydrocarbon sector "*the drop in international oil prices will see public revenues fall by about 60 percent in 2020*"¹.

Furthermore, a reduction in bilateral aid from neighboring Saudi Arabia and a sharp drop in international remittances by Yemeni expatriates (many of which are based in Saudi Arabia) also contributed to the sharp drop in government public revenue.

The above context helps to explain why the government of Yemen and the country's various de facto authorities, unlike some of the other MENA countries, have been unable to deploy a series of relief measures such as: support to the labor force, deferrals of tax and other payments, and financial support - to mitigate the impact that the conflict and pandemic has had upon the country's private sector.

Targeting assistance to those who are disproportionately affected by the pandemic is considered one of the most critical strategies to address inequalities and minimize risks of regression in hard-won development gains. This is key to ensuring that Yemen quickly recovers and subsequently, embarks on a path towards inclusive economic transformation. Due to the relatively heavy weight that the private sector holds within the country's socio-economic fabric, strengthening the private sector and enhancing the resiliency of its constituents is thus considered an imperative in both sustaining livelihoods and restarting economic activity.

Considering the above, Micro, Small and Medium sized Enterprises (MSMEs) are considered the backbone of Yemen's economy. As per the Sana'a Center's October 2020 report 'Yemen's Accelerating Economic Woes During the COVID-19 Pandemic': "*... micro, small, and medium-sized enterprises (MSMEs) that predominate the private sector and shape the informal sector, are responsible for employing around 73 percent of the total labor force in Yemen...*"². Furthermore, over 97% of firms are estimated to employ on average 2.06 employees and approximately 5% of such firms are owned by women³. The vast majority of such MSMEs are facing

¹ https://sanaacenter.org/files/Rethinking_Yemens_Economy_No7_En.pdf; pp.21

² https://sanaacenter.org/files/Rethinking_Yemens_Economy_No7_En.pdf, pp.20

³ https://yemen.un.org/sites/default/files/2019-08/Yemen%20Small%20and%20Medium-sized%20Enterprises%20Damage%20Assessment_0.pdf#:~:text=The%20Yemeni%20private%20sector%20consists,workers%2C%20including%20approximately%2030%2C000%20women.

unprecedented challenges brought about by the COVID-19 crisis and Yemeni women play a critical role as owners and entrepreneurs of such MSMEs.

Specific to COVID-19: the pandemic has magnified pre-existing inequalities, particularly gender-based inequalities in Yemen, in line with similar patterns observed in other countries⁴. It is therefore fundamental for any private sector COVID-19 response initiative in Yemen to include a strong gender lens to provide targeted support to WSMEs addressing both economic and social vulnerabilities through social protection.

This proposed initiative by the IsDB Group seeks to strengthen the resilience and performance of WSMEs in Yemen by providing an integrated Blended Finance solution to women entrepreneurs in the country while remaining centered on the three premises of Access to Finance, Access to Markets and Access to Skills. This will include combining the principles of Financial Literacy Training, matching-grants, and a national Credit Guarantee Scheme (CGS) provided by a national partner with the purpose of underwriting a commercial Islamic finance facility to be extended by participating local banks to the WSMEs. While the combination of the latter is destined to address supply-determined constraints via the financing of capital assets and working capital, in parallel, an e-commerce solution supporting Business to Business (B2B) transactions among women entrepreneurs shall be designed and rolled out as the first of its kind for the country to address the demand-side constraints faced by WSMEs all while minimizing points of contact due to COVID-19.

It should be emphasized that the initiative shall build upon the well-defined existing infrastructure and results of the BRAVE Yemen and BRAVE Women Yemen projects in terms of their market absorption, technical capacity, bank partnerships and appetite to support the WSME sector, and general populace awareness. This phase shall ultimately serve as a foundation for national (up-)scaling in a manner that is aligned with the country's post-conflict recovery path.

The objectives of this project flow directly from We-Fi's own Results Framework and are to: (a) improve the overall performance of WSMEs and raise their incomes; (b) increase the total number of women starting a new enterprise; (c) increase the number of jobs created by WSMEs; (d) empower women, train and increase the confidence level of women entrepreneurs and e) to increase the number of WSMEs that thrive and grow.

To facilitate the achievement of these project objectives (POs) are intermediate project outcomes: (a) improving business practices and management skills among WSMEs including negotiation skills; (b) reducing the gap in the level of financing & investing in SMEs owned by women and men; (c) widening the product-range offering tailored specifically to WSMEs by local FIs; (d) increasing the relative weight of WSMEs within corporate supply chains and (e) allowing more WSMEs to enter and thrive in new markets as suppliers, distributors, and producers via the application of e-commerce solutions.

Within these objectives, a particular focus will be on women entrepreneurs by i) strengthening the capacity and skills of WSMEs by the provision of targeted trainings and continuous business support services, and ii) catalyzing increased access to financial markets by blending a set of grants, Islamic finance facilities, and the provision of a CGS and lastly iii) the establishment of a novel e-commerce solution specific to women entrepreneurs to facilitate Business to Business trade.

While the third field of intervention can be directly attributed to, We-Fi's Access to Markets component, the first one falls under the Access to Skills component and the second under the Access to Finance component.

⁴ <https://www.unwomen.org/en/news/stories/2020/7/feature-yemen-covid-amidst-armed-conflict>

B. Country/Regional/Global Context:

Yemen faces a continuing humanitarian crisis and the negative impact of protracted crises which was further exacerbated by the onset of the COVID-19 epidemic in 2020. Before the war, more than half the population lived in extreme poverty (below USD 1.90 a day) and more than half of the youth were unemployed. These numbers have been increasing since the war and more than 20 million people -- 82 % of Yemenis--are now considered poor. The crisis has only been exacerbated further by the onset of the recent COVID-19 health pandemic. On Monday the 13th of April 2020 the country reported its first COVID case in the country's eastern province of Hadhramaut and later the country has faced a deadly wave during the second quarter of last year in addition to a strong sense of stigmatization, fear, and misinformation⁵. The scarcity of medicines and unreliable electricity supply have compounded the social ills in the country with blackouts lasting several months in the capital Sana'a and only intermittent service in some of the Southern cities. Health service providers are rationing fuel at extreme levels resulting in limited services for both public and private hospitals.

Although both the conflict and the pandemic have affected society at large women and girls are suffering disproportionately. " *More than 20 million people need humanitarian assistance and at least 5 million are just one step away from famine. But it's women who have had to endure the most*⁶. The situation of women and girls in Yemen prior to the conflict and pandemic was thus already very challenging in part due to numerous social norms and cultural barriers that prevented them (among others) to have access to quality education, employment, financing, and restriction of movement. However, the pandemic and conflict has added layers of vulnerability for women and girls and exacerbated existing gender inequalities.

C. Thematic Context:

The private sector plays a vital role in turning the wheel of economic activity in Yemen, as it contributes to about 53.7% of the Gross Domestic Product (GDP) as of 2014 (apart from its contribution to the oil sector) with a predominant role by its SME segment. The private sector provided employment opportunities for around 19.6% of the total employed population (this percentage increases to 69.4% if all non-public sector employees were to be considered as private sector workers). In the field of investment, the private sector contributed about 65% of the total investment in 2013⁷. Moreover, in sectors such as health care, more than half of the services are provided by the private sector. It is also worth noting that the private sector plays an important delivery role in other vital sectors contributing to food security such as food production, distribution, fishery and the agricultural sectors. Thus, without a viable private sector, the economic and humanitarian consequences could be disastrous.

Specific to the situation of women entrepreneurs, and the barriers they face due to prevailing gender-related customs, low levels of education, the lack of access to information and income, as well as family responsibilities and restrictions of movement, women are more likely to be excluded from formal financial markets than men. Women's access to financial services and products is thus impeded both on the supply and on the demand side. Banks and financial institutions usually require guarantees and collateral for loans, charge high fees and often lack the resources, expertise, and employees to meet the needs of female customers. Furthermore, COVID-19 risks are pulling scarce resources from other lifesaving responses needed for the health sector including cholera and dengue. In fact, to support the humanitarian response in Yemen and alleviate the suffering of the Yemeni people, the Kingdom of Saudi Arabia and the United Nations convened a High-Level Pledging Event for the Humanitarian Crisis in Yemen on June 2nd, 2020 with a target to raise USD 2.4 billion⁸ of which only USD 1.35 billion was raised falling short by over USD 1 billion.

⁵ <https://www.msf.org/addressing-covid-19-yemen-amongst-fear-stigma-and-misinformation>

⁶ <https://www.unhcr.org/yemen-emergency.html>

⁷ https://reliefweb.int/sites/reliefweb.int/files/resources/yseu11_english_final.pdf

⁸ <https://www.devex.com/news/un-appeal-to-address-yemen-catastrophe-falls-1b-short-97387>

Regarding the problem of Access to Finance it is worth mentioning that Yemen, like most conflict and fragile states, is functioning as a cash-based economy and requires the bulky transfer of the local currency note the Yemeni Riyal for everyday transactions such as small daily purchases, payments to civil servants as well as more complex operations. Complicating the issue even further is the fact since September 2016 the country has had two Central Banks operating independently from each other. However, since July 2021, most banks have started using the Society of Worldwide Interbank Financial Telecommunication (SWIFT) network for international financial transactions making financial transfers, quicker, more secure, and transparent. Furthermore, on 28th of April 2021, Eamar Microfinance of Yemen launched its pilot phase for the provision of digital microfinance via its digital platform wherein clients can access financial and non-financial services anywhere, any time.

