

**Attachment B –  
Program Description**

**1. PROBLEM STATEMENT**

Yemen is fully dependent on international markets for access to food with 90 percent of its main food staple, wheat, imported. This situation puts the country at risk of negative market shocks especially the 70 percent of the population in rural areas. The World Food Program (WFP) 2012 Comprehensive Food Security Survey indicates that high food prices affected almost every household with 90 percent of those surveyed citing a decreasing ability to buy food. These households are responding by limiting the quantity and quality of their diet, and are accumulating debt, an indication of worsening coping response. More than 45 percent of Yemeni households had food-related debt, half the children were chronically malnourished, second globally only to Afghanistan, and the proportion of underweight children was the third highest in the world. According to WFP: “ Poor households in Yemen are now experiencing a profound deterioration in purchasing power, the economy has contracted leading to increased unemployment and underemployment, food prices have faced strong inflation and the overall cost of living has risen steeply.” While food is available in the local markets, families need increased income with which to buy basic food staples.<sup>1</sup> The majority of the food insecure population is in rural areas and the WFP cites the need to increase rural incomes as a critical response to food insecurity.

“The poorest people are the most vulnerable; Food prices have risen dramatically; The quality of diet has fallen sharply; Coping strategies have become more widespread and more severe; Families have limited the quantity and quality of their diet, and are accumulating debt to do so; One-quarter of all food is bought using borrowed money; Malnutrition rates are soaring; Civil unrest is exacerbating food insecurity; Water shortages and qat cultivation and consumption are limiting agricultural potential.”

**World Food Program 2012  
Comprehensive Food Security Survey**

According to the National Agriculture Sector Strategy (NASS) prepared by the Ministry of Agriculture and Irrigation, three major constraints to increased rural incomes include (1) low agricultural productivity, (2) limited market access, and (3) lack of access to investment capital. These constraints are critical in that nearly one-third (31 percent) of the households work in agriculture, and almost 40 percent of agriculture wage laborers are food insecure (only households depending on Social welfare Fund had a higher percentage of food insecure). Half of all fruits and vegetables produced are sold at market; finding ways to increase returns to producers on key commodities (coffee, fruits and vegetables, honey and livestock) will increase rural livelihoods and their ability to buy food in the local market. The key will be in finding ways to overcome key constraints in productivity, market access, and investment capital.

Low Agricultural Productivity – More than 50 percent of Yemen’s 7 million person workforce is employed in agriculture; improvement in productivity and quality has the potential to increase rural incomes. A World Bank study indicates that the productivity of Yemeni agriculture (particularly crops) is at least 50% lower than Middle Eastern countries with comparable environments. Irrigation systems are inefficient, with 50-65 percent irrigated water being wasted. Quality issues arise in coffee and horticulture due to inadequate post-harvest processing and drying facilities. Low production complicated

<sup>1</sup> “The State of Food Security and Nutrition in Yemen” 2012 Comprehensive Food Security Survey, World Food Program. Interviews with the WFP Country Director for Yemen in October 2012 indicated that the primary constraint on food security in Yemen is the decreasing purchasing power families are experiencing through reduced wage opportunities and increasing food prices.

by post-harvest losses limits the economic impact of Yemen's agricultural sector.

Limited Market Access – Agriculture exports constitute less than 9 percent of total exports (\$551 million in agriculture exports out of \$6.4 billion total) -- market share of high value markets (domestic and international) is decreasing in coffee and honey. Both coffee and honey have traditionally been high value export commodities, but because of inconsistent quality and lack of traceability, Yemen's market shares have decreased. There is a critical need for quality certification and confirmation of origin for unique products such as a "Seder" honey and "Haraz" coffee. Supporting quality improvements and origin verification can increase the value of Yemeni coffee and honey.

Lack of Access to Investment Capital – The commercial banking sector is not effectively investing in the agriculture sector. According to the International Finance Corporation, loans require high interest rates (up to 60% annually) and banks can request collateral (preferably housing and land) up to 400% of loan size. Farmers have limited access to credit, but there is a nascent micro-finance sector that could provide capital for small scale adoption of improved farming technology.

Other critical challenges facing Yemen are: (1) food insecurity is a severe problem across the country with almost half the population classified as "food insecure" by the WFP; (2) the need to empower women to increase their contribution to the national economy and the increased well-being of their families; (3) heightened insecurity fueled by separatists movements in the north and south of the country as well as a growing presence of Al Qaeda of the Arabian Peninsula (AQAP); and (4) lack of water is a major constraint to sustainable agriculture – any intervention in the sector must address access to water as primary objective.

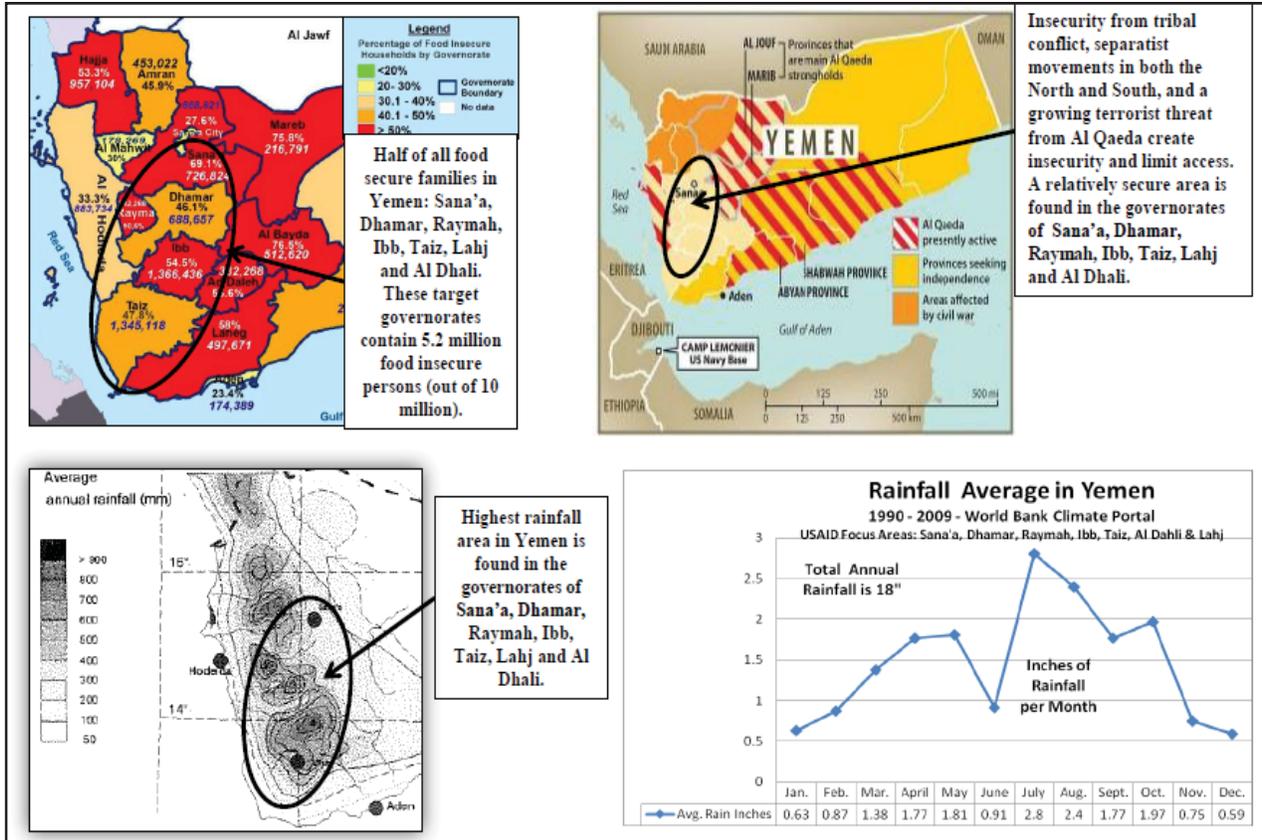
Food Insecurity - Poor households in Yemen are now experiencing a profound deterioration in purchasing power, the economy has contracted leading to increased unemployment and underemployment, food prices have faced strong inflation and the overall cost of living has risen steeply. In order to address this critical food security issue, the CASH project will target its activities in the seven governorates containing the over half of all food secure families in Yemen: Sana'a, Dhamar, Raymah, Ibb, Taiz, Lahj and Al Dhali. These target governorates contain 5.2 million food insecure persons (out of a total of 10 million food insecure in Yemen).

