

**Summary of the Inauguration of Phase III of the Social Fund for
Development (SFD)-Yemen and SFD Donors' Conference
Sana'a / 08—09 October 2003**

Under the auspices, and with the attendance and participation of His Excellency Ali Abdullah Saleh, President of the Republic, the opening ceremony of the SFD Third Phase Launch and Donors' Conference was convened on Wednesday morning (08 October 2003) at the Main Hall of the Central Organization for Control and Auditing, Sana'a—under the motto: “Community-based Development”.

His Excellency, President Ali Abdullah Saleh, opened also the SFD's exhibition, which demonstrated various photos, models and publications reflecting SFD activities and achievements—as well as products of some beneficiaries. His Excellency praised the efforts exerted by the SFD in implementing projects in different regions of the country and in encouraging local communities to contribute to the development process, emphasizing on the importance of benefiting from the local raw materials in construction pursuant to the nature of the respective area.

Inauguration of SFD Phase III followed and included the following events:

1. Arrival and seating
2. Opening with National Anthem (performed by the musical band of Sana'a Blind Association).
3. Holy Qur'an.
4. Statement by the Managing Director of the Social Fund for Development.
5. Statement by representative of civil society.
6. Statement by representative of beneficiaries.
7. Sketch about community participation.
8. Statement by World Bank Resident Representative.
9. Statement by Deputy Prime Minister and Minister of Planning and International Cooperation.
10. Statement by H.E. President of the Republic.
11. Opening of exhibition.

H.E. President Ali Abdullah Saleh:

“What the Social Fund has been doing is very impressive and it receives all our support—SFD has to continue its effective contribution to the developmental process”

His Excellency President Ali Abdullah Saleh attended the inauguration ceremony of the third phase of SFD operations, and delivered a speech in which His Excellency praised SFD management for the development efforts it has exerted.

“What the Social Fund has been doing is very impressive, and we provide the Social Fund with all our support. We call upon the Social Fund to continue its effective contribution to the developmental process and to combating poverty”. The President also stressed that the distinguished developmental work of the Social Fund based on scientific basis should be continued. He added that the Social Fund has implemented in the first and second phase 3300 projects with a total of 6 million and 600 thousand beneficiaries, and with a total cost of 45 billion YR. In the third phase of operations (2004-2008), 4400 projects will be implemented with a total cost of 76 billion YR. Mr. President also said that the government has also increased the annual allocations for the Social fund from 150 million YR to 1 billion and 200 million YR. He said: “This increase is an excellent step and I hope the government contribution will increase more in the coming budgets (2005,2006), and that the contributions of international and Arabian funds as well as various donating governments will increase; “When government contributions increase this will encourage others to contribute”. The president also said that he hopes the World Bank will increase its commitments towards development in Yemen. He also said: “As Mr. Vice Prime Minister said, the situation in 1994-1995 was very bad, but now things are improving”. The president said that he extends his appreciation to all the governments, organizations and funds that are supporting the process of development in Yemen, which is proceeding in a planned and scientific manner and away from chaos.

Mr. President also urged SFD officials to give remote and deprived districts special attention, and encouraged communities to participate in project implementation with necessary labor and material. He added that it is the responsibility of local councils and governors to increase the awareness among communities on the importance of participation, especially in education, water and roads, and that they have to meet more frequently with beneficiaries in districts, sub-districts and villages.

Concluding his speech, Mr. President praised all SFD staff for their great efforts, and wished the Social Fund more success and achievements in the coming years.

Deputy Prime Minister and Minister of Planning and International Cooperation:

"The Social Fund has accomplished tangible & remarkable success, facilitated the process of convincing donors to provide necessary funding and contributed to achieving economic growth in the country"

Ahmed Mohammad Sufan, Deputy Prime Minister and Minister of Planning and International Cooperation, has delivered a speech in which he highly appreciated the special attention paid by the political leadership, represented by H. E. the President of the Republic, to social development. In his speech, he stressed on the role of the Yemeni society in development, and that the slogan of the third SFD phase will be "Community-based Development". He added that the government has pursued the methodology of participation in planning and strategy formulation and preparation of developmental reports.

He also said that the Social Fund is inaugurating today its third phase of operations with an estimated funding of 400 million dollars of loans and donations, after the SFD has succeeded in implementing projects of a total cost of 270 million dollars in the previous phases. Mr. Vice Minister said that the reason behind establishing the Social Fund for Development is to implement interventions of developmental projects, to stimulate income-generating projects, and to establish various programs in different social and cultural fields. "The Social Fund has succeeded greatly in project implementation and has facilitated the government's task to convince donors to provide necessary funding for the second and upcoming third phase; all of this contributed in alleviating the impact of economical, financial, and administrative reform, and in achieving economical growth of 5% for the years 1996-2002".

The Deputy Prime Minister and Minister of Planning and International Cooperation has also indicated to the government efforts to implement the second five-year plan and Poverty Reduction Strategy. He emphasized that these efforts aim to realize the Millennium Development Goals such as decreasing poverty, accomplishing the objective of "Education for All", improving the situation of women in education and work, reducing infant mortality rates, improve maternal health and health in general, controlling malaria and preserving environment.