D. Program Description

i. Key Components:

The Islamic Development Bank Group (IsDBG), as represented by its two following entities – the Islamic Development Bank (IsDB) and the Islamic Corporation for the Development of the Private Sector (ICD), propose to work with the Social Fund for Development (SFD) of Yemen and the country's Private Sector to jointly develop and implement the BRAVE Women 2.0 Blended Finance project to help WSMEs in the Republic of Yemen have Access to Finance, Access to Markets and Access to Skills.

The Project shall both build upon and incorporate the lessons learned, experience and best practices of similar initiatives that were successfully implemented by the IsDBG in the same country as well as other locations first and foremost being: the BRAVE Yemen Project and BRAVE Women Yemen projects⁹. Its design shall also seek to complement other local and international donor initiatives in the domain of Private Sector Development (PSD) and, those targeting the WSME sector.

It is worth listing herewith the (non-exhaustive) lessons learned from the previous two rounds of intervention in Yemen as they were highly deterministic in framing the current proposal and structuring its components:

- 1) *Lessons Learned:* Resilience capacity building takes a sustained period of time. Recommendation: Continue assistance focused on needs of beneficiaries.
- 2) *Lesson learned:* Involving stakeholders in the project design is a fundamental way to ensure their buy-in and commitment. Recommendation: Continue strengthening participatory approach to BRAVE Women.
- 3) *Lesson learned:* A good capacity of the local implementing agency is a necessity for the project implementation success. Recommendation: Continue and strengthen support to the local implementing agency.
- 4) *Lesson learned:* Beneficiary selection is crucial to the project's success. Recommendation: Ensure that the beneficiary selection process is well adapted to the local reality and selected beneficiaries are motivated to build their capacity and are well informed about the program.
- 5) *Lessons learned:* Improving the project's efficiency helps maximizing the impact of each dollar spent to sustainably strengthen beneficiaries' resilience. Recommendation: Reflect on ways to improve the project's efficiency

⁹ The BRAVE Yemen was an initiative funded under the 2011 Deauville Partnership agreement for the creation of the MENA Transition Fund. This project was successfully designed and implemented by the IsDB-ICD from 2016 until 2020. The BRAVE Women Yemen initiative is currently under implementation and funded by We-Fi under its first round of calls for applications

The Projects 's components are:

Component 1: Business Resilience Capacity Building

The need for strengthening the capacity and financial literacy of WSMEs in the context of Yemen was identified as a point of improvement by an external evaluation commissioned by the IsDB Group for the BRAVE Yemen project in 2020. A proposed solution to improving the financial skills of beneficiaries was the provision of financial training to entrepreneurs including its WSME segment.

Drawing on the lessons of the evaluator's findings this project will seek to support WSME's in Yemen within the domain of financial literacy by addressing practical financial issues faced by them daily, for example: how to make savings decisions, invest, borrow, evaluating the cost of personal financial services such as insurance, credit for major purchases, and electronic cards. Furthermore, it will address some of the following thematic constraints faced by WSMEs such as: a) the ability of borrowers to provide the details/documentation needed to get a loan 2) appropriate capital to meet borrower needs 3) cash flow uncertainty 4) off-take risks associated with the project's targeted sector or region 5) production costs associated with the project's targeted sector or region and 6) the rate of return on lending in target sector/region.

In parallel and complementary to the above, the project shall provide a Training of Trainers package to approximately 20 certified business advisors on Business Resiliency through the local partner, the Small and Micro Enterprise Service (SMEPS). While leveraging SMEPS national track-record as a provider of certified business trainings and curriculum-development in the subject of business resiliency, the trained advisors shall subsequently be deployed to train (at the least) 500 WSMEs on Business Resilience and Financial Literacy. The entire process is expected to culminate in the articulation of a Business Continuity Plan (BCP) for each respective firm.

It is worth noting that the above two trainings, when taken together, shall serve as a prerequisite for each firm's candidacy to receiving a blended finance facility that is to be a composite of:

- 1) Matching-grant (as shall be explained in the next section under 'Component 2').
- 2) CGS from the Yemen Loan Guarantee Program ('YLGP', as shall be explained in the next section under 'Component 3')
- 3) Islamic finance facility from Partner Bank, matching amount of grant (also explained under Component 3)

The Business Resiliency training specifically is meant to enable businesses assess risks and determine their business priorities and is credited for being of direct relevance to advancing companies performance as judged by the external evaluator during the previous BRAVE projects.

This project-component falls under We-Fi's wider program-component of Access to Skills as it seeks to directly improve business practices and management skills among WSMEs and its second prioritized COVID-19 sub-theme of 'Finance & Data to support WSMEs affected by COVID'. Its cost has been estimated at USD 487,187 and shall be fully charged to We-Fi.

Component 2: Business Recovery Support

As per a UN Women case study on the leveraging of digitalization to cope with COVID-19 in Indonesia by women entrepreneurs, despite the rapid increase of digitalization as an important coping strategy, large

barriers to access financing for women entrepreneurs persist¹⁰. As per the McKinsey Global Institute: "Access to finance is a particularly challenging impediment, with women-led businesses facing a \$1.7 trillion financing gap globally. What was already a critical agenda has taken on new urgency as the COVID-19 crisis threatens the progress made by women in recent years. Women are disproportionately affected by COVID-19. Their jobs and businesses are concentrated in service industries more heavily"¹¹.

To assist WSMEs in Yemen that are confronted by similar constraints, this component will support an estimated 300 WMSEs in pre-selected value chains (drawn from the previous pool of trained WSMEs under component 1), with a blended Islamic finance facility on a cost-sharing basis: using the matching grant principle whereby typically 50 percent of the cost is to be borne by the project and 50 percent is to be borne by partner banks in the form of an Islamic Finance facility, that is to be guaranteed partially by a Credit Guarantee Scheme (please see component 3).

The combined amount generated from the matching-grant and Islamic finance facility will be used solely by the firm for the procurement of capital goods and business services to support business recovery and growth. Businesses operating in the vital sectors of health, agro-processing such as fisheries, horticulture, food-processing, and garments, are expected to figure prominently as they representatively reflect the economy's current composition. A grant ceiling of \$15,000 and floor of \$5,000 per WSME shall be proposed. As highlighted at the start of this section, the latter amount shall be augmented (i.e., 'matched') by an amount equal provided by partner banks in the form of an Islamic Finance facility. From the lessons learned during the previous intervention of the BRAVE Women Yemen, the average grant size per WSME was estimated to be USD 10,667.

While the above-described grants are to be utilized solely for the acquisition of capital goods (i.e., 'CapEx'), the matching concessionary bank Islamic finance facility shall accompany the latter by financing a combination of both i.e., complementary working capital (i.e., 'OpEx') that is expected to be generated as a direct consequence of the operationalization of each procured asset by beneficiaries, as well as additional CapEx if required.

This project-component falls under We-Fi's wider program-component of Access to Finance and the second prioritized COVID-19 sub-theme of 'Finance & Data to support WSMEs affected by COVID'. The total cost is estimated at USD 8,567,580 of which USD 3,232,000 is to be funded by We-Fi and USD 5,335,580 by the local partner banks. Its projected leveraging ratio is thus estimated to be 1.65.

Component 3: Credit Guarantee Scheme (CGS)

As stated under the previous component, a lack of Access to Finance is widely recognized as problematic for small and medium enterprises, hampering their growth and development. One way to address this challenge is for many governments around the world to intervene in SME credit markets through the usage of a CGS. Such schemes offer risk mitigation to lenders (often in the form of banks or microfinance institutions) by taking a share of the lenders' losses on SME loans in case of default. Such schemes can thus contribute to expand access to finance for SMEs by reducing the overall risk profile of final beneficiaries thereby reducing collateral requirements, the need for a mortgage and even a reduction in lending rates.

With the objective of providing better Access to Finance to targeted WSMEs in Yemen and multiplying the effect of the provided matching-grants under Component 2, the BRAVE Women 2.0 Blended Finance project

¹⁰ <https://www.unglobalpulse.org/wp-content/uploads/2020/12/Indonesia-Digitalization-Women-MSBs-COVID-19-EN.pdf>, pp.25

¹¹ McKinsey Global Institute, COVID-19 and gender equality: Counting the regressive effect, July 15,2020

shall thus incorporate the CGS. In accordance with this path, YLG developed a concept of the CGS program called 'BRAVE Women Guarantee', supported by a constructed financial model, which quantified a dynamic set of project time-based financial indicators. The latter concept was itself widely discussed and agreed upon by all the project's stakeholders including the partner banks.

The CGS will provide 300 WSMEs beneficiaries with credit guarantees that allows them to receive an Islamic finance facility from partner banks. These facilities are to be blended with matching grants in the pre-selected value chains at year-1 as highlighted under component 2. After having fully exhausted all matching grants at the end of year 1, an estimated additional 200 Islamic finance facilities are also to be provided in year-2 and partially in year 3, as a result of the revolving nature of the CGS fund. This yields a grand total of 500 credit guarantees to be issued to beneficiaries under the Access to Finance theme.

With an overall amortization of the loan portfolio occurring perpetually monthly, new funds are subsequently freed up because of the monthly installments paid by each beneficiary. Hence the amortized loans are freed to be utilized to guarantee new loans on a revolving basis. YLG has committed to use the funds of the CGS for WSMEs support for a total duration of five years starting from the project's inception until beyond its completion date. Beyond this time scope the CGS's funds are to be used by YLG as per their business needs.