Gender - The role of women in mitigating nutrition impacts in Yemeni is particularly constrained due to limited participation in the labor force; only 7% of women work for pay compared to 61% for men. In rural areas, the percentage of women working for wages goes down to 5%. Although unpaid female labor is prevalent in agriculture, the control of assets and the ability to provide for family nutrition and health needs is limited. Economic mobility constraints on women include lack of access to government services, markets, training and credit. Finding ways to empower women and provide them with access to increased family resources is important to reaching the CASH project goal of improving food security.

Insecurity - Yemen is faced with an increasingly complex security situation that is complicated by an ongoing humanitarian crisis. AQAP emerged after the death of Osama bin Laden (whose father was born in Yemen) and increased attacks on major national fuel and gas pipelines and security forces targets. Food prices in some governorates were particularly impacted by insecurity. Another outcome from conflict areas is limited access by ROYG officials and INGO employees. While the security situation remains fluid, the central highlands area remains relatively secure and accessible (Sana'a, Dhamar, Raymah, Ibb, Taiz, Lahj and Al Dahli).

**Water** - Yemen is ranked the seventh most water stressed country in the world and categorized as an “extreme risk” for investment.<sup>2</sup> Not only is water, the critical limiting factor for increased agriculture, being withdrawn from aquifers at 123 percent above the recharge rate, but population growth is on track to double its by 2035; both these factors, decreasing water resources and increasing demand from population growth, indicate that more and more water will be dedicated to domestic use over the coming years. Finding ways to increase rainwater harvesting and micro-irrigation will become increasingly important as water prices increase and current flood irrigation systems (other than qat) are squeezed out of profitable production.

In order to address critical food insecurity, water, accessibility and gender issues activities are needed in



the seven governorates with significant food insecurity, the highest levels of precipitation, and some of the greatest agriculture production potential in Yemen (i.e., high value agriculture products are produced in these governorates including coffee, vegetables, fruits, honey and livestock): Sana'a, Dhamar, Raymah, Ibb, Taiz, Lahj and Al Dhali. These activities should: (1) design programs to address production, marketing constraints, and promote competitive enterprise models that strengthen small-scale farmer opportunities for with the overall goal of increasing productivity, lowering production costs and increasing rural incomes; (2) identify key markets and develop strategies to access these markets by creating equitable partnerships that strengthen agriculture value chains and provide increased returns to all participants; and (3) create mechanisms to leverage private investment in the agriculture sector as well as increase capital investments of Republic of Yemen Government (ROYG) and Other Donors. There overall focus should be on creating synergy for innovative models that can be scaled up as their effectiveness is proven with a goal of linking small holder agricultural production to lucrative markets.

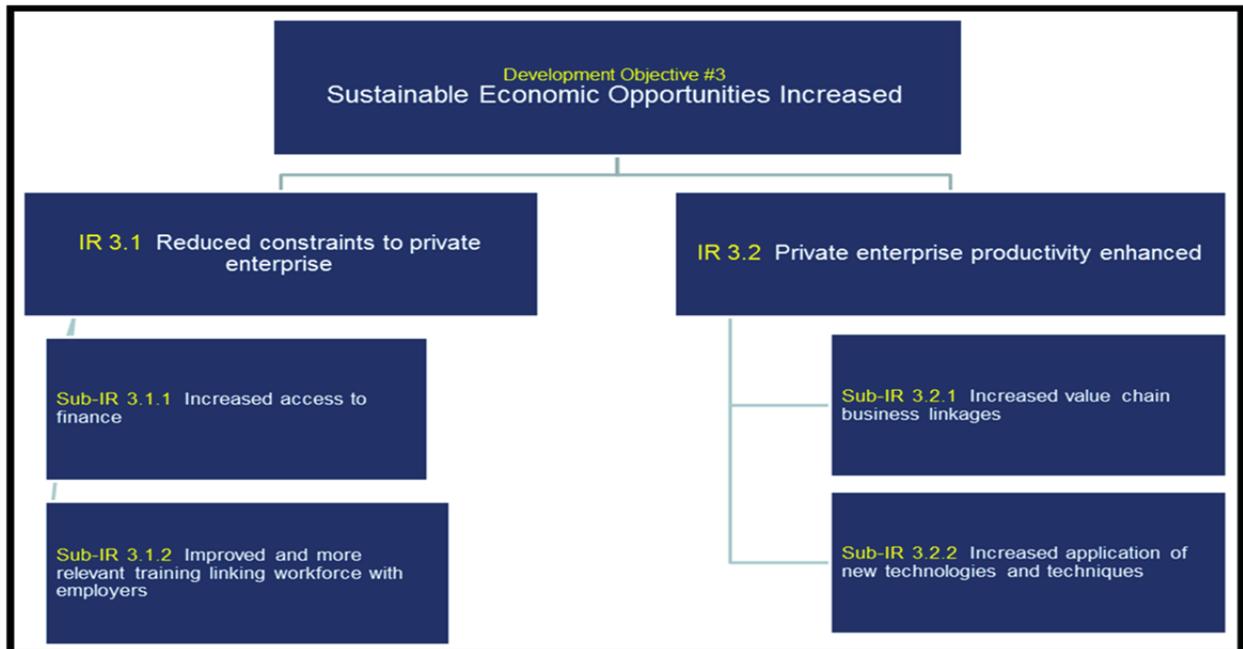
<sup>2</sup> Maplecroft Corporation – Risk Management for International Investment. - [http://maplecroft.com/about/news/water\\_stress\\_index.html](http://maplecroft.com/about/news/water_stress_index.html)

**PROGRAM GOALS, OBJECTIVE AND OUTCOMES**

The Competitive Agriculture Systems for High Value Crops (CASH) will increase sustainable economic opportunities and decrease food insecurity in Yemen by supporting Yemeni men and women producers, processors, and exporters to cultivate and maintain strong, trusting relationships with high value markets. CASH will elevate Yemen’s reputation as a source of high quality, reliable coffee and honey for commercial value chains. For small-scale markets, the program will bolster vertical and horizontal linkages and build trust between value chain actors. CASH will also reduce production costs by introducing new technologies and advising on ways to conserve water. It will facilitate graduating vulnerable households from food assistance and improve food security and nutrition across the seven governorates. In order to reduce constraints on private enterprise, CASH will increase agriculture productivity by promoting new technology and techniques, improve workforce quality through targeted training, promote market access by improving value chain linkages and creating strategic partnerships. Access to finance will be enhanced through the identification and implementation of credit programs for agriculture enterprises.

CASH will build on relationships and proven practices that USAID and other donors have developed and leverage efforts that the ROYG has begun through its Social Funds for Development (SFD).

By Year 5, CASH will train more than 14,000 small and medium producers on best agricultural technologies and management practices that will ultimately increase agricultural productivity and income by 50 percent during the life of project. The program will facilitate the establishment of 350 producer organizations that will benefit its members from vertical and horizontal linkages leading to a 30 percent increase in gross margins for farm commodities. Through technical assistance and training to support host government and private sector investments, CASH will create and promote private sector-led investments systems, export niche markets and/or distribution channels contributing to a 5 percent annual growth in volume and value of products in selected value chains. Finally, an estimated 2,000 new on- and off-farm jobs will be created, 50 percent of which will go to vulnerable populations and women.