Managing Director of the Social Fund for Development to H.E. President of the Republic

Your kind sponsoring and presence to inaugurate the Third Phase is a great honor and support for all of us at the Social Fund—We pledge to work even harder and with commitment to accomplish more achievements

Mr. Abdulkareem Ismail Al-Arhabi, Minister of Social Affairs and Labor/Managing Director of the Social Fund for Development, delivered the following speech:

“Your Excellency President Ali Abdullah Saleh,
Speaker of the House of Representatives
Deputy Prime Minister, and Ministers
Distinguished Guests of Excellencies and Donor Representatives,
Ladies and Gentlemen,

I would like to welcome all of you for your participation with us today to inaugurate the Third Phase of the Social Fund for Development operations, under the kind sponsorship of His Excellency President Ali Abdullah Saleh.

**Mr. President,
Ladies and Gentlemen,**

The Social Fund for Development was established in 1997 as one of the main components of the Social Safety Net aiming to cushion the adverse impact of the Reform Programs, and to contribute effectively to improving the living conditions of the poor through the provision of basic services, promotion of income-generating activities and creation of job opportunities.

Today, the Social Fund plays an important role towards achieving the goals of the Poverty Reduction Strategy and national sectoral strategies, as well as the Millennium Development Goals.

Over the past six years, the Social Fund has adopted several important new development concepts and policies, and has decisively and determinedly promoted and applied them in its activities. The most important of these concepts and policies are targeting poor and deprived areas, demand-driven approach, community participation, sustainability, transparency, productivity, implementing projects cost-effectively, reducing administrative costs and financial and administrative autonomy.

They also include modern management & governance methodologies, accountability, applying advanced databases, developing the Geographic Information System that is used as an effective planning tool in targeting—using different surveys—and to produce services and poverty maps.

The Social Fund has encountered many hardships as a consequence of adopting these concepts and policies. However, the prompt fruitful and satisfying outcome of SFD’s performance, continuously supported by the government and the political leadership headed by His Excellency President Ali Abdullah Saleh, have enabled the Social Fund to proceed forward successfully. In addition, many agencies—over time—have increasingly become interested in these concepts and policies as they realized their importance and favorable impact on achieving development objectives.

Consequently, the SFD has helped develop a new approach to development based on the best practices applied worldwide.

According to the donors and assessment missions, the Social Fund has become an important tool for change in the context of the weak prevalent administrative environment, providing a demonstration model to be learned from within the administrative reform efforts. Indeed, the Impact Evaluation Survey—funded by the Dutch government, and conducted by a specialized international company that was assigned by the World Bank—has shown that “a high proportion of SFD resources are benefiting the poorest households in Yemen” and the Yemen Social Fund’s mechanism of targeting the poor is “much better” than the other Social Funds, where the same analytical procedures have been applied.

**Mr. President,
Ladies and Gentlemen,**

The determined commitment and adherence of the SFD to these policies have brought about a favorable shifting move, both quantitatively and qualitatively, towards further development & enhanced implementation of the Fund’s projects & programs and maximizing their impact on the lives of target groups. Moreover, these policies have also enabled the SFD to utilize its resources more efficiently and thus accelerate the accomplishment of Phases I & II in a considerably short period—each in less than three years instead of the five planned.

Over the past six years—and as of 30 September 2003—the Social Fund could develop and implement about 3,260 projects (some of which are still under implementation) with a total cost of around 243 million dollars. The projects were distributed as follows:

71737 schools

59 dams, 664 cisterns, 127 mechanized water projects, 132 creefs
74 environmental projects

252 health projects

146 projects targeting special needs groups (the blind, the deaf and mute, physically disabled, mentally disabled, orphans, street children, incarcerated men and women, female and male juvenile delinquents)

84 rural feeder roads

27 roads pavement projects

232 training courses; number of beneficiaries: 76,000 from various fields

194 capacity building projects (government agencies, NGOs, local communities, individuals, etc.)

49 projects for the preservation and restoration of historical buildings

23 credit and savings programs (which benefited 22 thousand small entrepreneurs and savers—a high proportion of them are women).

The number of beneficiaries from these projects has reached 6.6 million people—about 49% of whom female, since the Social Fund’s gender-sensitive policies ensure benefiting women in all its interventions. The projects generate nearly 9 million working days and about 8,000 permanent jobs.

All these achievements could be attained only by virtue of the dedicated work of talented Yemeni professionals, who have been taken care of through continuous training and capacity building. These hard-working professionals were capable of developing work systems, procedures and

approaches, benefiting from the international expertise and—at the same time—avoiding mechanical replication. This has substantially contributed to the success of the Yemen Social Fund.

**Mr. President,
Ladies and Gentlemen,**

The Third Phase of the Social Fund operations (2004—2008) is designed based on the acquired experience, accumulated knowledge, policies & concepts adopted during the two past phases, enhanced partnership with local communities for the social capital development, reviving the initiative spirit and self-reliance inherited by Yemenis over time. Moreover, the SFD's role will be enhanced in capacity building of local communities, civil society organizations and government agencies, as well as in supporting decentralization, coordinating & cooperating with the relevant agencies and bolstering partnership with international institutions that are experienced and specialized in small & micro-enterprises development to help support and expand credit & savings programs and increase non-financial services.

Moreover, the SFD will benefit from its institutional capacity in expanding the scope of project implementation: It is envisaged to implement about 4,400 projects (within its main three Programs) with an estimated total cost of 400 million dollars.

The projects will be distributed among the various sectors as follow:

Education 38%, Water & Environment 17%, Rural Feeder Roads 13%, Cultural Heritage 7%, Training & Capacity Building 7%, Health 6%, Special Needs Groups 5%, Integrated Intervention 4% and Small & Micro Enterprises Development (SMED) 3%.