Following assumptions of the current CGS financial model were applied:

- 70 % of all loans to be pertaining the acquisition of capital goods, while remaining 30% will be addressed to working capital financing needs.
- Guarantees will cover up to 70% of principal of loans, provided for capital goods. While only 50% of the principal amount of commercial loans destined for working capital will be available for guaranteeing.
- Maximum tenure for the loans pertaining to the acquisition of capital goods is 24 months and maximum 12 months for commercial loans destined for working capital.
- The Non-Performing Loans ('NPL') rate is itself fixed at 4% per annum.

As a result of those assumptions a total of 500 guarantees amounting to USD 3.3 million within the project's timeline to be issued in order to support the provisioning of 500 Islamic finance facilities by partner banks for a total of USD 5.3 million.

The total cost of the CGS component is projected to be USD 1,120,568.

The above includes USD 1,000,000 for direct guarantee activities, USD 12,168 for project management charges of SFD for implementation CGS program, and USD 108,400. The following breakdown of fund sources to be applied:

- a. USD 500,000 from YLGP for direct guarantee activities.
- b. USD 500,000 from We-Fi for direct guarantee activities.
- c. USD 12,168 from We-Fi for covering SFD project charges.
- d. USD 108,400 from IsDB to cover operational cost of the project by YLGP.

The overall leverage effect of total mobilized resources to We-Fi's financing is projected to be 1.19.

The ICD too shall assist in monitoring and evaluating the performance of the CGS as well as provide technical assistance to the YLG during the process.

This project-component falls under We-Fi's wider program-component of Access to Finance and the second prioritized COVID-19 sub-theme of 'Finance & Data to support WSMEs affected by COVID'.

Component 4: BRAVE Mall Digital Platform

The BRAVE Mall Digital (or e-commerce) Platform is essentially a software application that shall allow Yemeni buyers and sellers to exchange goods and services. By displaying a catalog from various women-suppliers it shall charge a commission as a percentage of the total sales generated through its channel as it attempts to link Businesses to Business (i.e., B2B). The latter group of the Platform's users shall consist of the beneficiaries from both the BRAVE Women Yemen 2.0 Blended Finance project as well as its precursor, the BRAVE Women Yemen project. Pending upon a successful absorption of firms and effective usage, the platform's accessibility shall over time be expanded to new users with an eye on ultimately becoming (fully) public.

The business case for introducing such a novel e-commerce solution to Yemen's WSME segment is backed by international literature. As per an UNCTAD report on 'E-Commerce and Development': *"Self-employed women in the developing world, be they microentrepreneurs or women working from home, are increasingly turning to e-commerce and the Internet as a way to earn income and save time and costs while also meeting their family responsibilities. The growing business-to-consumer (B2C) or retail sector in their countries offers many possibilities for small businesses with access to information technologies (IT). Such businesses have the advantage of low capital and skills requirements, and many of them are owned by women"*¹². In addition to their functional purpose as a sales and marketing tool, digital platforms are thus believed to generate important socio-economic benefits.

Furthermore, the previously cited UN Women case study on how WSMEs in Indonesia are leveraging digitalization to cope with the COVID-19 epidemic found that: *"digital platforms are helping MSBs (micro and small businesses) cope with the effects of COVID-19. women-owned businesses are benefiting the most"*¹³. As per the same case study, they were able to achieve this in part because digital solutions enabled business owners to better balance home and work responsibilities at a time when domestic and care work have become crucial.

Also, *"Digital technology have already proved to be an important means for business to survive, adapt, and even grow in the context of COVID-19. Traditionally digital technologies have played an important role in improving innovation, productivity, access to finance, and access to markets for women entrepreneurs. Research suggests digital platforms have a total market value is US\$4.3 trillion and can be a driving factor in the way women businesses grow as they address information asymmetries, making it easier for companies to find customers, monetize underutilized assets, and reduce transaction costs. Not only can women entrepreneurs benefit by leveraging technology and digital platforms to access new markets, but women entrepreneurs are using technologies to develop new business and innovative business models which growth businesses and opportunities for others in their countries."*¹⁴

All the above cited points apply (to a given degree) to the case of Yemen, a country where women face most (if not all) of the barriers and constraints faced by women in other parts of the world such as a lack of access to appropriate and sufficiently early education in science, technology, computers, Internet, and e-banking products. The problems are particularly more pronounced in rural areas where access to basic resources (including internet and mobile data) is highly limited and sometimes even completely absent. In addition to all the latter constraints, Yemeni women entrepreneurs likely face greater various social and cultural barriers thus placing them at even greater disadvantage.

¹² <https://unctad.org/press-material/opportunities-rising-women-e-commerce>

¹³ <https://www.unglobalpulse.org/wp-content/uploads/2020/12/Indonesia-Digitalization-Women-MSBs-COVID19-EN.pdf>, pp.11

¹⁴ The Rise of the Platform Enterprise: A Global Survey, January 2016, The Center for Global Enterprise

Drawing on the above derived lessons and principles, the BRAVE Women Yemen 2.0 Blended Finance project shall attempt to introduce an electronic business solution to Yemen's own WSME segment on a novel basis by being the first of its kind for the country.

It is worth noting though that various local initiatives already exist in the country albeit being operated on a (semi-) formal basis and exclusively via social media platforms. One key pathway of this project is to recruit women who currently use informal social commerce tools, such as WhatsApp, Instagram, or Facebook Messenger, and help them transition to the formal e-commerce platform that the project shall introduce where they can access wider markets.

Under this component the project shall finance the cost of building a digital platform via the recruitment of various service providers. The later shall be tasked (among others) to (for example): 1) Plan for skills development (running a skills inventory of the needed skills, how many people need them and by when, and where in-house gaps lie, which skills to train in-house and which to hire); 2) Select technologies; 3) API and integration strategy; 4) Advisory Service for Transfer, Scale and Expansion.

To allow for a quick and effective mobilization of subscribers to the platform the project shall leverage its pre-existing database of beneficiaries that have already been supported under the first phase of We-Fi for BRAVE Women Yemen. The project thus expects at least 500 WSMEs to subscribe to it from the current project with another 916 WSMEs alumnus subscribing from the previous project yielding a potential grand total of 1,462 WSMEs users.

In terms of mechanisms to develop, market and promote the project it is worth noting that local partner SMEPS plans on rolling out the platform along the following three main channels:

- First by conducting a market study for the platform in Yemen and how it would affect the women businesses.
- Raising awareness and promote the benefits of E-commerce by holding awareness workshops, trainings, visual videos, and films.
- Contracting an experienced consultant or firm to design the platform according to the standards and needs that suit WSMEs in Yemen

This project-component falls under We-Fi's wider program-component of Access to Markets and is a direct contributor to the first COVID-19 sub-theme on 'Digital Technologies to support WSMEs affected by COVID'.

Its cost is estimated at USD 535,000 and is to be fully funded by We-Fi.

Component 5: Evaluation

In addition to tracking and evaluating the project's related results, outcomes and impacts as defined by We-Fi's own Results Framework, the project shall commission an external consultant to conduct an evaluation to investigate the impact generated by the project's Blended Finance arrangements.

More fundamentally it shall seek to address the following (non-exhaustive) list of questions:

- *Did the use of blended finance lead to better development results at all?*
- *Did the results vary per mode of financing and if so, did blending lead to better results?*
- *Specific to the CGS: did the project observe a correlation between the use of the guarantee and level of credit risk appetite of banks or was there no relationship with de-risking at all?*
- *Specific to the CGS: did the project observe a correlation between the use of the guarantee and defaults or was there no relationship with de-risking at all?*

- *What factors critically influence the demand side of local financial intermediaries and investee companies, and their behavior when implementing different instruments?*
- *Did the use of blended finance vary significantly per targeted region and (or) sector?*
- *How do all the above points, when taken together, permit for an adjustment of the product offering by Yemen's private banking sector to WSMEs and what will be required to achieve this?*

This project component falls under We-Fi's wider program-component of Access to Finance. Since this component shall offer a cross-sectional examination of all the previously listed components it shall therefore contribute to both COVID-19 sub-themes: the first COVID-19 sub-theme on 'Digital Technologies to support WSMEs affected by COVID (via component 4) and the second COVID-19 sub-theme on Finance & Data to support WSMEs affected by COVID (via components one, two and three).

Its cost is estimated at USD 150,000 and shall be fully charged to We-Fi.

ii. **Strategic Partnerships:**

A carefully crafted implementation and governance structure of the initiative's two precursors (BRAVE Yemen and BRAVE Women Yemen) was critical in delivering its success. Accordingly, these projects were designed based on the outcome of the assessment carried by the IsDBG under the quadripartite Damage Needs Assessment (DNA) initiative of WB Group, IDB Group, UN, and EU in close coordination with the Government of Yemen. This initiative shall thus benefit from the pre-existing legal and technical infrastructure on the ground to propel the project to a quick and cost-efficient beginning.

Also, the BRAVE Women Yemen 2.0 Blended Finance project has been designed to learn from, complement and extend several past, active, and planned interventions led by various development partners of Yemen including the Islamic Development Bank itself, the World Bank, DFID and GIZ. The collective outcome and lessons learned from the original BRAVE Yemen project, the current BRAVE WOMEN multi-country Program and this project will be useful in informing the pro-women private sector development strategies among all stakeholders and partners in not just Yemen, but also other fragile states and conflict affected settings.