## IMPLEMENTATION

Actions under the CASH project will be in three phases:

1. Phase One – Take appropriate actions to analyze market opportunities, review analytical work and implementation experience conducted to date on value chains by USAID Yemen. This would include analyzing ongoing activities of USG funded humanitarian assistance partners, Other Donors, ROYG entities and the private sector. Analysis was also be done on gender, water scarcity and conflict triggers in the CASH geographic areas Timing: (Three Months)
2. Phase Two – Develop short-term proof of concept pilot activities that target key markets, identify constraints on production, processing and/or marketing and implement activities aimed at showing near term impact on incomes, profitability and sustainability of enterprise models that link small scale producers to high value markets. Special attention will focus on promoting efficient water storage and use strategies. Timing: (One Year)
3. Phase Three - Design and initiate implementation value chain strengthening activities that delineate market opportunities, define support activities, and create a framework and strategic approach for shared value partnerships between producers, wholesalers, exporters and buyers in domestic, regional and/or international markets. Key aspect of these activities will be their sustainability and links to dynamic, high value markets. Once value chains, production areas and producer groups are identified, baseline data would be collected to measure impact on Feed the Future indicators. Timing: ( Years Two - Five)

The CASH Project theory of change is that USAID funded activities can help create high value, lucrative markets for Yemeni agricultural products and link smallholder producers to these markets with premium prices for their production. The potential for high prices and greater income will encourage farmers to adopt cost effective practices to increase the production and quality of key products, participate in marketing of these products, increase their family incomes, and utilize the additional incomes to purchase food thus improving the family's food security and increasing sustainable economic opportunities. The key to implementing this approach is the need to identify the most appropriate value chains, conduct proof of concept pilot activities to confirm their potential and applicability, and design a long term strategy to promote key value chains.

### **Phase 1: Project Analytics (Months 1 through 3)**

In the first three months, CASH will focus on conducting a variety of analyses to obtain an accurate picture of on-the-ground realities in order to be fully prepared for its pilots in Year 1 and ready for scale-up in Years 2 through 5.

End Market Analysis. As any value chain begins with demand, CASH will first identify the end markets for Yemeni coffee, horticulture, livestock and honey. The project will draw on the analyses from the Community Livelihoods Project (CLP), completed in July and August 2013, as a base, and also draw on export data from the World Bank and the International Coffee Organization, as well as other industry sources. CASH will identify buyers – with names and addresses – to understand the volume, quality, grades and standards, packaging, and price requirements that they demand for each product. For national and local markets, the project will then map catchment areas for each value chain from among the seven governorates. CASH will analyze market size, buyers' willingness and ability to pay, the availability of export and risk management financial services, humanitarian aid per governorate, infrastructure and security concerns. The analysis will include an assessment of previous donor MIS programs to identify the best partners and approaches to

sustainably improve information flows on price and quality requirements within the target value chains. Together, this information will provide an estimate of the target end markets.

Access to Finance Analysis. Drawing on the recommendations of the Yemen Economic Growth Appraisal by USAID/Asia and the Middle East Economic Growth and Best Practices, IESC will conduct a three-week study interviewing the major financial service institutions involved in agricultural credit in Yemen to assess their level of involvement, capacities, and most importantly their willingness to assist potential borrowers they do not typically serve, particularly women farmers. IESC will work with the Value Chain Development Team to interview financial services providers in CASH's value chains. These efforts will provide a sense of demand for services and help determine which financial services institutions actually have the capacity and willingness to assist CASH beneficiaries. The Value Chain Development Team's efforts will also provide information on the level of internal value chain finance provision, such as in-kind credit from input providers and advance payments from wholesale buyers of agricultural products.

Cost-Benefit Analysis. Next, CASH will conduct a cost-benefit analysis (CBA) to ascertain quantitatively where USAID's investment will yield the greatest returns for all stakeholders, particularly smallholders and women. For each opportunity identified in the end market analysis, the CBA will determine the investment required – both in physical infrastructure and labor cost – to scale up to meet market demand. Similarly, the access to finance analysis will identify the prospective investors' hurdle rate (return that the investors require) so that CASH can identify where external financing can best be applied (and thus, mitigate the direct cost to USAID). The CBA will enable us to compare interventions to facilitate disciplined decision-making.

Gender Analysis. With support from Land O'Lakes' practice manager for gender, food security, and livelihoods, and drawing on our Gender Analysis Toolkit and USAID's 2011 report, "Assessing Youth and Gender Programming in Yemen," and the recently drafted, "Yemen Gender Analysis Report," CASH will draft a gender analysis specific to the activities and geographic area envisioned in this Program Description. This analysis will detail the context-specific program-level gender issues that may affect program implementation, beneficiary participation and outcomes. The analysis will provide a deeper understanding of gender issues at the community and household levels in CASH target areas and in Yemen as a whole. The project will examine how cultural practices (e.g., restrictions on women's mobility), verbal and psychological abuse, gender-based violence, and early marriages affect women's ability to contribute to household decisions, make autonomous choices and manage assets. CASH will produce a gender action plan as part of the gender analysis final report; this plan will guide implementation during Phases 2 and 3.

Environmental Analysis/Water Resource Study. CASH will identify a Yemeni partner, such as HYDRO-Yemen, to assess water use across value chains and governorates. The project will also coordinate closely with USAID funded FewNet program on developing a water balance framework to assess the water productivity in agriculture. Assessment findings will aid the project in finalizing pilots and identifying innovations and opportunities for more efficient water use (e.g., drip irrigation). CASH will also identify opportunities to influence behavior change, establishing the mindset that water is a key valuable input, and that using it properly can yield higher profits and better livelihoods. The project will measure water productivity throughout the project.

Conflict Triggers Analysis. CASH will also conduct a conflict triggers analysis, by examining the external political factors that may impact the project and the potential conflicts that could be triggered by CASH's bolstering of value chains – particularly those that cross tribal lines or rely on inter-tribal cooperation. After the end market analysis details where the markets are located, the catchment areas for each value chain, and the infrastructure investment required, CASH will model potential conflict triggers in these locations, assess power dynamics between tribes regarding whether a demonstrated income increase in one area will lead to conflict with others. Other factors will be assessed such as how the pending increase in returnees from Saudi Arabia

will impact stability, whether increased empowerment of women risks gender-based domestic violence or backlash from religious fundamentalists, and other factors.

Household Nutrition and Income Use Analysis. CASH will analyze household nutrition and how household income is allocated in the seven target governorates. For quantitative data, the project will use random sampling to set a nutritional baseline among project participants and non-participants. CASH will consider average household income, employment status, food accessibility, and receipt of humanitarian assistance (if any). CASH will also conduct semi-structured interviews, with either individuals or focus groups, and combine these with observations such as transect walks and visualization techniques such as mapping, seasonal calendars, ranking exercises, time charts and Venn diagrams. This will enable the project to understand people's food habits and related beliefs, food entitlements and existing constraints, and the role that different family members make regarding nutrition (household food security, water, health and care). CASH will identify food insecure groups in the target governorates, describe the nutritional status of girls/women and children younger than five, and compare the nutritional status of these groups to the non-target population. After the baseline, the project will develop a set of trigger data points and levels that will help us monitor if household nutrition level targets are changing. Our mitigation and monitoring plan will measure the impact of CASH objectives in all three value chains and participating groups, as well as model how these groups would have fared if no activities had been implemented. Finally, CASH will develop a nutritional impact assessment toolkit to monitor progress during Phases 2 and 3.

## **Phase 2: Proof of Concept Pilots (Year One)**

Based on the data from Phase 1, CASH will launch several pilot activities to test the three value chain approaches (commercial, small scale and vulnerable). In each, CASH see opportunities to improve engagement of women. Together with USAID, CASH will evaluate the potential pilot activities which will result in: improved productivity, expanded markets and trade, increased agriculture investment, and increased employment in the strategic value chains, particularly for women. Below, CASH detail how CASH would conduct pilot activities in coffee, horticulture, honey, livestock and handicrafts value chains. The final pilots will be determined in consultation with USAID.