It is worth mentioning that certain activities within the Capacity Building and SMED programs represent a challenge for the Social Fund in light of the complexity of activities, the unfavorable surrounding environment and the scarcity of human resources in these two areas—along with the determination of the Social Fund to apply the best practices.

The Third Phase will devote more emphasis to human resources development, exploring new horizons in education and expanding activities in the area of cultural heritage, with special focus given to the restoration of archeological buildings and preservation of historical cities.

Obviously, these ambitious objectives simultaneously form a big challenge due to the scattered population settlements, the small size of the projects and SFD's keenness to adhere to the best practices. Nevertheless, the Social Fund feels assured and confident in its ability to live up to the challenge.

I would like to emphasize the importance of coordinating and collaborating with sectoral ministries and the relevant concerned agencies. Capitalizing on the positive relationship that has been developing between these agencies and the SFD will undoubtedly contribute to maximizing the benefit of the projects and programs—in favor of the overall public interest.

Mr. President,

Your kind sponsoring and presence with us today, Your Excellency, to inaugurate the third phase is a great honor and support for all of us at the Social Fund. We pledge, in return, to work even harder to accomplish more achievements.

I would like to extend my gratitude to H.E. the Prime Minister/Chairman of SFD's Board of Directors, Vice Prime Minister/Minister of Finance and Vice Prime Minister/Minister of Planning and International Cooperation, and members of the Board of Directors, and to previous Prime Ministers and Board members for their support.

My special gratitude also goes to all donors who funded the first and second phases: the World Bank, the Arab Fund for Social and Economic Development, the Dutch Government, the Government of the USA, the European Union, the OPEC Fund for International Development, the Islamic Development Bank and the Japanese Government.

I also give a warm welcome to the new donor agencies attending and participating in Phase III inauguration and the Donors' Meeting.

Thank you."

Country Resident Representative of the World Bank:

"The Yemen Social Fund has been selected by the management of the World Bank as a successful case study to be presented in a major poverty reduction conference organized by the WB in China next year"

Mr. Robert Hindle, Country Resident Representative of the World Bank, also delivered the following statement at the ceremony.

"I am extremely pleased to be here today, both as a resident of Yemen, and in my official capacity as the representative of the World Bank.

Within the region, Yemen has been in the forefront of committing itself to the Millennium Development Goals to improve dramatically the lives of its people by 2015. Within the region, Yemen has been in the forefront of preparing a quality Poverty Reduction Strategy, which sets itself ambitious goals. Within the region, Yemen has been in the forefront of decentralizing, of investing in girl's education and investing in people. In all of this the Social Fund has had, and will continue to have, a central role to play.

If we imagine the headline in the newspapers on January 1, 2015, I fully expect it to read "Yemen Meets its Development Goals" and the subtitle will explain how important the Social Fund has been in accomplishing this.

Let me take you back few years, to the year 1996 when the idea of establishing the Social Fund in Yemen was just an idea in the minds of few people in the government and the World Bank. To be frank with you, a number of my colleagues were skeptical about the idea of establishing a social fund in Yemen. Their reason was that the quality of the World Bank portfolio in Yemen was not very good, and social funds in general require a high level of commitment, sophistication, and staff of high professional caliber. I am happy to confirm to you today that the World Bank's portfolio in Yemen is above average compared to other IDA countries, and that the Yemen Social Fund is used in the World Bank as a best practice model. We are encouraging colleagues in other countries to

come, visit the Social Fund in Yemen and learn from the rich experience they have. The Yemen Social Fund has also been selected by the management of the Bank as a successful case study to be presented in a major poverty reduction conference that the Bank is organizing in Shanghai, China next year.

Let us reflect for a moment on why the Social Fund is making a difference in Yemen. There are two main reasons for it, it seems to me.

First, we need to recognize publicly the quality of the Social Fund staff and management. We all know that the Yemeni public has concerns about the quality and effectiveness of the civil service. I never hear complaints about the Social Fund no matter where I am in Yemen; quite the opposite, I hear people are pleased the Bank is supporting it. The lesson is that there are many qualified Yemenis who are capable and committed and if they are well selected, well compensated, well managed, and placed in an enabling environment, Yemen can compete on a global scale. Civil service reform is not only needed, but the model of the Social Fund shows us it is entirely feasible.

Second, I think we need to acknowledge how important it has been for the Social Fund to have an independent and autonomous character, operating under a board of directors, which is diversified and professional. The Social Fund's flexible nature is also an important element in this success.

I would like here to also mention that the Social Fund has moved from just being a service delivery mechanism to becoming a model agency and a house of innovation. This aspect of the operation should be recognized, and ways should be found to maximize the institutional development impacts of the Social Fund. The Social Fund has developed a real comparative advantage in working with local communities. More of this will need to be done in the future. Training of community groups, support to user committees, and work for the benefit of the disadvantaged groups is the main direction for the future both at the Social Fund and through the government.

In conclusion, let me emphasize one major point. We in the World Bank are pleased to continue to support the Social Fund given its strong performance. I believe many other donors feel the same way. But government contribution in the form of substantial funding is necessary as well. We at the donors' side also have to work closely together to ensure we are providing the support we can to the social fund, and that our requirements do not become a burden on the Social Fund. We have received commitments from the government that it will considerably increase its funding to the Social Fund and we are pleased with this. The level of Bank support to the Fund, as well as in respect to other donors will be related to the level of government financial support. The more the government is willing to do, the more we will be willing to do”.