The initiative will have a strong partnership development framework with local stakeholders including local banks (who shall act as grant-custodians) and high-level exchange with policy makers. Overall, it will be implemented through a tripartite structure between the ICD (IsDBG Private Sector arm), the Social Fund for Development and Local Partners Banks.

An emphasis is to be placed upon the strategic role that is to be played by local commercial banks. According to a World Bank financed study: "*Restoration of routine banking operations is an important first step in rebuilding the financial sector. This step enables the provision of credit and other financial services needed by the private sector, such as trade finance, working capital, and other forms of short-term credit that banks do not provide during periods of conflict*"¹⁵. By including banks into this project, it can establish an embryonic and relevant financial eco-system that can flourish in early post-conflict and recovery. Since the project is to be implemented under the current acute conflict conditions, a robust processing framework is required to enhance the selection and disbursement process to qualified firms hence the central role that shall be occupied by the project's partner banks.

At the initial stage of the project the number of participating partner banks is to be limited to the following three of which the IsDBG has an established relationship with under the (previous We-Fi) BRAVE Women

¹⁵ Pescka, Mary Porter, The Role of the Private Sector in Fragile and Conflict-affected States, World Development Report, 2011, pg. 14

Yemen project: Al Kuraimi Islamic Bank (KIB), Tadhamon International Islamic Bank (TIIB) and Saba Islamic Bank (SIB). However, at later stages of implementation the project foresees launching a national call inviting other eligible local commercial banks to participate.

In determining which are the most adequate banks to work with in partnership with WSMEs the project once again shall build upon the lessons learned from previous interventions in the same country and apply the following two notions:

1. **Resilience capacity building takes a sustained period of time.** Adding any new FIs for partnership can thus add a new layer of complexity. There is thus a strong preference for using existing proven channels of partner banks from previous round in combination with proven track record, awareness, and more important willingness sin participation is promising quick engagement and success.
2. **Involving stakeholders in the project design is a fundamental way to ensure their buy-in and commitment.** That's counted at project design stage with close collaboration with existing 3 partner banks discussion over design of BRAVE Finance product, that to be adopted and accepted by existing partner banks.

Taking the above into account, the best way for smooth channeling of funds within project's short period of time, would be existing partnership arrangements, with expected catalyst effect on the market.

iii. **Blended Finance & Results Based Mechanisms (RBMs):**

The project is expected to stimulate additional funding into the target firms and value chains in waves above and beyond the provision of grants (Component 2: "Business Continuity Support") by a blended arrangement with commercial lending as the project's impact and spillover effect expand on the ground (Component 3: "CGS"). The direct provisioning of grants to procure long term capital assets (rather than short term operating capital) in combination with the financial literacy courses and coaching is set to significantly de-risk the profile of WSMEs and encourage lending by local commercial financial institutions. The latter is furthermore expected to be magnified by the inclusion of a public CGS which shall further mitigate potential de-default losses on behalf of the commercial banks involved in direct transactions with beneficiaries.

The combined effect of the above two is the financial inclusion of a significantly larger new segment that was previously overlooked by Yemen's banking sector which, in turn, is to result in a reciprocal adjustment in partner-banks product-offerings, policy, and possible even organizational structuring (e.g., via the potential introduction of a WSME banking division). One long-term objective is ultimately to create a lasting partnership between Yemen's commercial banking community and the country's WSME sector that shall extend beyond the project's lifecycle as the latter can view the former as representing a viable sector with high-growth potential and positive economic returns thus justifying a re-allocation (or expansion) of its current male-centric client portfolio to one that is more inclusive of WSMEs.

The following Enhanced Blended Finance Principles for DFI Private Sector Operations¹⁶ will be applied:

- 1) **Blended Concessional Finance:** support for the private sector contributes beyond that which is available.

¹⁶ See: Report by the Development Finance Institutions (DFI) Working Group on Blended Concessional Finance for Private Sector Project, Update December 2020.

<http://documents1.worldbank.org/curated/en/221851613400323474/pdf/Joint-Report-2020.pdf>

- 2) **Crowding-in and Minimum Concessionally:** contributes to catalyzing market development and the mobilization of private sector resources and minimize the use of concessional resources.
- 3) **Commercial Sustainability:** support for the private sector and the impact achieved by each operation aims to be sustainable.
- 4) **Reinforcing Markets** support for the private sector structured to address market failures and minimize the risk of disrupting markets effectively and efficiently.
- 5) **Promoting High Standards:** promotes adherence to high standards of conduct in their clients.

The Results Framework, annexed to this proposal, captures the development objectives and intermediate results. It follows a classic results-based management (RBM) approach in identifying the causal chain from input to output to outcome and impact. For each result, the indicator is defined as well as its component attribution and We-Fi objective baseline, yearly target, and finally, description and SDG linkages of the indicator.

Regarding the use of Results Based Mechanisms (RBM), the project has conceived three distinctive channels through which it shall seek to amplify the amount of developmental impact to be generated via the contributions of We-Fi, Public Partners and the Private Sector. More concretely it shall seek to incentivize partners by aligning both commercial and social targets via the following:

- 1) *the imposition of a performance-based incentive fee structure for each partner bank linking their performance directly to the speed, efficiency, and effectiveness of their bank-processing operations per respective WSME. Each bank shall be eligible for a reimbursement of this fee if it meets its periodical quota and quality score.*
- 2) *the imposition of a performance-based incentive chargeable structure for the local partner SFD to align their performance in guaranteeing both the volume and quality of the trainings to be delivered by their subsidiary (SMEPS) to the WSMEs. Their costs shall be chargeable based upon the periodical attainment of their quotas*
- 3) *The conversion of the project's contribution to the CGS to an own equity for the YLGP at the end of the project conditional upon the successful deployment of the CGS during the project's lifecycle. Initially the We-Fi contribution to the CGS shall match the contribution of the YLGP and together, both shall be utilized to underwrite new commercial loans to be issued to WSMEs. Pending upon the attainment of the CGS's sought target of WSMEs to be served (i.e., the total 'amount of loans'), the value of total loans issued as well as the quality of monitoring for a period of five years, the contribution of We-Fi to the project shall then be transferred to the YLGP's own balance sheet to encourage a continuation of the same process.*

E. Program/Project Beneficiaries:

Prior to listing the project's various beneficiaries, it is critical to first define the notion of what shall constitute a WSME. In doing so it is also worth noting that any such definition ought to accommodate for the fragile and complex context of Yemen's current conflict-based economy in such a manner that the project may, on the one hand, effectively select a range of high potential and resilient WSMEs with the ability generate impact, while on the on the other hand, ensure that deserving WSMEs are not disqualified due to criteria which may not be directly applicable (or reflective of) to the current sector.

The project shall uphold the following definition of Women-Owned/Women-Led Firm from the IFC:

- $\geq 51\%$ owned by a woman/women; or
- $\geq 20\%$ owned by a woman/women; and have ≥ 1 woman as CEO/COO (President/Vice-President); and have $\geq 30\%$ of the board of directors comprised of women, where a board exists

However, a slight distinction is made to the IFC definition (also provided for in this call's guidelines) for a Small and Medium Enterprise:

- Employees: Between 4 and 300 employees (instead of '5 and 300 employees')
- Sales: Sales between \$10,000 and \$100,000 (instead of '\$50,000 and \$15 million')
- Assets: Assets between \$15,000 and \$15 million (instead of '\$50,000 and \$15 million').

As stated above: the above criteria were set in accordance with the prevalent conditions of the Yemeni SME sector and the respective partner banks' current portfolios. Furthermore, since there is no official document or records of any government authority to refer to, the YLGP and banks served as this project's source of reference (of which the latter group tends to categorize SMEs by loan size).

In order to remain aligned with the definition stipulated by the project's respective public and private sector partners in the country with the objective of securing results-delivery in an utmost realistic manner, the project is thus requesting from the We-Fi Governing Committee its non-objection to the above exception to the IFC definition for SMEs.

The following beneficiaries are to figure within the project's design:

Direct beneficiaries:

The final beneficiaries of the BRAVE Women Yemen 2.0 Blended Finance initiative are WSMEs in the country of Yemen. Through the provision of an integrated business resiliency solution specifically tailored to WSMEs combining financial literacy, resiliency training, access to markets via the establishment of an e-commerce platform and financing, it will enhance the bankability, entrepreneurial and market development skills of WSMEs in vital value chains which are considered critical to sustaining local growth and job creation, while in parallel, allow for the affordable delivery education and health services to help tackle (amongst others), the effects of the current COVID-19 pandemic.

Furthermore, it will promote pro-poor growth by targeting the value chains in the economy where most of the poor earn their living, and tackle gender disparities in economic opportunities by targeting women entrepreneurs.

The project will specifically target women business owners and those, who are leading businesses but not necessarily owning them. The target women entrepreneurs will have at least one year of business experience in a legitimate running enterprise in the key priority sectors in each respective country.

Intermediary beneficiaries:

The BRAVE Women Yemen 2.0 Blended Finance project shall also benefit key intermediary beneficiaries. It is envisaged that given the additional financial and entrepreneurial boost in the local business sector, other related businesses will also be revived, such as transportation, operations and maintenance, general maintenance services, fruit, and vegetables gardening. The female entrepreneurs are likely to invest their profits back into the communities, which could further have a positive impact on community members through better nutrition, better access to health and education, and improved community and local level security. Most importantly, the project will encourage partner financial intermediaries to adopt operational and management changes which continue to help women entrepreneurs. As a result of the project's, financial literacy, business advisory and coaching to the female entrepreneur's support, the female entrepreneurs will become second- and third-time borrowers, which is expected to create the confidence and trust within the banking sector to engage with female clients. Furthermore, the financial intermediaries are likely to further innovate and adopt a dynamic business model, which allows them to flexibly respond to the needs of female entrepreneurs, who are dependable and reliable.