### **Commercial Value Chain Pilot: Specialty Coffee Quality Enhancement for Export Market Expansion.**

In 2013, the Coffee Quality Institute (CQI) conducted a USAID coffee value chain assessment that identified key interventions to improve Yemen's coffee sector. Leveraging Yemen's excellent reputation for coffee, CQI has designed a comprehensive pilot that will position Yemen's specialty coffee sector to meet international quality standards and return premium prices to producers.

The pilot program will include the following:

Coffee Buyer Mission. CQI will invite specialty coffee buyers (see box) for a five-day promotion and education campaign to Sana'a and Taiz Governorates to meet producer associations and exporters such as the Women's Association of Talooq, Shabir Al- Ezzi, Al Hamdani, and Fee Coffee. At these meetings, buyers will seek to discover and cup specialty coffee lots, and to negotiate business on the spot. The buyer mission combines education with promotion by putting the expertise of foreign coffee buyers to work while they learn about the unique properties of Yemeni coffee. For farmers, the mission provides an excellent opportunity to understand buyers' purchasing criteria. Buyers will pay their own way to Yemen, as their interest is to establish direct trade relationships with farmers.

Q Coffee System. To increase the quality and consistency of Yemeni coffee, CQI will implement the Q Coffee

System.<sup>3</sup> CQI will deliver training in Q grading, resulting in a cadre of professionally licensed cuppers who will assure that the quality and consistency of Yemeni coffee matches international standards. The Economic Development Fund has also expressed its interest in supporting the Q trainings.

Cup Profiling, DNA Fingerprinting and Traceability Program. With a local service provider, CQI will create an informational tool that informs buyers about suppliers and flavor profiles. This information could be shared with international buyers interested in a particular cup profile or region. CASH will use GPS technology to map profiles of coffee by region, including coordinates, soil and weather data, and elevation. The tool will also mitigate adulteration by providing potential collectors, exporters, or buyers with genetic markers to trace the product back to the farmer or area of production, so the risk of buying non-Yemeni adulterated coffee is diminished. This system will help the industry to identify the volume and quality produced in the different regions of Yemen. CASH will consider making the tool available on an association website. The traceability program should be scaled up to other regions once the pilot project is completed.

Farm Production and Processing Training. CQI will train farmer groups from whom buyers express interest in sourcing on best agricultural practices for coffee production and processing. Topics will include efficient use of resources (water, soil, shade trees, density per hectare); agronomy (plant renovation, pest and disease management, using organic fertilizers and improved pruning techniques); and drying (low cost drying beds, standardization and identification of proper ripeness) and will result in improved quality, consistency, and price of coffee delivered for final processing.

Phase 3 will scale the above interventions, while adding complementary activities such as linking farmers to international markets through commercial missions (e.g., participation at Specialty Coffee Association of America Expo) and local competitions (e.g., Cup of Excellence); supporting the development of a Yemeni Coffee Development Agency; and supporting coffee consumption through training local baristas and roasters.

### **Commercial Value Chain Pilot: Honey Quality Certification for Export Market Expansion.**

Yemen produces some of the world's highest quality honey. Its Sidr, Salam, Sumar, and Maryee varieties enjoy particularly strong demand. Because of the high domestic demand and because the value chain works sufficiently to meet it, few Yemeni firms have sought international markets. As such, there are opportunities for export market development and for a greater role for women and youth in the sector, especially those with little or no land holdings. CASH will engage women in export-oriented honey value chain activities. While men tend to dominate apiculture in Yemen today, worldwide, women thrive as beekeepers, and there are opportunities to encourage and promote Yemeni women as producers to serve high value export markets.

CASH will invite existing women's groups to be trained in technical, business, and organizational skills to maintain beehives and to produce high quality honey within the socio-cultural norms of Yemeni society. Special efforts will be made to encourage sedentary management of beehives and honey production, such as around Sidr or Sumar forests, since men currently migrate with their hives. Women and youth will also act as community-based trainers and quality control agents who would actively work with their households and neighbors to ensure that standards are followed during production and processing. As women's honey groups gain access to export markets, CASH will create a communications strategy to raise awareness of these successes and create a demonstration effect that pulls other women into the sector.

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<sup>3</sup> CQI's *Q Coffee System* is an internationally recognized program for evaluating cup quality, based on a standardized system using the Specialty Coffee Association of America protocols. It is a proven mechanism to increase the value and volume of coffee exports by creating a common language for quality that links quality sellers with quality buyers. The key components of this system are certification of professional cuppers as licensed Q graders, building the capacity of an in-country partner to manage and oversee the Q instructor program, and implementing Q grading services on a national scale.

Quality Trademark Seal. CASH will support joint efforts of the YSMO within the Ministry of Trade and the World Bank-funded Economic Opportunity Program to establish a trademark for Yemeni honey. This trademark will build on the efforts of the YSMO with leaders from the Yemen Honey Cluster to develop quality standards to protect the industry and access diversified export markets. In Phase 3, CASH will also scale up industry capacity building support in HACCP, ISO standards, honey standards and organic certification.

Packaging and Handling Study Tour to Turkey. CASH will facilitate a study tour to honey processors in Turkey, the world's second largest producer of honey. Turkey has a robust, modern packaging industry, from which Yemeni exporters could learn about the appropriate handling practices and packaging materials as honey moves from farm to consumer. CASH will engage key industry stakeholders and beekeepers associations in our target governorates to modernize practices according to market expectations.

### **Small-Scale Value Chain Pilot: Horticulture Productivity for Local and Urban Markets.**

While Yemeni farmers are producing fruits and vegetables for urban markets, the quality of fresh produce needs to be improved to compete for market share with high quality imports and return higher incomes to farmers. Yemeni smallholder yields of the major fruits and vegetables are only 40 to 60 percent of what could be achieved simply by applying more intensive methods of production, including adopting modern farm management practices and improved technologies, such as hybrid seeds. Informed by initial analytics and specific end market opportunities, CASH will select several crops that have the ability to compete with qat (including grapes, tomatoes, cucumbers, capsicum, onion, okra and strawberries) for pilot activities. These activities will focus on strengthening relationships along the input supply marketing system, improving productivity and quality at the farm level, and facilitating improved efficiencies all along the output marketing system.

Pilot Demonstration Sites. Building on the CLP's eight greenhouse demonstration sites, CASH will pilot a sustainable public-private sector extension model based on Land O'Lakes' innovative Answer Plots® approach. CASH will set up sites owned and operated on a profitable basis by community-based water management associations. These learning platforms will engage private sector input supply companies, business service providers and government extension agents to demonstrate the gains in productivity that can be realized by smallholder farmers who adopt improved farm management practices and new technologies. Managed by male and female agronomists trained by input supply companies, these sites will demonstrate efficient water use, including innovative rainwater harvesting techniques, solar and drip irrigation, recycling of household or community water, complementary greenhouses and tunnels for horticulture and proper agronomic practices for hybrid seeds.

Mainstreaming Participation of Women. CASH will facilitate the up-take of new technology by women's groups through the use of smart subsidies so that women can gain access to and then cooperatively manage tunnels or plastic greenhouses for the commercial production of fruits and vegetables. CASH will encourage wholesale supply companies to train enterprising women and youth as field agents and/or representatives to give "follow-up" training and advice to farmers adopting new technology.

Product Aggregation. CASH will strengthen the ability of water management associations and male and female farmer-based organizations to act as bulking agents for their members. CASH will mobilize local service providers to strengthen producer groups' ability to manage their associations or organizations in a business-like manner so that bulk input supply contracts can be negotiated and high quality grades and standards can be demonstrated, taught and rewarded with price incentives.

### **Small-Scale and Vulnerable Value Chain Pilot: Livestock Fattening and Marketing.**

Women and girls in Yemen traditionally provide daily care of family livestock such as watering, feeding and monitoring for disease, pregnancy, birthing or illness. However, women do not participate in herding or marketing activities and consequently do not benefit financially from their labors and knowledge. Land O'Lakes will undertake a pilot study aimed at increasing women's benefit from livestock production and marketing. This will both help increase women's incomes and ultimately improve household nutrition.

