

A Medium-Term Vision for SFD

**Social Fund for Development
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TABLE OF CONTENTS

1. Background to SFD and the visioning process	3
2. Development context.....	4
3. Guidance from the independent Evaluation Reports	5
4. SFD's Vision	8
Introduction: the broad outline	8
CORE STATEMENT	9
Programmes and supporting arrangements	12

A Medium-Term Vision for SFD

1. Background to SFD and the visioning process

The Social Fund for Development (SFD) was established as an autonomous State organisation under the Council of Ministers in 1997 by *Law 10* of that year. The Prime Minister is the *ex officio* Chairman of its Board of Directors. SFD has since its establishment, with extensive and expanding support from the government and the donor community, become a large and active institution of State, with operations all over the country but with priority given to the poorer communities and Districts in each governorate, in several sectors including education, health, water and environment, village access roads (rural feeder roads: RFR), cultural heritage, small and micro enterprise (SME) development, social protection, training, and capacity-building of partner-institutions..

As evidenced by many external observers, and most particularly by two recent major Evaluation Reports¹ which are further cited below, SFD has made, and continues to make, a major contribution to the improvement of poverty-focused service-provision and capacity-building nation-wide. The many services it delivers to local communities and other partners are provided cost-efficiently and transparently; and underpinning this achievement are proven and continuously-evolving SFD procedures of information-gathering and storage, programming and planning, poverty-targeting, local community participation in project formulation and implementation, contract administration and procurement, and measures to secure long-term sustainability of project benefits at the community level; in addition to extensive training and capacity-building support to public and private sector partner-institutions, including local authorities.

As such, SFD has become a valuable national resource for poverty-alleviation and national capacity-building which is widely appreciated and must not be lost or squandered. SFD can complement and support ongoing and anticipated sectoral reform programmes in the line Ministries, which provide funds for activities but do not fully address the many challenges of institutional reform at all levels.

Because of this, and because every active and growing organisation needs periodically to take a major stock of itself and ask itself and its partners where it is now and where it is going, SFD in partnership with stakeholders is now executing a visioning process, of which the main stages have been as follows:

- A multi-donor Joint Progress Monitoring Review (JPMR) of SFD Phase III in December 2005 agreed with the government and SFD the need for the visioning process, the scheduling of which was detailed in a further JPMR in May 2006;
- An independent *Institutional Evaluation Report* was completed in February 2006, as a result of a process which included not only extensive consultation by the

¹ *Institutional Evaluation Report*, February 2006; and *2006 Impact Evaluation Study Report*

evaluator within SFD, but also included a major Stakeholders' Consultative Workshop;

- A separate, but also independent, *2006 Impact Evaluation Study* has been conducted, of which the main results are already in.
- SFD internal consultation and discussions involving its Management and its entire senior staff both at HQ and its several branches informed by review of many SFD documents, assessments and evaluations. And
- In December 2006 in Sana'a, a large externally-moderated Stakeholders' Workshop, at which the first public draft of the Visioning Document was presented and discussed by a very wide range of stakeholders, both Yemeni and from the donor community, and many valuable comments received which were discussed intensively at the January 2007 SFD internal Workshop.

2. Development context

SFD is a major national public sector institution. Hence it is vital to consider the general development issues facing Yemen in formulating an SFD vision of its role and evolving operations.

Poverty is wide spread in Yemen (42 % of the population live in poverty in 1998) and human capital indicators are low (for example literacy among adult 15 and above is 51% and enrolment rates in basic education is 64%). The performance of the concerned governmental agencies (central and local) in charge of provision of basic services and infrastructure is inadequate due to several weaknesses at the technical, managerial and financial levels; NGOs also have limited capacities to reach rural areas and local communities are not organizing themselves and voicing their needs.

Yemen's economy is based on oil, gas and agriculture. Oil and gas account for more than 80% of the country's exports and 75% of revenues. But oil and gas reserves are steadily being depleted. Accordingly, other productive and export sectors should be promoted to fill the gap, especially if new reserves are not discovered. Although agriculture accounts for less than 20% of GDP, it employs 31%² of the economically active population and keeps 75% of the population in the rural areas. Still, agriculture suffers from limited sustainability and low productivity, mainly because of low-yielding seed varieties, water shortages, lack of rural roads, limited access to markets and lack of sustainable credit for small producers.