Furthermore, the project will help to restore trust links within the value chain actors, the financial institutions and the international partners which might have been damaged significantly the past few years because of the conflict and more recently, the pandemic. Such trust building (or re-building) will be a pre-requisite for financing sustainability. The respective public sector is also expected to play a future role in expanding or sustaining the support required beyond the program implementation period as results materialize and dialogue (advocacy) between project stakeholders expand.

It is worth noting that because of the investments to be made by the project into the two subsidiaries of the Local Partner SFD, namely its two Private Sector subsidiaries SMEPS and the YLGP, these institutions shall also be considered as indirect beneficiaries as a result of the institutional capacity building to be provided by the ICD's Technical project-team during project implementation. The agency SMEPS will manage the e-commerce platform that is to be funded by the project with the aim of promoting and facilitating commerce activities among WSMEs. The YLGP's contribution to the CGS's fund shall be matched by an equal amount from the project with an additional contribution by the IsDB to cover its operational costs. The aim is to permanently institutionalize an internal transformation of YLGP's customer-selection and screening processes in engagement with WSMEs thus enlarging their client-base with more women entrepreneurs. In the former's case the aim is to encourage commercial activity between WSMEs as well as WSMEs and larger non-WSMEs firms in a sustainable manner that shall outlive the project's length.

IV. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements:

The initiative shall involve multiple organizations collaborating through well-structured legal arrangements as a hub for a wider value network. This coalition aims to harness complimentary capabilities of national partners while allowing the mobilization of required financial resources, knowledge, and partnerships. The SFD will drive the collaboration with support from ICD's Industry and Business Environment Support (IBES) Program in architecting incremental improvement of the BRAVE Women 2.0 Blended Finance project, brokering required financial and knowledge resources and orchestrating project wide implementation activities.

The Local Executing Agency (LEA): SFD

The SFD is a non-profit organization working in Yemen. It was established by Law No. 10 of 1997 to contribute to achieve, and align its programs with, goals of the national social and economic development plans for poverty reduction (DPPRs). It has implemented three phases of operations and by, 2011, commenced phase IV. SFD supports development opportunities through improving access to basic services, enhancing economic opportunities, and reducing the vulnerability of the poor as well as building capacities at national- levels including local authorities and community structures. To reach these objectives, SFD applies the best international and local practices and policies and piloted approaches to share its experiences with all other development players.

The SFD has become a tool fundamental to building capacity in Yemen while being an element vital to the social safety net. To the poorer segments of society, the SFD's cost effectiveness translates to critical social and economic development assistance. It provides coping mechanisms and long-term development opportunities by investing in sectors that are key to Yemen's social and economic success—education, health, water, and roads. Community mobilization and development underscore the project and support the decentralization process. Over the past eight years the SFD has become a model agency that positively affects the process of development in Yemen.

The Social Fund for Development has established itself as a model agency for best practices: it consistently and positively affects the process of development in Yemen. As a result of direct capacity-building and more

broadly based SFD activities, the quality-of-service delivery has improved markedly. The decrease in the unit cost in basic education schools and the introduction of community participation approaches in the Ministry of Education exemplify the SFD's effectiveness. SFD innovations in school design, water harvesting, and rehabilitation of traditional water systems as well as outreach to special needs groups are especially noteworthy and worthy of replication by other agencies. The SFD aims to improve access to basic services and to increase potential income generation vis-à-vis economic infrastructure, business services, and credit. Nonetheless, domestic resources remain insufficient for financing basic infrastructure and setting up local systems.

Sub-partner (1): SMEPS

SMEPS, a subsidiary of the SFD, facilitates business development services to businesses and entrepreneurs, including services tailored to youth and women reaching so far over 41,000 SMEs. The SMEPS is supervised by the SFD whose senior staff also make up the Board of Directors of SMEPS. SMEPS has an appropriate combination of internal business culture within it and a set of operational experiences closely related to the kind of work that the BRAVE Women 2.0 Blended Finance project requires.

During the project's forerunner, SMEPS helped serve as the project's Local Execution agency and continues to do so until this day for the BRAVE Women Yemen project. The organization is thus highly acquainted with the project's understanding and has the necessary dispositions and tools in place to allow for a quick and cost-efficient start of operations.

During the 2016-2021 period it helped provide a Business Continuity Training to 1,536 firms and help deliver 912 matching grants to eligible trainees. SMEPS is also a national leader on value chain development initiatives with Islamic Development Bank and World Bank support. SMEPS has supported innovation in twenty key value chains including fisheries, coffee, and horticulture. SMEPS is also working with women private health providers in ten governorates of the country to improve their business management skills using smart phones applications and consulting services. In 2013-2014 it assisted the World Bank in the implementation of the Enterprise Revitalization and Employment Pilot (EREP) Project which was demonstrated to be successful following a Randomized Control Trial (RCT) by the WB on matching-grant additionality for SMEs. It has also helped design a training module on Business Resilience training in cooperation with the GIZ.

Sub-partner (2): YLGP

The SFD established the YLGP in July 2017 to increase the facilitation of credit to enterprise owners for growth and expansion. The YLGP provides partial guarantees on loans made by lenders (banks and microfinance institutions MFIs) to micro and small enterprise borrowers located in Yemen. Its aim is to improve financial inclusion for SMEs through the provision of partial loan guarantees to those with insufficient collateral.

The mandate and mission of the YLGP is therefore directly relevant and overlapping with the BRAVE Women 2.0 Blended Finance component of the project's CGS. In order to maximize complimentary and synergy between the two, the project shall incorporate the YLGP within the scheme's design as an administrator of the CGS thus drawing on its pre-existing expertise within this domain and well-established national coverage, outreach and infrastructure as well as receive a financial contribution of half the fund's amount. The expectation is that with the help of the YLGP, the project shall be able to serve the country's banking community in reaching a larger number small and medium sized enterprises than it has been able to achieve thus far, in part by mitigating the risk of non-repayment to commercial banks (i.e., default) and in part, by allowing for the blending of loan-financing with grants to be provided by the project under component 2.

Internal Technical Partner (IsDB Group) -partner (3): The Industry and Business Environment Support (IBES) Program, Islamic Corporation for the Development of the Private Sector (ICD)

The ICD acts as the technical arm of the IDBG and hosts within its premises the IBES program, a program set-up to enhance the business environment and investment climate for IsDBG member countries. Because of its long track-record in implementing internationally donor funded initiatives and in particular, its critical role it played at the inception of the BRAVE Yemen project and has continued to do so for the latter as well as the current multi-country BRAVE Women program, it is well positioned to assume a technical assistance function on behalf of the IsDB Group in order to assist the SFD in the implementation of the said BRAVE Women 2.0 Blended Finance project. The IBES division shall dedicate an internal taskforce to the provision of technical support to the SFD relying on its past expertise: IBES is able to design its system change initiatives with viable funding structures leveraging deep IsDB local knowledge and networks at political and grass root levels in respective countries; a wide array of thematic expertise in developmental finance and project implementation in fragile arena; and high exposure to regional, and global partnerships/practices. IBES's activities span the architecting, brokerage and orchestration of donor funded enterprise growth initiatives. It is composed of a lean team of multi-national multi-cultural professionals (Asian, SSA, EU) with highly complementary skills spanning (SMEs finance, value chains support, Islamic Finance, Inclusion and Resilience, Program/Project Management, Technology enablement).

B. Track Record of the IP and Other Partners:

The IsDB has a proven track-record in the development and promotion of women's entrepreneurship and innovative sustainable solutions to increase women's access to economic opportunities. The IsDB has a long history of engagement with diverse stakeholders, including governments, private sector, civil society, the banking sector, regional economic institutions, and most of all the program clients themselves. The following few examples in the next section highlight IsDB's most recent support.

The IsDB/ICD has designed and is currently implementing the BRAVE Women multi-country program, a USD 32.2 million program for Yemen, Nigeria and Burkina Faso, also funded by We-Fi under its first round in 2018 of which USD 8.8 million was allocated to Yemen specifically. Thus far the project has been highly successful in delivering impact to WSMEs despite the complexities of the ongoing conflict and the onset of the COVID-19 pandemic. The project combines matching grant and capacity building activities and is executed through a tri-partite structure between the ICD, SMEPS (SFD Private Sector arm) and 3 local partner Banks (TIIB, SIB and KMIB) with support from the advisory committee composed from related Ministries and private sector leaders. Thus far 916 WSMEs have been trained and 567 have received financial support.

It is worth noting that the BRAVE Women multi-country itself leveraged strongly on an already existing project at the time being implemented in the same country and under a similar name but on single country-basis and funded by the MENA Transition Fund called simply 'BRAVE' for the amount of USD 9,000,000. Although not being solely restricted to female beneficiaries the project did focus specifically on SMEs of which some were women owned or led. The project reached a complete disbursement rate and was successfully closed in December 2020.

In Senegal, the IsDB has designed the Women Entrepreneurship Development and Youth Employment Support (WEDYES) Project for a total amount of USD 14.5 million. The Project aims to improve the women's entrepreneurship potential in key economic sectors. The Project has provided capacity building and training services to both the female entrepreneurs, the financial intermediaries as well as additional business financing through partner financial intermediaries. It further supported business opportunities and networking with Senegalese private sector as well as providing basic services, small infrastructure development and procuring appropriate technologies.