Representative of the Civil Society Organizations:

“What makes the Social Fund unique and distinct is that it takes over the initiative of conducting field visits to identify the projects, follow up with associations' activities and provide the required support”

Ms. Sameha Al Zubairi, Head of Al-Bushra Association-Sana'a, delivered the following speech on behalf of the civil society organizations:

“It is my pleasure to join you today to inaugurate the third phase of SFD operations 2004-2008, and to speak on behalf of non-governmental organizations. This inauguration is coinciding with the celebrations of September and October revolutions, and at a time while Yemen is enjoying its best eras after the reunion in 22nd of May 1990 that was accomplished by our honored leader.

Mr. President Ali Abdullah Saleh devoted all his time and effort for developing this country, and has given women all rights that enabled them to have a vital role in development, and reach to decision-making positions.

Mr. President
Ladies and Gentlemen

We have started working with the Social Fund since its establishment in 1997. During its first and second phases of operations, SFD has been one of our main sources of support, and in most cases, the major one.

The Social Fund has enabled us to pursue our developmental and social role, and to participate in building this country. The Social Fund has not only provided financial and technical support for the various educational, training, and rehabilitative programs, but also provided advice and guidance.

SFD has supported literacy programs through providing educational materials, and training literacy teachers. In the health field, it has built and equipped health centers, and held various training courses.

In areas of training and rehabilitation, many courses in various activities: handicrafts, administrative, and technical, were conducted. SFD even took a further step by providing job opportunities for many course graduates. The Social Fund is contributing to combating poverty, and funded small projects (micro-enterprise) that benefit greatly poor individuals. What makes the role of the Social Fund unique is that it intervenes after conducting field visits, and follows up with associations' activities, and provides support according to the level of activity and the number of beneficiaries.

Finally, on behalf of Al-Bushra Association, I would like to extend my gratitude and appreciation to all those working at the Social Fund, and all those funding and supporting it. We hope and request even more support and funding for the Social Fund so it can play a larger role in development, and we wish the third phase will be more fruitful”.

Representative of Beneficiary Communities:

“We are proud that we have become partners with SFD—the development institution that revived the initiative spirit and self-reliance among us”

Mr. Ali Al-Rudaini, member of the Local Development Committee in Rub 'Al-Doos in Al-Luhayya District /Al-Hudaidah Governorate, delivered the following speech on behalf of the local communities benefiting from SFD's projects and interventions throughout the country:

“His Excellency, President Ali Abdullah Saleh,

Ladies and Gentlemen

It is my pleasure, in this occasion, to speak on behalf of local communities who are benefiting from SFD programs and activities.

First, I would like to extend our gratitude and appreciation to this successful developmental institution, the Social Fund for Development, and to all those supporting it.

It is my pleasure to share with you our experience in the villages of Al-Awlah, Deer Mosa, and Deer Al-Rudaini in Al-Luhaiya district, Al-Hodeidah governorate, with the Social Fund. This experience details a story of development that suits the spirit of this modern age.

The Social Fund initiated the first step and reached our remote area, which is deprived of many essential social services. Before SFD intervention, the three villages lacked safe drinking water, but now a vital water project has been implemented. Illiteracy rates are incredibly high among both men and women, but after the Social Fund came to the area, several literacy activities have been attracting community members to education. The Social Fund is also helping us to solve low enrollment rates among girls. Our villages have always suffered from various health problems, and so the Social Fund is training men and women from our villages to become health service providers.

What distinguishes the work of the Social Fund is its commitment to involving the beneficiaries in: assessing their development needs, project implementation, and training the local community on project operation and maintenance. The SFD has encouraged the community to form a local development committee that includes community members and the local council. The committee was trained through several courses on operation and maintenance of projects, project management, book-keeping and accounting and participatory development planning.

We are proud today that we have become partners with SFD, the development institution that revived the spirit of self-help among us, and changed our thinking; we don't have just to wait for services to come to us, instead we have to participate in the provision, funding, and management of such services.

Finally, I would like to deliver an honest letter of gratitude from the men and women, children, youth and elderly of our area to all those participated in establishing, managing, and supporting this pioneer institution.

Thank you".

SFD Donors' Conference and Technical Discussions

Following the opening ceremony, the technical sessions of SFD Donors' Conference started at "Taj Sheba Hotel" in Sana'a in the afternoon of Wednesday, 08 October 2003. Participation in the discussions included His Excellency Mr. Abdulkarim Ismail Al-Arhabi, Minister of Social Affairs and Labor/Managing Director of the SFD, His Excellency Mr. Bert Ronhaar, the Ambassador of the Netherlands, Her Excellency the Ambassador of Great Britain, representatives of several embassies in Sana'a and of the donors of the First & Second Phases, as well as of the potential donors of the Third Phase. Attended the sessions also representatives of some relevant ministries, SFD Unit Heads, Branch Offices Managers and other senior staff.

Technical Sessions of SFD Donors ' Conference

Agenda of the conference was as follows:

Session 1—Wednesday (October 8, 2003), afternoon:

- Registration and documents distribution.
- Presentation on the Key Findings of the Impact Evaluation Study—Ian Walker- ESA Consultores International, October 2003.
- Discussion chaired by His Excellency Bert Ronhaar, the Ambassador of the Kingdom of the Netherlands.

Rapporteur: SFD.