Low productivity naturally means low locally-derived rural household incomes, and doubtless accounts for the fact that poverty reduction in rural areas has lagged behind that in the towns. 'Rural poverty among the bulk of the country's population is hindering meeting Millennium Development Goals. It also has dynamic effects, notably rural-urban

² 2006-10 Third National Five Year Plan for Economic and Social Development for Poverty Reduction

migration. The adverse and potentially calamitous effects of this migration is tremendous further strain on over-taxed urban infrastructure and water facilities/resources.

Yemen can absorb more foreign aid—and it will need to do so to complete structural reforms and reduce poverty. But the country's institutional capacity to absorb and use aid effectively needs to be fostered by all practical means.

3. Guidance from the independent Evaluation Reports

Since the *2006 Impact Evaluation Study Report* and the *Institutional Evaluation Report* were intended to be - and actually have been - one of the major sources for guiding (although not absolutely determining) SFD's medium-term vision., The following presents some of the principal findings and recommendations of these two external, independent, and separate Reports. Their influence on the developed vision is however not limited to the features presented in the summary immediately below. It is more widespread; and this is recognised in footnotes at appropriate points below in the text outlining the vision.

The *2006 Impact Evaluation Study Report* concludes that:

- A high proportion of SFD resources is benefiting the poorest households in Yemen. 42% of SFD funds go to the poorest decile, 59% to the poorest quintile and 69% to the poorest three deciles. Only 3% of resources are received by households in the top decile. These figures are considerably better than those found in other Social Investment Funds where similar analytical procedures have been applied.
- SFD's uses of funds have been very largely in social sectors - above all in education, which has accounted for 54% of all uses³
- The total number of direct beneficiaries of SFD projects across the nation is very large indeed. Up to October 2006 it is estimated to have been 7.8 millions, of which 49.7% have been women and girls
- SFD as an institution is very highly perceived and appreciated at the local community level
- The Beneficiary Assessment provides additional evidence of the SFD impact on social capital, indicating that SFD projects (i) restore or reinforce the sense of community, trust, solidarity, and self-help, (ii) encourage opportunities to discuss female participation, (iii) provide increased forums for community participation and democratic processes through

³ Of course this conclusion was already well-known to SFD and its major partners.

the creation of committees, and (iv) projects paves the way for increased awareness and skills for advocating for future projects.

- In education - in the communities where SFD has had school projects, enrolment has risen for both boys and girls (more for girls), and drop-out rates have fallen. Both boys and girls stay on for about 1 year more on average, but girls' enrolment still rapidly declines for ages 12 and over. Teacher staffing patterns show a slight improvement. However, local perceptions are that school maintenance is declining, a problem that the authorities need to address
- In health - local facilities assisted by SFD are perceived as high priority by communities and are much, and increasingly, used. Data on progress of overall delivery of health services are unclear, because they mostly focus on health units, not on outreach to homes
- For rural roads - SFD projects are perceived as a high priority by a large majority of the local residents, which majority also contributes to project-costs. There is also community maintenance in a large majority of cases. Local social and economic impacts are assessed as being positive and significant, albeit some respondents expressed dissatisfaction with project designs
- Fetching water is still a frequent obligation for most households, although the distance to the source has become shorter and the average time expend on this activity has also been reduced. 82% households of the current intervention group were still fetching water (54% in the return visit group). 88% of persons collecting water are women and 13% are children 15 years old or less.
- In micro finance (MF) - MF institutions' (MFIs') financial services deliveries are sharply up, geographical coverage has increased, and improved procedures are in place. Most direct beneficiaries are women. There has been good towards progress towards MFIs' sustainability, and a large majority of MF borrowers stated that their loans have had a significant positive impact on their incomes
- In organisational support focused on NGOs providing income-generation skills-training - SFD support is valued and has increased outreach, but doubts remain about sustainability of the NGOs themselves
- In decentralization capacity-building focused on District Councils - SFD training support is valued and has increased local planning District capacities and cooperation between Councillors and the local permanent executive officials; but much still remains to be done. Moreover, many Councillors feel that 'one thing is theory and another is practice', i.e. that improved planning capacities alone, mean relatively little while funding authority still in practice lies almost entirely at the governorate level
- Generally - the evaluation results indicate a good level of overall participation in project design, particularly by local communities, political leaders and government offices. They also highlight low levels of inclusion of NGOs in the discussion process. SFD originally

envisaged NGOs to be key implementing partners, but experience has found most of them to have limited capacity and to be short-lived.