In addition, the IsDB/ICD has contributed to several technical assistance initiatives supporting private sector development and promoting female business owners as well as youth employment. The support ranges from industrial policy, Industrial zones development and capacity building programs with engagements in Djibouti, Mauritania, Mozambique, Sierra Leone and Yemen among others. The IsDB/ ICD has mobilized about USD 10 million of funding from various bilateral (Turkish Cooperation and Development Agency) and multilateral sources (Caribbean Development Bank) to address private sector development issues in its member countries.

A special mention should be made of the ISDB's/ICD's innovate role in pioneering PSD interventions in Fragile and Conflict Settings: traditionally, aiding areas in conflict involves strict processes including conflict ending, peace negotiations, political dialogue, etc. and often fail to address the urgent requirements of private sector businesses especially SMEs. BRAVE went against conventional interventions to address their immediate needs.

C. Sustainability and Scale:

The complementarity of the Financial Literacy course, Resiliency training and e-commerce platform are all meant to ensure a sustainable form of circularity between the entrepreneur's acquired technical skills, access to markets for the selling of their produce and access to finance to finance their operations. The Program is expected to stimulate additional funding into the target firms in phases that will move from pure grants to commercial lending and/or private investment as a result of its built-in blended finance mechanism. In general, the project's instruments are expected to catalyze local financial institutions into adopting WSME and SMEs (in general) financing mechanisms and technologies that currently are absent from the market.

Furthermore, in a situation where matching grants are used only to fund operating costs for (sub) projects for a relatively short duration, there exists a significant risk of compromising the institutional and financial sustainability of the entire program after donor funding reaches its end.

In similar fashion to the above: the risk of projectization and the accompanying failure to build capacity are believed to be acute in grant schemes especially in instances where matching grants are used as a 'stopgap measure' to gain resources that otherwise could not be obtained via a more conventional financial channel. This inappropriate use of matching grants yields a set of ad hoc projects that contribute to no overriding (national) strategy.

However, to mitigate the above and thereby maximizing the long-term sustainability of the BRAVE Women Yemen 2.0 Blended Finance project so it may extend its lifetime beyond the project's defined lifecycle, the funding will be prioritized for investments that target long term capital rather than funding for operating costs. Furthermore, grant recipients shall be expected to make their own contribution via the repayment of a loan contribution of approximately equal value thus ensuring significant buy-in. This insures buy-in from the beneficiary as well as a high degree of commitment to the effective use of the funding for its intended purpose for the long term.

Furthermore, at the core of the project's Blended Finance structure lies the concept of sustainability with an eye on creating a perpetual and viable relationship between the country's commercial banking sector and WSMEs. The initial provision of the grants and loan-capital, all underwritten by a CGS, is used as a first loss capital (concessional) structure to tap into the latent demand-side of the banks. After the completion of the latter transaction by year 2, the banks are to provide financing without grants and to operate under regular market conditions.

Regular monitoring on the ground is also meant to ensure that funding shall not assume an ad hoc nature but rather, seek a long-term impact and ensure self-financial sustainability of the recipients. By the same token, a

broad stakeholder representation shall also serve in strengthening alignment between the program deliverables and national strategy goals.

Ultimately, as clarified previously, the project shall expand its list of partner banks from the original three through an open national call. Targeting greater bank participation under the CGS, this one is set to extend beyond the project's lifecycle as more commercial banks shall join and subsequently, increase the aggregate supply of concessional finance to the country's WSMEs who initially did not have access to such finance. The project is thus expected to upscale organically from its initial phase to potentially a national one pending sufficient demand and various exogenous factors.

Finally, it is worth noting that a central vision of the project is to drive large scale, systemic change in order to address the mentioned problems. One such method in attempting to realize the latter is by adopting SMEs as levers of intervention. Doing so allows for significant social returns to be gained in addition to economic benefits. As noted previously, SMEs are often underserved by humanitarian and developmental aid in fragile contexts. Through this initiative however, resilient SME networks can potentially extend a social 'binding' effect by operating over and beyond ethnic and ideological cleavages. One important take from the previous BRAVE experience in Yemen was that SMEs were able to function as socio-economic fulcrums within their communities and for their households. Therefore, noting Yemen's comparable acute and challenging SME conditions to those of other fragile countries, the BRAVE Yemen case, its positive results and lessons learned, could all serve as a tangible and effective blueprint in the design of any future large scale (national) initiative.

D. Theory of Change, Research, Learning and Knowledge Sharing:

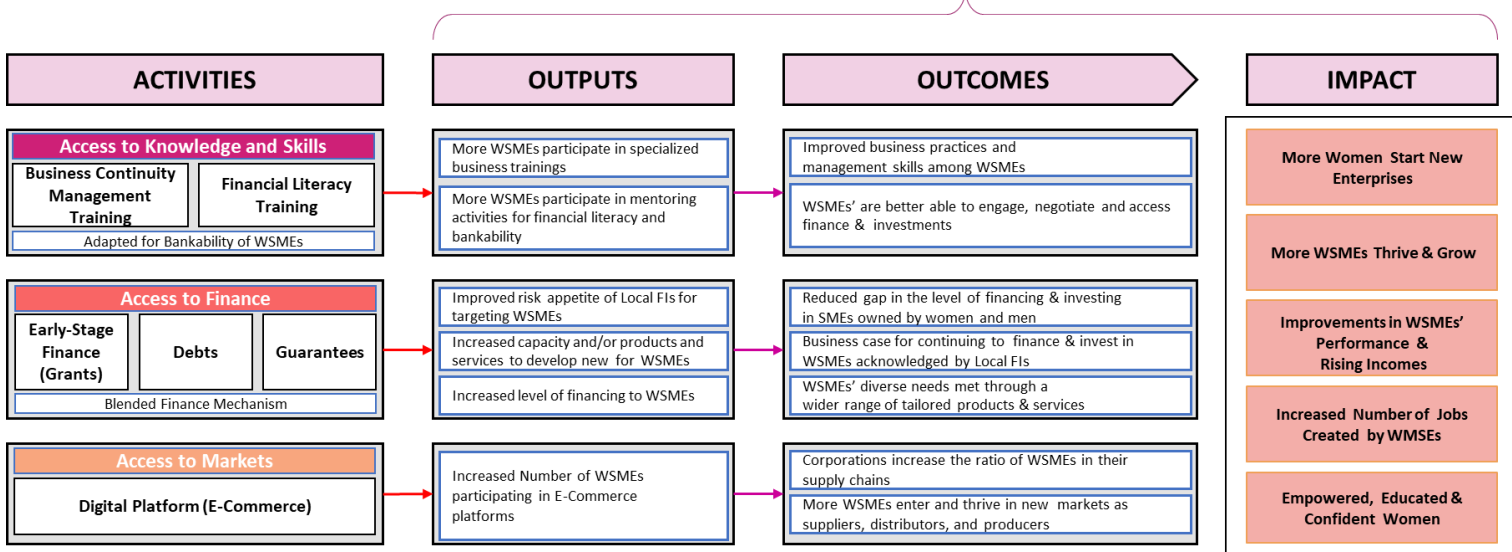
The design of the BRAVE Women Yemen 2.0 Blended Finance Project is based on the following theory of change:

- Providing Access to Knowledge and Skills (specialized business continuity and financial literacy trainings),
- Providing Access to Finance over Blended Finance Mechanism (that includes grant-matching Islamic finance facilities, that have been catalyzed over specialized CGS),
- Providing Access to Markets (e-commerce digital platform),

It will help women businesses maintain, continue operating and grow in fragile context. Ultimately, it will lead to the improvement of the operational and financial performance of WSMEs, increased level of financing provided to WSMEs by Local Financial Institutions and increased level of WSMEs entrance into new markets. Altogether, the impact will be more women to start their businesses, create new employment opportunities, improve the quality of existing jobs, increase their access to finance and empower women to be educated and confident.

The figure on the following page illustrates the Program's Theory of Change:

We-Fi Results Framework



E. Monitoring and Evaluation:

The Monitoring and Evaluation Framework of BRAVE Women Yemen 2.0 Blended Finance has two important objectives:

- Reporting on a regular basis on the achievements of the project against the targets set at the design phase.
- Promoting learning to influence the design of future Private Sector Development Projects, Programs, or Policies in conflict area.

The M&E Framework has three components: (i) the Results Framework, (ii) the Monitoring System and (iii) the Evaluation System.

The Results Framework captures BRAVE Women 2.0 development objectives and intermediate results. It follows a classic results-based management (RBM) approach in identifying the causal chain from input to output to outcome and impact.

The Monitoring System will be built into the IT system to provide key stakeholders live access to the status of the indicators they are responsible for and to see the progress being made in the implementation of the project. On a regular basis, the CRM administrator will publish a monitoring report to highlight the key results and issues. A dedicated M&E Officer for the project will be hired and will have the responsibility to develop a comprehensive Monitoring System with processes, responsibilities and tools to ensure regular data collection, analysis and dissemination. In addition, he will undertake trainings on the Project M&E System to ensure consistent data collection from the Banks, YLGP, the WSMEs and all relevant stakeholders.