Session 2—Thursday (October 9, 2003), morning:

- Presentation on the Third Phase-SFD by the Managing Director of the Social Fund.
 - Discussion chaired by Mr. Yasser El-Jammal, Principal of SFD at the World Bank.
- Rapporteur: SFD
- Presentation on Community Development Program—SFD staff.
 - Discussion chaired by Mr. Robert Hindle, Country Resident Representative of the World Bank.
- Rapporteur: SFD.

Session 3—Thursday (October 9, 2003), afternoon:

- Presentation on Capacity Building Program—SFD staff
- Discussion chaired by Mr. Koen Delanghe, representative of the Commission of the European Union.

Rapporteur: SFD.

- Presentation on Small and Micro Enterprise Development Program—SFD staff.
- Discussion chaired by His Excellency Bert Ronhaar, the Ambassador of the Kingdom of the Netherlands.

Rapporteur- FD

Closing Session (09 Oct '03):

- Comments and Conclusions.

First: Presentation and Discussion of the Key Findings of the Impact Evaluation Study

I. Presentation of the Key Findings of the Impact Evaluation Study by Ian Walker, ESA Consultores International, October 2003

Following registration of the attendees and distribution of the relevant documents, the first technical discussion session started around 15:00 hrs on Wednesday (8 Oct. '03), chaired by H.E. Bert Ronhaar, the Ambassador of the Netherlands.

The major event in this session was the presentation by Mr. Ian Walker, the Impact Evaluation Int'l Expert, of the key findings of the Impact Evaluation Study conducted by the SFD.

Outline of the Presentation

The presentation was outlined in the following:

1. Description of Yemen SFD.
2. Data sources.
3. Findings:
 - a) Operational efficiency.
 - b) Cost efficiency.
 - c) Targeting analysis.
 - d) Consultation, participation and social capital.
 - e) Service production and sustainability.
 - f) Household-level development impacts.
4. Conclusions and recommendations.

The presentation included the following comments:

a) Impact Evaluation System: Data Sources

Data sources included SFD's Management Information System (MIS)—which is considered one of the best available—and SFD's Geographic Information System "GIS" (including external sources of data consolidated in the GIS), in addition to baseline data (1999 National Poverty Survey of over 50,000 households nationwide), bi-annual Household and Project Survey (200 projects and 4,000 households), first fieldwork bi-annual study (January-March 2003), qualitative investigation of subset of projects and focus groups and interviews with key informants.

b) Operational Efficiency

The Social Fund strictly applies beneficiaries' calculation, with 3.1 million direct and 0.6 million indirect beneficiaries, in 1,643 projects to date—average number of direct beneficiaries per project reaching 1,934. Women represent 49% of direct and 48% of indirect beneficiaries.

c) Cost Efficiency

The SFD is committed to lowering project cost. All project types—apart from Micro-Finance—show progressive distributions. Average cost per project mounts to US\$55,651 and average cost per beneficiary is US\$28.78

d) Targeting towards Poor Communities

Targeting is mainly directed towards poor communities: Financial resources are well distributed compared with other funds—with targeting focused on the most impoverished areas.

e) Results of Household-level Targeting Analysis

Overall, distribution at household level is clearly progressive (“SFD resource distribution at household level clearly favors the poor over the less poor”). All project types—apart from micro-finance—show progressive distributions.

SFD results compare very well with other similar studies elsewhere.

Targeting results are especially credit-worthy given Yemen’s high level of poverty and flat income distribution—both make it harder to discriminate in favor of the relatively poor.

Targeting results in 2003 Study are more positive than those of 1999, with Distribution Index of 0.204 and 0.002—respectively.

f) Consultation, Participation and “Ownership”

Community discussion of projects could be achieved in almost all cases—though women are often excluded from decisions—and projects implemented by the SFD are highly correspondent with community’s real priorities.

Community contributions have been mobilized in line with SFD Operational Manual: over ⅓ of households donate labor and over 50% donate money—with average value of community contribution ranging from 0.6 million Yemeni Riyals (YR) in health & education to YR 1.6 million in roads and YR 4 millions in water.

Communities contribute to projects cost by providing money, work, stones, sand, water and other materials.

g) Project quality and Social Capital

SFD’s image is generally very positive.

Project quality is perceived as “Excellent” by around 50% of household respondents and 70% of key informants—with qualitative survey revealing clear instances of effective participation and cooperation by beneficiary communities, as well as increased mutual trust.

In addition, “value for money” is perceived as “Good” by over 75% of key informants. Structural social capital is low: only 4% of households are members of organized groups and 14% “know of them”. Role of “Sheikhs” and Parliament members is crucial.

h) Service Production and Sustainability

- *Education Impact:* the impacts are clear and very positive—especially for girls’ access to primary education in rural areas. Gross enrollment for ages 7—14 in 2003 is 72%, compared with only 60.1% in 1999 and girls’ enrollment increased from 42% to 60% in beneficiary communities—this represents an increase of 43% in female enrollment. The increase for girls explains almost all the increase in total coverage.

Staffing, opening hours and student numbers are generally acceptable.

- *Health Impacts:* The impacts on access to morbidity care are clear—with no evidence of improved vaccination rates or pre-natal coverage. Percentage of sick getting medical attention rose from 55% in 1999 to 70% in 2003—rise is similar for men and women.

Opening hours are acceptable, with good staff attendance. Incidence of maternity services is rather low. There are some complaints of staff shortage and lack of cooperation from the Ministry of Health.

- *Water Impacts:* The impacts are clearly positive on access to water and volume of water consumed, as well as on cost (in time and money)—with no evidence of measurable impact on diarrhea.