Form Livestock Marketing Associations. Targeting small-scale value chain and vulnerable farm types referred by current humanitarian assistance programs, CASH will form three women's livestock marketing associations. Using our AgPrO curriculum as a guide (Activity 1.4), they will build trust and group cohesion; learn the principles of marketing and business management; and, as needed, literacy and numeracy training. Women will be guided through the process of selecting suitable animals, negotiating prices and developing a marketing plan. Because of the pilot's short nature, women will be encouraged to fatten animals for 60 to 90 days before selling them.

Deliver Technical Training. Throughout the pilot, women will participate in a series of integrated training sessions focused on planned production and marketing. Training will cover the selection of quality animals, improved husbandry practices with emphasis on animal nutrition and feeding, and basic animal health practices. Interwoven into all trainings will be core human nutrition messages to improve the link between income and purchase of nutritious foods.

Develop Microcredit Facility. IESC will work with a local, rural financial institution to develop and pilot a loan product specific to the needs of women traders purchasing livestock (e.g., goats and sheep) for fattening and re-sale. The pilot activities will entail researching demand, concept design and planning, and field testing in two to three branches. Issues that will need to be addressed include lack of supplemental collateral, adapted procedures and paperwork, cultural issues (e.g., lack of acceptance by male family members), and potential livestock losses. IESC will work closely with the CASH Value Chain Advisory Team and the livestock marketing associations to assist in the initial product design (which may include mandatory insurance) and to convince the financial partner how the related project activities will reduce repayment and market risks.

Before scaling up the activity, Land O'Lakes will assess the business model based upon costs of production and final market prices.

### **Vulnerable Value Chain Pilot: Handicraft Value Chain for Female-Headed Households.**

For centuries, a diversified craft industry flourished in Yemen, producing daggers, swords, gold and silver articles, jewelry, woven fabrics and pottery. Over the last six decades, the craft sector has been overrun by inexpensive imports from Asia and other Arab states. The Yemeni Ministry of Culture has begun to revitalize arts and crafts. The renovation of the artisan quarter in Sana'a has been widely promoted, and the work of artisans is planned to be featured at events and festivals aimed at attracting tourists. By cultivating the handicraft market in Yemen and abroad, CASH can generate jobs and additional income for vulnerable women in agricultural regions, while minimizing the use of scarce water resources.

High-end Design and Marketing. An Aid to Artisans (ATA) international design and marketing specialist will assess available materials and propose designs for gift baskets based on traditional designs. These baskets will be updated to respond to needs of target markets including upscale hotels and gift shops, as well as possibly for export. Baskets will be designed in a way that women in rural female-headed households, who may only be able to work part time from home, can produce them. The baskets will be labeled "Handmade in Yemen" and include background information and photos of the artisans.

Linked to Target Value Chains. The CASH craft pilot will use local agricultural byproducts and other earthen materials to produce baskets woven from braided palm fronds, grasses and other local plants and foliage. The craft pilot will assist women to produce gift baskets for coffee and honey products, capitalizing on demand generated from other project activities.

Technical and Business Skills. An ATA business trainer will train 20 moderately vulnerable women identified through agricultural associations or referred by existing humanitarian programs. Women will be trained in natural dyeing using local organic materials; new weaving, braiding and coiling techniques; new basket shapes and color combinations; and efficient production methods and quality control. Each trainee will produce a number of first-quality baskets to be filled with agricultural and artisanal items. At the same time, women will be trained in craft entrepreneurship and business skills such as costing and pricing, re-investment of profits, merchandising and display, and marketing. Special attention will be paid to gender strategies allowing women to not only earn additional income, but to keep their earnings and use them to improve economic security and nutrition for their families.

### **Phase 3: Commercialize and Scale Select Value Chains (Years Two-Five)**

Based on the data from the Phase 1 analyses and the lessons learned from the Phase 2 pilots, CASH will garner a clearer idea of which value chains can be brought to scale, and how to do so. In Phase 3 CASH will cultivate those market opportunities. The following three components illustrate the demand-driven nature of the program, CASH will start with the Market Access Component and follow with Value Chain Development and Access to Finance components.

#### **Component 1: Market Access and Development.**

For Yemen to build transparent, sustainable value chains, the firms and individuals that make up those chains must have incentives to form transparent, mutually beneficial relationships. In Component 1, CASH will cultivate those markets and develop Yemen's capability to meet them.

Activity 1.1: Build Cluster Working Groups as the Basis of the Value Chains. CASH will link groups together based on their capabilities, proximity to one another and willingness to become part of the value chain. Cluster Working Group (CWG) members will consist of modern input suppliers, agricultural extension agents, farmers, pickers, packers, shippers, storage providers, wholesalers and retailers. CASH will also include stakeholders who may be one step removed from the actual value chain, but who nonetheless provide key inputs (e.g., financial service and other business service providers such as quality control companies). As appropriate, CASH will identify opportunities to integrate women into CWGs, such as through women-only meetings or through representation at NGO meetings.

Through the CWGs, CASH will facilitate the strengthening of a sustainable ecosystem on which they can thrive through mutual collaboration and cooperation to reach their respective markets. CASH will work through BDS providers and NGOs in each governorate to convene meetings of each CWG. At these meetings, each CWG will create cluster action plans (CAPs) for their respective value chains, discuss any issues or constraints to value chain growth, and ultimately generate a five-to-10-year vision. This vision will direct CASH, private-sector, and ROYG investments in each value chain. This collaborative approach will help each CWG sequence the actions and aggregate input and transport linkages, create common marketing strategies, approach financial institutions for credit, and build members' capacity to adopt new innovations and become more creditworthy. By placing the CWGs at the center of the value chains, CASH will foster Yemeni ownership and facilitate relationships that will make the value chains sustainable.

Activity 1.2: Engage in Export Promotion Activities (Trade Shows, Trade Missions, Study Tours and Business to Business Events). Phase 1 will determine the export markets that are most promising for Yemeni products. Here, CASH will help Yemeni associations and lead firms facilitate those trade linkages. For instance, 700 grams of Sidr honey currently sells for approximately \$270 in Dubai. The project will focus initially on distributors in Dubai, whose low entry barriers (taxes and inspection) allow better access to the re-export markets in the region, as well as similar Gulf markets, such as Abu Dhabi and Doha (where the SFD and its Marna' Talha Center for Marketing has announced plans to open a Yemeni-Qatari heritage center and sell Yemeni handicrafts). CASH will also facilitate relationships through a combination of trade show participation, trade missions, study tours, and business to business networking events. For coffee trade shows, the project will consider the Coffee, Tea, and Cocoa Global Industry Expo (COTECA) in Hamburg, Germany and the Specialty Coffee Association Annual Meeting in the United States. For honey, the focus will be on the Gulf Food Exhibition in Dubai, the Fine Food India Export, the Anuga Trade Fair or the Fancy Food Show in New York. CASH will also examine the possibilities to export to online retailers (e.g. igourmet.com) that target smaller buyers such as delis and specialty shops. For handicrafts, CASH will look into Beckmans Handicraft Gift Show in Chicago or the Creative Work Fair in Germany.

Prior to each event, CASH will mentor participants on product design, quality and pricing; guide them on the selection of samples; help them develop tailored marketing materials and devise strategies to generate larger orders. The project will also design study tours with promising participants. For example, for the horticulture value chain, a tour to Nairobi, Kenya could be an effective way to learn from best practices in cold chain storage and marketing of fruits and vegetables to the EU.