The evaluation of the project will be undertaken in two phases: A mid-term review planned 12 months after the effective start date of the project and the final evaluation one month after the closing of the project activities. IsDB/ICD will be leading the evaluation of the project in collaboration with SMEPS, YLGP, Partner Banks and the M&E Officer to provide an independent assessment of the project performance. The evaluation shall not seek to make claims of causation of positive changes being (solely) to the project. Rather, it will be more a qualitative assessment combining a reflexive approach (results before and after) and a participants'

judgment to show how the project has contributed to the changes and how to improve it in the future. As highlighted under the previous section on Evaluation (component 5) it shall seek to answer some fundamental questions of which the following shall be of primordial importance: *Did the use of blended finance lead to better development results at all?* While investigating this point it shall attempt to finetune its questioning framework by nuancing each mode of financing, this in order to develop a deeper understanding of which instrument, when, where and how, performs in a context of Fragility and Conflict thus yielding possible future policy implications for other countries.

V. RESULTS FRAMEWORK

Progress towards achieving the project's development objectives will be measured by a series of quantitative and qualitative indicators at the component level and We-Fi objectives level¹⁷.

1. Three Mandatory Indicators:

- USD 6.9 Million funds mobilized within project's time frame (indicator 1)
- 500 WSMEs reached within project's time frame (indicator 12)
- 600 additional direct jobs created by the We-Fi beneficiary women-owned/led SMEs (Indicator 15A).

2. Core Indicators:

- 500 women-owned/led SMEs accessing business capacity trainings (indicator 4).
- 300 women-owned/led SMEs receiving matching grants (indicator 3).
- 500 women-owned/led SMEs receiving credit guarantees from We-Fi supported institutions (indicator 3).
- 500 women-owned/led SMEs receiving Islamic finance facilities under a CGS from We-Fi supported institutions (indicator 3).
- 500 WSMEs that increase their use of digital tools and services (indicator 5).
- USD 2.5 Million of payments made to or by WSMEs with enhanced market linkages (indicator 6).
- 5 partner institutions supported by We-Fi that offer new /updated products, services or approaches benefiting women-owned/led SMEs (indicator 11).

3. Custom Indicators:

- 1 Viable Digital E-Commerce Platform (Description provided in Component 4)

¹⁷ Please see detailed Result Framework in the Annex-1.

VI. KEY RISKS IDENTIFIED AND MITIGATION MEASURES

Risk Description	Rating			Assessment	Response Measures
	Probability	Impact	Overall		
Activity Design and Implementation Arrangements					
Adoption of the IFC definition of SME for project	Very likely	High	High	No of applications passed the selection according to criteria	To get closer to Yemen context we suggest adopting definition of SME provided by Yemen authorities
Local FIs commitment for provisioning loans to WSMEs	Possible	Medium	Medium	No and Volume of loans to WSMEs have been set in result matrix KPIs	To reduce unwillingness of LFIs to continue WSME financing activities beyond grant matching stage and to increase risk appetite, CGS is adopted.
Increased rate of defaults (NPL)	Possible	Medium	Medium	Monitoring of NPL rate for blended finance portfolio at the level of 4%	CGS to cover first losses caused by higher defaults. Curriculum of WSME training to include financial literacy subject.
WSMEs credit behavior	Possible	Low	Low	Monitoring of applications, volume in a line with set KPIs for loan provisioning process	Development of sharia compliant term finance product by LFIs, Marketing campaign, Financial Literacy training.
Political, Social and Governance Risks					
Participation, Political Buy-in and Coordination	Unlikely	Substantial	Medium	Framework agreement signed with the Government of Yemen. SMEPS is a Public Agency in Yemen.	Advisory Panel already in place to provide guidance and increase stakeholder participation.

Fiduciary Risks					
Financial Control, Fraud and Misuse of Funds	Unlikely	High	Medium	Typical risk especially in fragile context	Longstanding relationship already exists between IsDB/ICD, SMEPS and local Banks in Yemen via the BRAVE and BRAVE Women projects. The project will benefit from the successful experience with BRAVE projects (no misuse of Funds/fraud) and the segregated built-in controls and check measures between the SMEPS, YLGP, Local Banks and International Financial Administrator to counteract any potential type of misuse of funds and fraud including the granular deployment of grants, regular auditing of all expenses, reporting and perpetual on-the ground monitoring.
Environment and Social Safeguards/Standards					
Environment and Social Safeguards/Standards	Unlikely	Substantial	Medium	This risk might cause a serious reputational damage for the IP and Donors	SMEPS has already an established grievance mechanism. Environmental and social safeguards are reflected in the Operational Manual of BRAVE Women. This project operational manual with safeguards and standards list is legally enforceable to the implementation and grants agreements.

Other Risks						
COVID-19 and Overall Security	Likely	Medium	Medium	<p>Implementation including international procurements, market access and participation by local banks might be negatively impacted by COVID-19 given that the virus is still present in the country and majority of the population remains unvaccinated. Risks pertaining specifically to the security issues in the country are multiple and can be grouped into the following 3 groups: 1) Physical Damage 2) Restrictions on Internal and External Transactions 3) Shortage of Liquidity and Public Finance crisis</p>	<p>Yemen has already lifted its curfew. In case of new waves, the local EA is ready to take necessary measures such as online trainings, adapting training curriculum to cover issues related to the pandemic, extend procurement periods etc. In addition, the local EA has put in place a concept to support enterprises during COVID-19 by facilitating access to finance, advocacy, boosting demand for products and services, protecting employment etc. Regarding the security, it is worth noting that the project was originally designed to be an in-conflict solution for the private sector. It will prioritize the acquisition of durable, long term capital assets to help mitigate the effects of physical damage to SMEs. Also, the project has deliberately selected a governance structure that allows for close partnership with the private sector and local partners that have a long-established track-record with the IsDB. This existing infrastructure, network and capital goodwill should allow for a relatively quick and efficient implementation in spite of the difficult security situation. Finally, it is worth noting that the project has budgeted for a 4% contingency rate to cover unforeseen costs pertaining to inflation or cost-overruns.</p>	

Annex 1: We-Fi Results Framework (attached)

Component	We-Fi Objective	Type	INDICATOR	Baseline Figure	Targets			
					Annual (add additional columns as needed)			Total
					YR1	YR2	6 months of YR3	
We-Fi Program Inputs	Mobilize resources from private and public sources that leverage We-Fi funding and augment the number of interventions supporting WSMEs	Input	Total size of We-Fi programs & projects (US\$, M)	\$0.000M	\$5.167M	\$0.292M	\$0.088M	\$5.546M
		Input	Size of We-Fi funding allocation (US\$, M)	\$0.000M	\$5.167M	\$0.292M	\$0.088M	\$5.546M
		Input	Indicator 1: Amount of additional financing mobilized for We-Fi supported activities (US\$, M). Out of which:	\$0.000M	\$4.214M	\$1.045M	\$1.605M	\$6.864M
			- IP Contribution (US\$, M)	\$0.000M	\$0.514M	\$0.514M	\$0.000M	\$1.029M
			- Public-sector contributions (US\$, M)	\$0.000M	\$0.500M	\$0.000M	\$0.000M	\$0.500M
			- Private sector financing directly mobilized (US\$, M)	\$0.000M	\$3.200M	\$0.530M	\$1.605M	\$5.336M
- Other funds mobilized (US\$, M)								
Increased Access to Finance	Reduced gap in the level of financing & investing in SMEs owned by women and men	Outcome	Indicator 2: Amount of financing provided to women-owned/led SMEs by We-Fi supported financial service providers (US\$, M). Out of which:	\$0.000M	\$6.400M	\$0.530M	\$1.605M	\$8.536M
			- Loans (US\$, M)	\$0.000M	\$3.200M	\$0.530M	\$1.605M	\$5.336M
			- Equity Investments (US\$, M)					
			- Grants (US\$, M)	\$0.000M	\$3.200M	\$0.000M	\$0.000M	\$3.200M
			- Digital financial services (US\$, M)					
	- Other (US\$, M)							
	WSMEs' are better able to engage, negotiate and access finance & investments	Outcome	Indicator 3: Number of women-owned/led SMEs that accessed new financing from We-Fi supported institutions. Out of which:	0	300	50	150	500
			- Loans	0	300	50	150	500
			- Equity Investments					
			- Grants	0	300	-	-	300
- Digital financial services								
- Other (Credit Guarantees)	0	300	50	150	500			

Component	We-Fi Objective	Type	INDICATOR	Baseline Figure	Annual (add additional columns as needed)			Total
					YR1	YR2	6 months of YR3	
Access to skills	Improved business practices and management skills among WSMEs	Outcome	Indicator 4: Number of women-owned/led SMEs accessing entrepreneurial support activities from We-Fi supported institutions. Out of which:	0	500	-	-	500
			- Business capacity training	0	500	-	-	500
			- Incubation & Acceleration					
				- Other (e.g. STEM, online training etc.)				
	WSMEs increase access to digital services and tools	Outcome	Indicator 5: Number of WSMEs that increase their use of digital tools and services (Cumulative).	0	-	-	500	500
Access to Markets	More WSMEs enter and thrive in new markets as suppliers, distributors, and producers	Outcome	Indicator 6: Value of payments made to or by WSMEs with enhanced market linkages, including: value of goods and services sold to larger firms/corporates/new market segments, and/or value of purchases made by WSMEs from smaller firms/individuals, and/or value of public procurement contracts won by WSMEs (US\$, M). Out of which:	\$0.000M	\$0.000M	\$0.000M	\$2.500M	\$2.500M
			- Payments/sales related to private firms (US\$, M)	\$0.000M	\$0.000M	\$0.000M	\$2.500M	\$2.500M
			- Payments/sales related to public entities (US\$, M)					
			Indicator 7: Number of WSMEs with enhanced market linkages, including: WSMEs who sold goods and services to larger firms/corporates/new market segments, and/or WSMEs who purchase goods and services from smaller firms/individuals, and/or WSMEs who won public procurement contracts. Out of which:	0	-	-	500	500
			- WSMEs with linkages to private firms	0	-	-	500	500
			- WSMEs with linkages to public entities					