Staffing is generally acceptable, water production significantly increased, revenues increased six-fold and were brought much closer to costs—but still 30% below. Piped water projects are reasonably sustainable.

- *Rural Feeder Roads Impacts:* The economic impacts at household level are “very positive indeed”. Journey time was cut by 40%, journey costs were reduced 10%, number of trips tripled and gas price was lowered 30%.
- *Micro-Finance Impacts:* “The jury is still out”. Governance is generally adequate. However, most projects still lose money and only on-lend SFD funds. In addition, no significant savings have been mobilized yet and there are certain problems with accounting.

II. Discussion of the Key Findings of the Impact Evaluation Study

Discussion of the Study Findings included the following:

- a. The Social Fund for Development has accomplished remarkable achievements in its interventions compared to other agencies in the country—though it is essential to provide comparisons related to the National Trends.
- b. Sector planning is crucial within the PRSP—with emphasis put on coordination between the SFD and the relevant government agencies.

In water and rural feeder roads projects, a certain degree of preliminary economic assessment is usually envisaged prior to intervention. However, it is normally infeasible to conduct large-scale economic studies as interventions—in these two sectors—involve small projects and are guided by the Operational Manual that specifies the relevant economic criteria. Economic impact measurement of water and rural roads actually takes place after the completion of intervention.

- c. SFD’s evaluation indicators are consistent with those of the PRSP objectives and MDG’s. Indeed, this is applicable to evaluation indicators in education and health. However, because evaluation is undertaken at SFD’ interventions level and the sample is relatively small, impact of health interventions is measured by assessing the access to health care, as well as preventive, services provided—such as vaccination and pre-natal care—which eventually constitute indicators to reduced maternal and infant mortality rate.
- d. The Government—while preparing the budget—has to take into consideration both the Investment and Running Costs. The SFD usually seeks the ratification of its Annual Investment

Plan by the Ministry of Finance before embarking on action. Moreover, the Social Fund intervenes in areas where educational and/or health services are already established—with available operation allocations—aiming primarily to improve the services and expand the scope of their provision.

- e. The SFD implements projects cost-effectively, with unit cost in school construction—for instance—lower than that of other agencies. In addition, contractors prefer to work with the SFD for various reasons.
- f. It has become quite obvious that the SFD has a good impact on the government bodies. The Fund contributes to capacity building of these agencies.
- g. The SFD has thrived and gradually changed from a mere “mediator for providing services” to a real “model development agency” as a result of the accumulated experience, persistent coordination with line ministries and involving local communities—and women in particular—in all the stages of the project life cycle.
- h. The SFD continuously reviews and improves the targeting policies and mechanisms it applies, benefiting from the available database. The Fund also endeavors to directly outreach the poorest communities and most needy groups—irrespective of the great difficulties and pressures it encounters in this regard.
- i. With regard to coordination with the relevant government agencies, the SFD provides the Ministry of Education and the Ministry of Health with its annual action plans ahead of their final approval and implementation. In addition, SFD’s branch offices sign every individual project with the ministries’ regional offices to ensure availability of staff and provision of materials necessary for operation. On the other hand, the Fund carries out direct arrangements with local communities in implementing projects of water harvesting and rural roads—as no government body is relevant to any of these two areas.
- j. In conclusion, a question was raised on any probable weaknesses that might have been spotted during the conduction of the study. Mr. I. Walker responded by indicating that mechanized water projects showed positive results in the Impact Evaluation Study. Confirming his understanding of the SFD’s decision to abstain from such projects and shifting towards water harvesting, he pointed out—from his own personal viewpoint—to the possibility of reconsidering this decision.

Following conclusion of the discussions, the chairperson praised the presentation, Mr. Ian Walker and the attendees who were actively involved in discussing the findings and submitting comments and questions.

The chairperson also hailed the efforts of the SFD in targeting the poor, confirming the necessity to support the Fund by the various donors.

Second: Presentation on the SFD Third Phase

Sessions of the second day of the technical discussions started on 09 Oct 2003 by presenting the vision outlines of the SFD Third Phase by the Managing Director of the Fund as follows:

Development of Absorptive Capacity

1. SFD has developed from a “basic services delivery mechanism” into a “comprehensive and creative development institution”.
2. SFD is based on basic principles:
 - Developing its own policies, systems, criteria and procedures.
 - Learning by doing.
 - Adopting international best practices.
 - Building on traditional practices.
3. SFD has witnessed an increased implementation capacity (from nearly US\$5 million in the second half of 1998 to about US\$30 million in the first half of 2003). However, funding limitations have slowed commitment in 2003 (from \$30 and \$45 million in the first half of 2001 and 2002, respectively, to less than \$10 million in the second half of 2003).

With resources approaching depletion in 2002, the SFD slowed down the development of new projects, focusing on capacity building and field-visiting the implemented projects for intensive evaluation and follow-up. In addition, the Social Fund is using the remaining allocations of the Second Phase to finance projects in 2003.