Export Trade Training. Market information and exposure to buyers is a critical aspect of facilitating trade, it is important that new opportunities are coupled with the capacity to meet international and private sector standards. A new market linkage will only be sustainable if the supplier is able to meet client expectations in terms of quantity, quality, timeliness and price. Program interventions under this core activity will facilitate market linkages and trade capacity by: disseminating information on GSP/EBA eligible products and requirements; assisting suppliers to meet international trade certification (e.g., organic, GLOBALG.A.P., HACCP, fair trade, etc.); providing technical and managerial training to meet buyer quality expectations and improve productivity; sponsoring business forums, roundtable discussions, and other outreach events to investors; and engaging in other business partnerships along the value chain. Technical assistance and sector-specific trainings will be tailored to the needs identified during the proof of concept pilot stage and in action plans from the CWGs.

Activity 1.3: Develop Market Information Systems (with Traceability). In Yemen, existing market information infrastructure is limited and data quality varies from governorate to governorate. A market information system (MIS) is a set of procedures and methods to gather, store, and distribute information on market prices, production, current demand, tenders, etc. A reliable system allows rural producers, processors, traders, and exporters to make informed decisions on production, market opportunities, available input supplies and potential partnerships. MIS is also an important aspect of any traceability and quality assurance program.

To address this need, IESC will build on the experience of IFAD and the World Bank to improve the quality of data supplied through the current government system. CASH will also explore opportunities for public-private partnerships with SMS providers to increase access to the service. CWGs will be important partners in designing a system that is responsive to their needs. Illustrative tactics are outlined below.

Business and Farmer Associations. CASH will work with producer and export associations to provide market information to its members on price, good agriculture practices, information on inputs and new equipment technologies. Given that these associations already have a reach into rural communities, their participation in

any MIS program would enhance the sustainability of the initiative.

SMS Market Information. In partnership with Spacetel Yemen, Sabafon, or other local telecom providers, IESC will create a SMS MIS that can give producers direct access to the buyers and coordinate collection points. Data would be sent via SMS with information on company name, contact details and type of product the producer/buyer is looking to supply or purchase. This information will then be gathered and entered into a database that both producers and buyers can access, enabling them to negotiate prices and quantities directly. Business associations can set up bulking centers at strategic places within communities, which will allow producers to pool their product, set up collection points, access quality, and negotiate better prices based on quantity/quality factors. The initiative could be financed through a start-up grant and/or cost share from the ROYG, the private sector or other donors.

MIS Radio. With MAI, agriculture associations, and the private sector, CASH will explore developing a radio program that provides market information to farmers/producers. The program would address information on improved techniques, nutrition, and other subject matters that would enhance the popularity of the program.

Activity 1.4: Build up Producer Organizations and Farmer Groups. CASH will facilitate building the capacity of the producer organizations whose members supply the value chains. Based on data from our analyses and lessons from the pilots, Land O'Lakes will train BDS providers and NGOs in our AgPrO methodology. By going to the BDS providers first and enabling them to build the farmer groups' capacity, CASH will foster sustainable, long-term relationships between service providers and customers. AgPrO will enable the BDS providers to build producer organizations' capacity in areas such as general governance structure (including female representation in leadership positions), comprehensive record-keeping systems, development and execution of business plans, developing market leads, negotiating contracts, and tailoring production to meet market requirements. AgPrO will also enable the BDS providers to train farmers in business planning, organizational governance, and output marketing so as to enhance farmers' buying and selling power and reduce transaction costs, ultimately allowing for a larger share of crop value to return to the farmer and enabling farmer groups to better advocate for themselves during marketing and negotiations.

## **Component 2: Value Chain Development**

With end markets, buyers, and constraints identified, CASH will then facilitate value chain interventions. The activities below describe how CASH will build out the capabilities required by CWG actors across value chains.

Activity 2.1: Increase Access to Inputs. Land O'Lakes will use our Developing and Strengthening Input Supply Systems Manual to guide input supply products and services in CASH's value chains. This manual guides facilitators through the process of assessing market opportunities to supply modern agricultural inputs to farmers, select input suppliers and identify their training needs, and monitor progress toward developing and strengthening new and existing input supply companies while ensuring high-quality inputs are accessible and affordable to smallholder farmers. Each component is customizable based on local circumstances, including the level of development of the private sector, the extent to which input supply businesses are being built from scratch, the ability of required inputs to be produced locally rather than imported, the degree of political stability and sociocultural norms. Likewise, the manual's numerous training modules consist of multiple versions, with the appropriate version used based on the input supply company's capabilities. In all contexts, our manual advances a market-led approach to developing and strengthening input supply systems. This approach strengthens all components of an agricultural value chain, and increases long-term net economic benefits for both farmers and input suppliers.

Activity 2.2: Strengthen Support Service Provision (technical and business/management). Land O'Lakes will deploy our proven BDS approach to build the capacity of private sector service providers to address constraints facing agricultural enterprises. Services are offered in the market, transactions are made and all facilitative support is focused on market constraints. This results in increased outreach of services (as the support market has an incentive to grow), sustainable supply and demand interactions, and greater impact (as services are based on demand and service costs more appropriate to the market).

Informed by Phase 1 analysis and Phase 2 pilots, CASH will conduct a BDS mapping activity to identify service providers. CASH will take a broad view: services may be provided by small enterprises, lead firms, producer organizations, associations or individual entrepreneurs, among others. CASH will then address both demand- and supply-side constraints by working with BDS providers to improve service quality, pricing, promotion and outreach. By the end of the program, CASH expect to see more service providers offering a greater range of services demanded by value chain customers who pay competitive prices and keep coming back for more.

Activity 2.3: Accelerate Innovative Value Chain Technologies and Services. CASH will provide catalytic grant capital and business support services to early-stage ventures and graduate them to external finance. Land O'Lakes will encourage and facilitate the emergence of innovative technologies and services that have the potential to address value chain constraints. Informed by market analytics (Phase 1) and smallholder and vulnerable household (especially women's) production and processing needs identified during the pilot programs (Phase 2), CASH will launch an innovation solicitation to identify technologies, goods, and services capable of boosting productivity, conserving water and raising incomes. The project will select promising agricultural innovations through a rigorous two-round process: Round 1 will consist of rating concept notes based on established innovation criteria; the most promising concepts will be invited to Round 2, where innovators will submit a full proposal and "pitch" their business idea to the selection committee. Using our existing Innovation Measurement Scale, which provides a system and standards to critique the merits of each proposal, CASH will carefully analyze each submission and recommend the most promising ones for USAID funding. Once innovations have been selected, our team will develop targeted coaching and mentoring plans for each grantee to increase the likelihood of success. The project will promote selected innovations at events and venues (e.g., Matchmaking and Solution Seeking Sessions and local agricultural trade shows) to forge linkages and alliances between innovators and investors.

Activity 2.4: Increase Access to Productivity-Enhancing Technologies. Once technologies are selected in Activity 2.3, CASH will roll them out to farmers and farmer groups in the respective value chains. CASH will do so in several ways depending on the value chain, the governorate, the security situation, existing infrastructure and the presence of ROYG or donor projects whose expertise or funding the project could leverage. For example, CASH will identify lead farmers to pilot the use of the technology and facilitate training them in that technology through MAI extension agents, a Yemeni BDS provider or an NGO. The project will explore setting up community-based sites to demonstrate how the technologies and new techniques improve productivity and boost incomes, sponsor farmer field days, and collaborate with other development entities to use greenhouses (within the target governorates) as potential demonstration sites, and IESC will work through the USAID MENA II project to establish linkages with financial institutions that are willing to expand to more farmers. CASH will also work through women's NGOs, such as the Women's Economic Empowerment Association, Yemeni Women Union, or others identified during the gender assessment, to bring new technologies to women through women's-only farmer field day training events.