Component	We-Fi Objective	Type	INDICATOR	Baseline Figure	Targets			Total
					Annual (add additional columns as needed)			
					YR1	YR2	6 months of YR3	
Entrepreneurial Ecosystem & Enabling Environment	Increased focus on identifying and addressing WSME regulatory constraints	Outcome	Indicator 8: Number of legislations and/or regulations screened, drafted, revised by We-Fi IPs and/or their partners to remove constraints and support women's entrepreneurship.					
	Stronger evidence base on WSMEs' needs, constraints & building finance and market linkages	Output	Indicator 9: Number of institutions supported by We-Fi that have put in place a system for capturing and reporting data on women-owned/led SMEs. Out of which:					
			- Public Sector					
			- Financial Services Providers					
	- Corporates							
	Stronger evidence on the impact of WSMEs-support programs	Output	Indicator 10: Number of rigorous impact evaluations commissioned by We-Fi Implementing Partners.	0	-	-	1	1
Overall We-Fi Results and Impact	Business case for financing & investing in WSMEs embraced by FIs, investors, corporates and other stakeholders	Output	Indicator 11: Total number of partner institutions supported by We-Fi that offer new /updated products, services or approaches benefiting women-owned/led SMEs (Cumulative). Out of which:	4	5	5	5	5
			- Financial services intermediaries	3	3	3	3	3
			- PE/VC Funds					
			- Accelerators, incubators					
			- Corporations					
			- Public sector	1	2	2	2	2
			- NGOs (local and international)					
- Other (specify)								

Component	We-Fi Objective	Type	INDICATOR	Baseline Figure	Targets			Total
					Annual (add additional columns as needed)			
					YR1	YR2	6 months of YR3	
Overall We-Fi Results and Impact	More WSMEs Thrive & Grow	Outcome	Indicator 12: Total number of women owned/led SMEs supported by We-Fi.	0	500			500
	Improvements In WSMEs' Performance & Rising Incomes	Impact	Indicator 13: Number of We-Fi supported women-owned/led SMEs reporting an increase in annual revenues (Cumulative).	0	-	160	240	240
	Reduced gender biases in laws and policies	Impact	Indicator 14: Number of legal and regulatory reforms to remove constraints and support to women's entrepreneurship that are formally enacted.					
	Increased Number of Jobs Created by WMSEs	Impact	Indicator 15 A: Number of additional direct jobs created by the We-Fi beneficiary women-owned/led SMEs.	0	-	300	600	600
			Out of which:					
			- Jobs for females	0	-	60	120	120
			- Jobs for males	0	-	240	480	480
			Indicator 15 B: Number of jobs supported by the We-Fi beneficiary women-owned/led SMEs.	0	-	500	750	750
			Out of which:					
	- Jobs for females	0	-	100	150	150		
- Jobs for males	0	-	400	600	600			
Project Level Results	Output	Custom indicators: Each IP can submit additional indicators appropriate for their projects (Cumulative). No of Viable Digital E-Commerce Platform	0	-	1	-	1	

Annex 2: We-Fi Program/Project Risk (please refer to section VI)

Annex 3: Cost and Financing Plan

	Required Donor Funds Breakdown				Expected Mobilization of Fund Breakdown				TOTAL FUNDS	Number of WSMEs
	Investment Activities	Advisory/TA Activities	Grants to WSMEs	Total We-Fi Funding Requested	Public Sector (YLG)	IP (IsDB)	Private Sector (Local Fis)	Expected Mobilized Funds		
Component 1 Business Resilience Capacity Building	\$ -	\$ 487,187	\$ -	\$ 487,187	\$ -	\$ -	\$ -	\$ -	\$ 487,187	500
Component 2 Business Recovery Support	\$ -	\$ -	\$ 3,232,000	\$ 3,232,000	\$ -	\$ -	\$ 5,335,580	\$ 5,335,580	\$ 8,567,580	300
Component 3 Matching Credit Guarantee Scheme	\$ 512,168	\$ -	\$ -	\$ 512,168	\$ 500,000	\$ 108,400	\$ -	\$ 608,400	\$ 1,120,568	500
Component 4 BRAVE Mall Digital Platform	\$ 535,500	\$ -	\$ -	\$ 535,500	\$ -	\$ -	\$ -	\$ -	\$ 535,500	500
Component 5 Impact Evaluation	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000	n.a.
TOTAL ALL COMPONENTS	\$ 1,047,668	\$ 637,187	\$ 3,232,000	\$ 4,916,855	\$ 500,000	\$ 108,400	\$ 5,335,580	\$ 5,943,980	\$ 10,860,835	n.a.
External Audit and Accounting	\$ -	\$ -	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000	n.a.
4% Contingency	\$ -	\$ -	\$ -	\$ 196,674	\$ -	\$ -	\$ -	\$ -	\$ 196,674	
SUB-TOTAL	\$ 1,047,668	\$ 637,187	\$ 3,232,000	\$ 5,183,529	\$ 500,000	\$ 108,400	\$ 5,335,580	\$ 5,943,980	\$ 11,127,509	n.a.
7% IP Administrative Fees				\$ 362,847	\$ -	\$ 920,400	\$ -	\$ 920,400	\$ 1,283,247	n.a.
GRAND-TOTAL				\$ 5,546,376	\$ 500,000	\$ 1,028,800	\$ 5,335,580	\$ 6,864,380	\$ 12,410,756	n.a.

Budget notes¹⁸:

¹⁸ Number of WSMEs supported are counted per components:

- Component 1 is assuming 500 women-owned/led SMEs accessing business capacity trainings (indicator 4).
- Component 2 is assuming 300 women-owned/led SMEs receiving matching grants (indicator 3).
- Component 3 is assuming 500 women-owned/led SMEs receiving credit guarantees (300 guarantees under blended finance structure in Year-1 and 200 guarantees beyond grant matching blended finance structure within project timeframe) from We-Fi supported institutions (indicator 3).
- 500 WSMEs that increase their use of digital tools and services (indicator 5).

1. All the above amounts are expressed in USD
2. The total budget is USD 5,546,376.
3. **Component 1** cost is USD 487,187, that includes expenses, pertaining to business advisors to train each WSME during the Business Resilience Training and in preparing the Business Continuity Plans. The average cost of training per WSME is USD 974, a significant improvement from the previous cycle budget cost of USD 1,500 per WSME
4. **Component 2** consists of 300 grants to be allocated to female entrepreneurs with a ceiling of USD 15,000 per grant (the average grant size is USD 10,667). The provided grants are to be blended with Islamic finance facilities provided by LFIs, that shall continue financing activities for a duration beyond the grant matching scheme. The total volume of Islamic finance facilities to be provided to WSMEs within project implementation and supervision period is expected to be USD 5,335,580. Gross financing activities under this component is expected to be USD 8,567,580, that consists of:
 - a. USD 3,200,000 matching grants,
 - b. USD 32,000 partner banks fees for processing grants,
 - c. USD 5,335,580 in financing facilities provided to WSMEs from LFIs under a blended finance structure and supported with a credit guarantee scheme program.
5. **Component 3** includes USD 1,000,000 for direct guarantee activities, USD 12,168 for project management charges of SFD for implementation CGS program, and USD 108,400 to cover operational cost of the project by YLGP. The following breakdown of fund sources to be applied:
 - a. USD 512,168 from We-Fi.
 - b. USD 500,000 from YLGP.
 - c. USD 108,400 from IsDB.

According to proposed guarantee product, YLGP will provide credit guarantees to WSMEs with a leverage ratio of 2:1 versus funds available. Thus, at year 1 with USD 1 Million funds available, USD 2 Million credit guarantees to be provided. With loan portfolio amortization freed funds are to be redeployed on a revolving basis. This allows the re-issuance of 500 credit guarantees for WSMEs within project time in total volume of USD 3.3 Million, that shall suffice to provide a financing support to WSMEs in gross volume of USD 5,335,580.
6. **Component 4** contains a lumpsum of USD 535,000 to cover the expenses of:
 - a. Business Analyst Consultant to prepare technical Request for Proposal for E-Commerce Digital Platform applicable in Yemen Context.
 - b. Hiring a Development Company, that will build the Digital Platform.
 - c. E-Commerce Digital Platform Promotion, Marketing and Specialized Training activities
 - d. Operational budget for IT resources in SMEPS.
 - e. Expenses related to Public-Private Arrangements upon platform development and testing completion.
 - f. SFD project charges for component supervision over SMEPS.
7. **Component 5** Costs of an Independent Evaluation apply.

8. **An audit and accounting cost** for the project is estimated at USD 70,000.
9. There is a need for a **contingency** of 4 % of direct activity costs to cover, amongst others, inflationary and currency effects caused by the fragility context of the country.
10. **The total direct activity budget** is USD 5,183,529.
11. **7% administration fees** charge is applied by the IP on the total direct costs. This covers IP administrative overheads, technical assistance, and managerial backstopping support to the local partners, including partner banks, M&E supervision, reporting back to the donor and engaging with other project stakeholders including the respective governments of each country and other bi-and multilateral development partners.