4. The Social Fund accelerated its operations during phases I & II due to the high numbers of requests and interventions; thus, the two phases were completed in six years instead of the ten planned.
5. SFD has realized the huge need for capacity building in light of the limited capacities of the relevant associations and government institutions. Subsequently, the Fund has focused on enhancing the capacities of the Yemeni consultants in various fields (the SFD has now a roster of 4,500 consultants) to involve them in capacity building of these entities.
6. Great efforts have been exerted for development, adjustment, finding technical solutions for problems and difficulties and applying new ways in the interventions—seeking the aid of local Yemeni expertise.
7. For providing better services cost-effectively, the Social Fund has adjusted school designs pursuant to the local environment. Over time, the SFD has increasingly matched its construction interventions with the local environment; thus, contributing to raising awareness on cultural heritage, in which the SFD consequently intervened.
8. The SFD has developed its methodologies and systems based on international practice and field experience—avoiding replication of others’ experiences, along with introducing innovative ways and patterns, in addition to learning from traditional practices, particularly in such fields as water harvesting, community participation, credit programs and mechanisms of project management and maintenance.

9. SFD's implementation capacity has considerably increased—presently reaching an average disbursement of \$5.5 million per month. The Fund has become capable of developing projects costing \$80 million annually.

The Third Phase

10. Funding requirements for SFD's Phase III (2004-2008) are estimated at \$400 million—with an annual average of \$80 million—to cover funding of around 4,400 projects. SFD will endeavor to avoid acceleration of operations and implement the projects and interventions in the planned five years. This will allow for evaluation, follow-up and monitoring, as well as gives the donors and the Social Fund enough chance for completing the procedures of providing the required funds.
11. There are 16,500 projects in the pipeline, with estimated cost totaling US\$1,300 million—more than four times the total projects funded to date. Project requests are expected to increase in the Third Phase due to the huge need for projects and services nationwide, scattered population in some 100,000 settlements throughout the country and the tremendous population growth.
12. A greater number of projects will be executed in Phase III—with focus given to three main areas: capacity building, community participation and innovation.
13. SFD considers the capacity building as a crucial task, without which the Fund would not be able to implement projects properly. The Social Fund will focus on capacity building of local communities, NGOs, Local Councils and individuals (consultants, small-scale contractors, small entrepreneurs, etc.).
14. Community participation allows for sharing experiences, redressing problems and enhancing project “ownership” by the communities. SFD is working hard to develop into a “grass-root development institution”.
15. Innovation will be pursued in different projects and activities, such as re-designing school buildings, lowering construction cost, re-using wastewater in rain-dependent agriculture, functional illiteracy programs, databases & GIS and developing credit & savings programs.
- 16.

Unsatisfied demand for new projects is very high
16,500 project requests in the pipeline
Estimated cost totaling US\$1,300 million
Education: 6,648 projects, estimated cost \$530 mn
Water 6,424 projects, estimated cost \$531 mn
Health 2405 projects, estimated cost \$156 mn
Roads 923 projects, estimated cost \$138 mn

This is over four times the total projects funded to date

Capacity building
Local communities
NGOs
Government agencies
Local authorities
Individuals

Existing partners
World Bank
Arab Fund
Netherlands
The American Gov.
EU
Opec Fund
Islamic Development Fund
Gov. of Japan

III. Potential new partners

- I Germany
- I Saudi Fund
- I Kuwait Fund
- I Abu Dhabi Fund
- I Qatar

Small and Micro enterprise Development

The meeting was headed by.....

Qais Al-Iryani, head of SMED unit provided a presentation related to the third phase of SFD interventions, and has pointed to the following:

1. Funding of micro enterprises

According to the survey of small and micro enterprises conducted by the Social Fund in 2000, there are 320 thousand enterprises of this kind, and 72 % are individual enterprises, and only few can be considered as small.

The SFD has called the help of an international institute for designing programs aimed at cooperating with banks. This institute has found that the size of the market is skeptical, and that there are some obstacles related to the high interest rate at that time, and that banks were not willing to be involved, and so the program was delayed.

2. Non-financial Services

The Social Fund has designed a program to provide non-financial services to small and micro enterprise services, and will be initiated in the near future

3. Issues related to Micro-finance

The Social Fund has been the pioneer in supporting micro-finance programs, but it has faced many difficulties and the main one is that there was no existing knowledge on micro finance, and adds to that issues related to loan interest. Also, there were no trained NGO's in this field, and no previous experiences available in Yemen. The Social Fund, despite all these difficulties was able to implement programs that now serve about 10 thousand clients, and has provided in the previous phase services to about 23 thousand clients with more than 790 million YR worth of credit.

The main achievement in this area has been the micro-finance capacity building, and has been selected as a local expert for the United Nations micro-finance program. SFD has also developed information systems and training materials related to micro-finance that could contribute in developing manufacturing.

4. SFD third phase of operations.

The Social Fund will concentrate in the coming phase on successful programs that have the ability of growth and development, and there will be emphasis on the following:

- *Micro-finance*: Continue supporting this sector, and work toward formulating necessary laws that will govern work in this field.
- *Small-finance*: the Social Fund will cooperate with the Micro-Finance Development Fund, and SFD will provide necessary technical assistance.
- *Non-financial Services*: The Social Fund has developed a pilot program that will be implemented, and this program will provide various services for small and micro enterprises.