Activity 2.5: Improve Physical Market Infrastructure. Lacking effective and efficient marketing infrastructure, producers are unable to deliver high quality produce to wholesale and retail markets. Land O'Lakes will lead the CASH team in working closely with a broad group of industry associations and lead firms to address specific weaknesses in the infrastructure of all four value chains. CASH will encourage and facilitate

investments, including public-private partnerships that will add to or maintain the value of agricultural products for large numbers of commercial and smallholder farmers, and ultimately vulnerable households, especially those headed by women. CWGs will identify specific infrastructure gaps or weaknesses within each value chain. The project will encourage public-private partnerships, associations and/or lead firms to address these issues. As lead firms or groups of companies respond to these infrastructure investment opportunities, IESC will assist them to raise sufficient loan and equity capital to make the investments. CASH will link borrowers with technical and financial expertise to develop bankable business plans to present to lenders. The project will also work with the ROYG to establish more community-based Sidr plantations or Sidr forests, since it has established this as a top priority in its national agricultural strategy. Similar investments could include:

- Honey: modern, clean storage drums; village-based storage houses; beehives; trucks for shipping honey from orchard to processing facilities.
- Horticulture: cold (refrigerated) trucks; pre-cooling equipment and/or facilities; village-based cold stores; sorting, grading and pack houses for the wholesale collection of fresh fruits and vegetable production from surrounding communities.
- Livestock: nitrogen tanks for semen; livestock transport equipment (trucks); feeders to hold animal feed and reduce loss and waste at the village and farm level; holding pens for conditioning livestock.
- Coffee: modern drying equipment; tree pruning equipment; upgraded depulping machines, water harvesting tanks for drip irrigation.

Activity 2.6: Integrate Vulnerable Households into Value Chains. For vulnerable households, CASH will work to smooth household income and consumption by providing a competitive grant to a Yemeni NGO to deliver household enterprise curriculum. CASH will build on current donor projects, such as the USAID/OFDA EASE II program and the Food for Peace Emergency Food Program, to identify households who can graduate to CASH value chains. The NGO will train these and other households on basic business skills – including the concepts of profitability, cash flow, savings, loans, asset protection and record keeping – and planning for the health and nutrition of family members.

Drawing on best practices of gender inclusion, participation in the training will require the attendance of three household members (except for female-headed households). As our experience has shown, women's attendance encourages involvement in household decision-making; men's attendance reduces the likelihood of domestic violence; and an elder child's attendance will help sustain learning for the next generation. It also encourages the household to form a shared vision of progress. Following this training, vulnerable households will be introduced to low risk on- and off-farm group and individual IGAs. Using Land O'Lakes' Economic Strengthening Toolkit and the results of the end market and gender analyses, CASH will develop a menu of production, processing, retail and service IGAs, many of which will appeal to women and link to CASH-supported value chains. By helping women view these activities through an enterprise lens, they will see opportunities to help their families. To expand IGAs and incomes over time, successful entrepreneurs will be linked to sources of microfinance.

Activity 2.7: Increase Nutritional Impact on Rural Households. CASH will use the data gained from the household nutritional assessment to identify nutrients missing from the diets of rural households. In conjunction with seasonal agricultural calendars, CASH will develop dietary diversification strategies that fill food and nutrient gaps experienced during peak hunger periods. Potential strategies include home-based garden production and rearing of small livestock to improve diet diversity and to reduce losses through

improved storage and preservation. The project will also design and integrate key nutrition messages that promote dietary diversity and household hygiene, and that communicate the adverse effects of qat on both health (such as tooth decay) and household nutrition. CASH will also integrate children's and women's nutrition into our farmer field day activities and IGA group trainings. Examples include highlighting nutrition messages and using locally available foods for cooking demonstrations. Nutrition materials will complement activities to increase women's involvement in financial decisions and income-generating projects while encouraging men to foster better family nutrition.

### **Component 3: Agriculture Credit Development.**

Agricultural finance is constrained for supply and demand reasons. On the supply side, many banks are poorly capitalized, have high non-performing loan concentrations and are technically insolvent. On the demand side, small businesses often have an aversion to riba (interest), diminishing their attraction to commercial banking. For MSMEs, farmers, and rural women, access to finance is problematic because of: 1) stringent bank collateral requirements (up to 400 percent of loan size and typically involves land); 2) a preference for "relationship lending" with well-known connections; 3) low geographic reach and preference for urban areas; and 4) poorly adapted products and poorly trained staff. Therefore, informal credit systems through traders and relatives prevail. Beyond conventional banking, there are 12 MFIs that had 82,000 borrowers with a loan portfolio of Yemeni rial (YR) 6 billion and 129,000 savers. Yemen has a relatively well developed, though fragmented and urban-focused, microfinance industry. Through the development banks, the ROYG intervenes in financing certain activities for SMEs and the underserved in rural areas, particularly through the SFD, the EOF with IFAD and the Agriculture and Fisheries Production Promotion Fund.

IESC will not necessarily target the players typically involved in agricultural credit schemes (e.g., quasi-government entities like SFD and the Cooperative Agriculture and Credit Bank) or banks already involved with external parties (e.g., through projects with IFAD and IFC/DFID). IESC will focus on complementing and assisting existing initiatives and oft-mentioned financial partners, such as Al Tadhamon Islamic Bank and Al-Kurimi Bank, to scale up operations. Such players often require assistance in execution and efficiency rather than funding. Such interventions could involve implementing a mobile phone-based retail agent model to help the bank meet cost efficiency thresholds for serving rural areas. This model would be complemented by DCA guarantees to convince the bank to move out of its comfort zone of urban and retail lending and into rural and agriculture lending. IESC will focus most of its efforts, however, on working with new financial institutions, such as MENA regional impact investors and banks, to raise capital for the commercial value chains and facilitate funding of MFIs and local banks not traditionally seen as funding "darlings" by the donor community.

#### Activity 3.1: Facilitate Additional Capital from Existing Sources.

For all three marketing groups, IESC will primarily target new investors/lenders that may not have intervened yet in agriculture finance in Yemen. These will include regional impact investors; Yemeni private, commercial banks who have not lent significantly to agriculture; and even value chain players such as input providers and buyers who have not yet provided credit. Many of these new players will likely have concerns rooted in historical failures in agricultural lending, political risk due to security and stability, and impact on profits due to inefficiencies in working with small and hard-to-reach borrowers. IESC will alleviate these apprehensions by facilitating meetings between value chain players, presenting results from the end market analysis to demonstrate potential returns, and proposing financing structures and risk enhancements (such as

#### **Specialty Coffee Investment Fund**

We will explore connecting large coffee buyers (see Phase 2 coffee pilot) and exporters and MENA-based investors and banks to create a fund for long-term equity or cost-sharing investments. These could include coffee processing and grading equipment, traceability systems, high-value coffee plants, or additional land, for beneficiary SMEs, larger farmer organizations, and individual, commercial farmers.

guarantees through USAID's Development Credit Authority program). The IESC financial experts will also target, to a lesser extent, existing lenders to distribute funds more efficiently to beneficiaries (see Activities 3.2 and 3.3) and to leverage additional wholesale capital for their existing funds. These lenders could include commercial and development banks, MFIs, multilateral programs (IFAD, IFC/World Bank, USAID Middle East Partnership Initiative and MENA II programs, Arab Fund for Economic and Social Development), and government programs (SFD and EOF). Given size and return requirements, CASH anticipate that these activities for new financial service providers will primarily affect commercial value chains.

- **Primary: Commercial Value Chain.** IESC will collaborate mostly with larger, commercial banks in Yemen and MENA regional banks, such as the Al Baraka Banking Group-Bahrain and the Islamic Development Bank, impact investors, and sovereign wealth funds, particularly from the countries who are members of the Gulf Cooperation Council. IESC will also identify and collaborate with multilateral entities and investors that have a specific goal to work in Arab countries, such as the SANAD Fund in Luxembourg. IESC will work with CWGs (identified during Components 1 and 2) to present investment opportunities for long-term equity, long-term debt for fixed assets or export financing. To improve efficiency, scale, and risk management, IESC will work with these financial partners to pool the financing needs of several SMEs and large farmers into single investment structures, such as investment funds or sukuk bonds. CASH will facilitate the creation and implementation of at least one such structure per year in Years 2 through 5, affecting at least 75 investees.
- **Secondary: Small-scale and Vulnerable Value Chains.** For small-scale and vulnerable value chains, CASH will use a wholesale approach to increasing capital for the respective beneficiaries. For example, CASH will explore investment preparedness services and help facilitate negotiations and structuring to existing small banks and MFIs for injections of capital from larger financial institutions, such as large regional banks or sovereign wealth funds. CASH will also investigate the possibility of large agribusinesses directly involved in the key value chains, such as input providers and wholesalers, to invest capital in these financial intermediaries. CASH will facilitate the creation and implementation of at least two such capital injections per year in Years 2 through 5.