In the discussion that followed the presentation, the following issues were raised:

- There was a question on why dealing with local banks has not been successful: The Unit head said that banks were not ready to work with micro-enterprises because of high risk incurred.
- A question was raised on the associations working with the micro finance program, and the unit head said that the SFD works with various associations and helps in establishing some associations, and services to clients are provided through these associations. There are certain criteria required for these associations, and the good ones are only selected.
- The Ministry of Finance representative said that small and micro-enterprises are increasing, and some are successful, and that the overall contribution of these enterprises in development is about 15% only, since they operate in traditional and limited areas and are competed by imported goods. The representative added that micro enterprise programs should be aimed at economical sectors that would contribute to development.
- A question was raised on the extent of women involvement; Qais, the unit head that in programs for both men and women, men are usually dominant in number. For this reason the Social Fund has created programs targeting women only, especially savings program, which are popular among female clients.
- The World Bank representative pointed out that the bank has supported the Social Fund in the field of micro-finance in its first phase of operations only, and added that the World Bank does not like to support interventions related to this field, whether it is in the SFD in Yemen or in other funds worldwide.
- The European Union representative pointed out that the Social Fund has to provide also non-financial service because of its importance.
- In relation with micro-finance projects, the World Bank representative and the European Union representative stressed that the Social Fund should provide support and non-financial services for micro-enterprises, and they mentioned the following:

- § The World Bank representative said there is a possibility that small enterprise becomes a separate program, and necessary information is needed.
- § The EU representative said that banks are not to be relied on, and that micro-finance has to be complemented with non-financial services, and that Social Funds in general should continue providing micro-finance services so comprehensive services can be provided to the poor.

In regard to the previous points, the managing director pointed out the following:

- During the seventies and the eighties, nothing was done in the field of micro-finance. The Social Fund was the first to support small and micro enterprise programs in Yemen. As related to including micro-finance programs in SFD activities; the managing director said that there were some objections from some sectors, because it was not accepted to take loans with interest. To overcome the problem of interest, methods used in Islamic banks were used in some programs. Overall, the Social Fund has succeeded in introducing micro finance in Yemen, and has created several programs and increased the awareness of micro financing even in the central bank. The provision of such pioneer projects help the Social Fund to become a real developmental agency, and the government appreciates the competency of the Social Fund, and even the representative council is aware of SFD accomplishments, and this has been the subject of many council sessions.

Closing Session

The Dutch Ambassador in Sana'a headed the closing session, and he had requested donor representative to provide final closing comments:

- The Arabian Fund for Economical and Social Development representative said that development is the first priority of the Arabian Fund and it is committed to implement annually more than 65 developmental projects in Yemen, and that it has supported the Social Fund in its first and second phase, and will continue this support for the third phase with an estimated amount of 50 million dollars.
- Abu Dhabi Fund representative extended his gratitude to the SFD and all its employees and said relations between Abu Dhabi Fund and Yemen goes back to 30 years ago, and that the fund is following closely the SFD preparation for its third phase. He said that the Fund is willing to support the Social Fund in the upcoming phase. He added: "We will discuss with officials in Abu Dhabi Fund what have been said in this meeting; we have genuine interest in supporting the Social Fund". He also asked about the role of the private sector in the Social Fund.
- The German government representative said that the agreement between the German and Yemen government states that part of the support of the German government is to be provided through the Social Fund for Development, and that is starting from May 2004. He added that the final decision is to be taken soon.
- The World Bank representative mentioned that the bank contribution would be about 60 million dollars.
- The Dutch government representative said: "We have a very positive position towards the Social Fund, but the external aid of the Dutch government has been reduced for reasons related to the Dutch government, but we will provide support for the Social Fund that will

be within the aid provided to the Yemeni government, and that the actual amount will be specified after agreement on the collaboration plan between the two countries in the beginning of the next year.

- The Saudi Fund representative said: “We are pleased with the discussions and proposals submitted by the SFD, and we are committed to support the SFD in the third phase”
- The European Union representative said that the amount of funding for the year 2004 has not been exactly specified yet, but will not be less than 7 million Euros. He added that the EU will intervene in two governorate, and this will be coordinated with the Social Fund. He stressed that the European aid will concentrate of poverty reduction.
- The Kuwaiti Fund representative said: “We are discussing seriously supporting the Social Fund, and we are committed to such support; the amount of support for the third phase will be specified very soon.
- The OPEC Fund representative said that he is pleased for supporting SFD first phase, and that projects implemented by the Social Fund have been the most successful compared with other projects implemented, not only in Yemen, but compared to OPEC Fund interventions in other countries. He added that funds allocated for the Social Fund are always ‘free of any problems’, and that the OPEC Fund evaluation for projects implemented in previous stages was good, and it is expected that OPEC Fund contributes to support the third phase with a total of 11 million dollars.

The managing director extended his gratitude to everybody, and mentioned that the role of the private sector is very limited, and that some Yemeni living in Gulf countries contribute in funding some individual projects, but do not provide such support through programs and institutes. One example is that a German woman contributed in establishing a clinic in Almekhlaf, and has collected donations from Germany, and the Social Fund has provided all necessary support for implementing this project.

The Dutch ambassador thanked the managing director and SFD management, and regarded highly the spirit of teamwork that revealed the real capacities of the Social Fund. He also emphasized on the importance of providing large amounts of funds by donors for the upcoming third phase. He added that the Dutch support will continue, and details will be revealed in the near future.

As related to the cooperation between the Social Fund and donors funding the upcoming phase, the following was noted:

- The World Bank representative in Sana’a regarded highly the speech of President Ali Abdullah Saleh, in which he mentioned that the government is committed to contribute in funding SFD operations, and that means that the Social Fund is implementing good projects. He also said that the government should not rely only on the Social Fund for economical reform.
- The donors have agreed on their commitment to the Social Fund. There was a consensus on the burden on the Social Fund created by increased number of missions. The number of donors has increased to 12, which means visiting missions will be around the year. The World Bank representative said that part of phase three evaluations has been covered in this meeting.
- The Dutch Ambassador proposed that the World Bank coordinates among all donors for the coming third phase.