Activity 3.2: **Build Financial Institutions' Capacity**. Based on the access to finance analysis in Phase 1, CASH will train financial service providers to more effectively serve the target businesses and farmers. Most of these activities will entail working with the financial service providers involved in smallholder and vulnerable value chains, such as MFIs and smaller banks that are already involved to some extent in agriculture lending in Yemen.

- **Primary: Smallholder and Vulnerable Value Chains.** IESC will provide two training sessions per year with pre-identified MFIs and smaller banks for up to 25 participants (up to three participants per institution, eight institutions per training). The training topics will vary based on need but will likely cover topics such as market research and product development, agriculture finance risk management, process analysis and design, and human resources management. CASH will work closely with trade associations and support entities, such as the YMN, to assist in the planning and marketing of the training activities as well as to create local, institutional knowledge that will sustain beyond the life of the program (i.e., training of trainers). For these entities, CASH suggests a matching investment of at least 25 percent.
- **Secondary: Commercial Value Chains.** IESC will provide one training per year with pre-identified banks and investors for up to 25 participants (up to three participants per institution, eight institutions per training). The topics will cover advanced aspects of 1) agricultural finance and structuring; and 2)

Yemen investment and rural related issues (for those not yet intervening in Yemen or rural areas). In working with other team members, particular value chain investment and risk related issues, such as for coffee, may also be covered in the trainings, if needed. For these entities, CASH suggests a matching investment of at least 40 percent.

Activity 3.3 Develop New Products and Improve Financial Service Delivery. IESC will provide one-on-one technical assistance to help implement concepts covered in the training in Activity 3.2. IESC will identify one to two financial service partners after receiving a follow-up report from the partner on how it had used the training materials to implement the training topic. Priority will be given to partners who not only have the capacity to implement such changes, but who also demonstrate a strong desire for the changes to occur, particularly in helping vulnerable women and SMEs without access to formal finance. Similar to Activity 3.2, most of these activities will entail working with the financial service providers involved in smallholder and vulnerable value chains.

- **Primary: Smallholder and Vulnerable Value Chains**. IESC will work with at least two financial institutions per year in Years 2 through 5 to implement or improve upon new products, process improvements, risk management, and human resources management. Product development will be encouraged with a focus on listening to clients' needs and desires, particularly those of women, and putting in place new products or features that will fill women farmers' needs. IESC will encourage these partners to focus on not just typical agricultural credit but also micro insurance, savings products and the provision of financial literacy services for women and other vulnerable clients (linked to Activity 2.5). IESC will also facilitate solutions that consider cultural norms, Islamic finance concepts, and informal finance, such as local moneylenders and networks. For human resource management, IESC will assist these partners to recruit and develop their female staff in technical and management positions. Beyond product development, IESC will work with partners to improve efficiencies and risk management. For example, IESC will encourage financial partners to work directly with value chain players (e.g., input providers and wholesale buyers) to create joint information and payment arrangements for initial credit decisions, loan disbursements and reimbursements, instead of relying on banks to implement the due diligence, payment and monitoring systems. One solution may be for input suppliers to provide information to banks on farmers' creditworthiness so that an instant credit decision can be made at the point-of-sale using mobile phones.
- **Secondary: Commercial Value Chains**. CASH will work with at least one formal financial institution each year in Years 2 through 5 to pilot and create new efforts (or entire departments) in agriculture finance, particularly around building human resources capacity. CASH will also encourage these partners to develop products (beyond typical trade finance) for long-term financing of investments that could help SMEs and large farmers become more efficient and productive (e.g., new storage facilities or irrigation equipment).

### **Promoting Resilience**

Where possible, CASH will coordinate and collaborate with USAID Yemen's Humanitarian Assistance programs currently implementing approximately \$90 million in annual assistance to food insecure communities (many of which are in CASH's focus area). Pilot activities will be developed and implemented where possible to support mutually supportive goals (rehabilitation of terraces in coffee production areas, food vouchers for procurement of locally produced agriculture products, etc., water provision enterprises coordinated with WASH activities and water harvesting and distribution systems). Other potential pilot activities could be developed that allow target beneficiaries to participate in value

chain production and marketing activities through a combination of USAID Humanitarian Assistance and CASH activities (e.g., developing joint programs for production of plant material, improvement of market access pathways and secondary rural roads, etc.). Key focus will be on layering USAID’s approach to work with communities in transition from humanitarian assistance toward sustainable development and help them move along that continuum.

**Illustrative Farm Types and Farmers Participating in CASH**

Illustrative Farm Types	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Commercial Value Chain - Coffee, Honey and /or Horticulture	500	1,000	1,750	1,750	2,000	7,000 (\$12.5 million)
Small Scale Value Chain Horticulture, Honey and/or Livestock	250	500	750	1,000	850	3,350 (\$6 million)
Vulnerable Household Value Chain Livestock and/or Honey	250	500	750	1,000	850	3,350 (\$6 million)
<b>Total</b>	<b>1,000</b>	<b>2,000</b>	<b>3,250</b>	<b>3,750</b>	<b>3,700</b>	<b>13,700 (\$24.5 million)</b>

**SECURITY**

The security threat level in Yemen is extremely high and the U.S. Department of State warns U.S. citizens of the high security threat level due to terrorist activities and civil unrest. Travel is extremely restrictive and Americans are discouraged from traveling to the country.

The Grantee should be aware of these restrictions and plan accordingly and take precautions to maintain the safety of the staff. This includes the preparation of evacuation plans, security measures, and registering with the U.S. Embassy Warden System.

**ACRONYM LIST**

AgPrO	Agricultural Producer Organization
ATA	Aid to Artisans
BAP	Best Agricultural Practice
BDS	Business Development Services
CAP	Cluster Action Plan
CASH	Competitive Agriculture Systems for High Value Crops
CBA	Cost-Benefit Analysis
CLP	Community Livelihoods Project
CONACADO	National Federation of Dominican Cacao Producers
COP	Chief of Party
CQI	Coffee Quality Institute
CWG	Cluster Working Group
DID	Difference in Differences

EOF	Economic Opportunity Fund
F2F	Farmer-to-Farmer
FABRI	Further Enhancing the Blue Revolution Initiative
FTF	Feed the Future
GSP/EBA	General System of Preferences/Everything But Arms
IBTCI	International Business and Technical Consultants Inc.
IESC	International Executive Service Corps
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IGA	Income Generating Activities
IGE	Tanzania Innovations in Gender Equality
IMPACTS	Integrated Monitoring Performance Assessment and Computerized Tracking System
LIM	Lebanon Investment in Microfinance
M&E	Monitoring and Evaluation
MAI	Ministry of Agriculture and Irrigation
MENA	Middle East and North Africa
MENA-YES	Middle East and North Africa Youth Empowerment Strategy
MFI	Micro Finance Institution
MIS	Market Information Systems
MoWE	Ministry of Water and the Environment
MSME	Micro, Small and Medium Enterprises
NASS	National Agriculture Sector Strategy
PMP	Performance Management Plan
ROYG	Republic of Yemen Government
SFD	Social Fund for Development
SME	Small and Medium Enterprise
SOQ	Seal of Quality
WEIA	Women's Empowerment in Agriculture Index
YMN	Yemen Microfinance Network
YR	Yemeni Rial
YSMO	Yemen Standards, Meteorology and Quality Control Organization