The *Institutional Evaluation Report* concludes that:

- SFD has evolved into a successful and “model” organisation in the Yemeni context which operates on a nation-wide basis and has extended participatory development efforts to many rural and remote areas, thus contributing significantly to good governance and State-building
- Working at the community level is an important area that should continue to be the central focus of SFD. Its community development approach can give life to sector ministries’ policies in rural villages e.g. through its projects that foster active community groups: health committees, water committees, parent councils, micro finance groups, community contracting groups
- SFD’s work in training District Councils and governorates in development, planning and finance, and communication with communities is further strengthening basic governance structures. Based on its experience to date, SFD is well positioned to develop a medium term vision and strategy for supporting decentralisation and to clarify its objectives and priorities at the governorate and district levels, such that it supports and complements the work of the Ministry of Local Administration (MoLA)
- Donor agencies have expressed strong support for SFD and envisage that it will need on-going support over the next 5-10 years at least. SFD’s current portfolio is in keeping with the main strategic pillars of the National 5-Year 2006-10 Development Plan/Poverty Reduction Strategy (DPPRS), and SFD is acknowledged to be a key instrument for poverty reduction
- There is need to consolidate SFD’s experience, promote its approaches and learning both across the SFD different work streams and among government Ministries and other service providers. Crucial now, is the need to upscale its proven systems and processes, and to jointly identify with ministries the mechanisms which can be pursued to actively promote these methods, and incorporate their strengths into mainstream government systems and programmes. These relate to both management systems and programming
- SFD has gained significant experience in applying various models of community participation. However, these have been developed and implemented by several different SFD executing Units, and heretofore have not been systematically compared to assess their relative strengths in promoting sustainable service deliveries on the one hand, and the basis of a governance structure at community level, on the other
- As currently structured, SFD’s work centres on three pillars: community development, capacity building, and small and micro-enterprise, which are implemented by six different executive units. An important issue for the future is how to maximise the synergies between these different work streams and promote coherent, strategic objectives, and avoid vertical programming of the streams in relative isolation from each other

- The role, breadth and depth of SFD activities are not sufficiently understood by all stakeholders, representing a barrier to informed decision making; in this regard SFD should consider the development of a communication strategy

4. SFD's Vision

Introduction: the broad outline

In preparing this Document, SFD has opted to confine it to essentials. SFD considers that its overall record and scope of operations are well known. They are well documented in its successive Annual Reports, and furthermore have now been recently and intensively evaluated in the two external Reports cited immediately above. Therefore this Document will not provide any further detailed exposition and review of its operations and situation as a preliminary to addressing the challenges to be faced by SFD and its partners. Furthermore, in looking forward and outlining its response to these challenges, this document is confined to the subject of a vision: underlying principles and broad scope of the planned operations, including the organisational framework through which they will be conducted. In other words, the Document presents a vision rather than elaborating a full Implementation Strategy.

SFD further considers that any vision, should not be unrealistically ambitious and substituting unachievable wishes for practicable changes and goals.

However, it should aim at scaling up and maximum employment of SFD's proven strengths and accumulated experiences in enhancing national capacity and efforts for overall social, economic and institutional development in a deliberate and evolutionary change, using and enhancing strengths which have already been developed.

As a guiding principle, any useful and practicable vision must take very much into account the organisation being visioned as well as the opportunities and constraints posed by the environment in which it must operate. Working together with SFD's partners, new or improved processes and procedures may be implemented; but they will be achieved by developing and diversifying SFD's existing strengths while at the same time addressing any challenges.

It is evident from the December 2006 Stakeholders' Workshop that SFD's partners accept this principle. The stakeholders, both local and from the donor community, agree that SFD has an important and expanding role to play in the country's development, but they feel that this role should build on SFD's proven strengths, and also - crucially - include major and increasing attention to building up the capacities of its local partners. This perception, which SFD itself fully shares, is fully in line with the conclusions of the Evaluation Reports, and with Yemen's basic and pressing development needs.

CORE STATEMENT

SFD's development role will continue to be firmly **focused on poverty alleviation**, but in a variety of ways which seek to further combine and position SFD's own efforts ever more with those of other public and private institutions at the local and national levels, and which **emphasise capacity-building of these partner institutions**.

Proceeding from the Core Statement, this Document elaborates SFD's vision, grouped around (a) themes (b) programmes.

The themes deal with SFD's main goals or over-arching needs in line with the core statement.

The programmes describe (in outline form in a Document of this scope, which is not intended to be a fully-developed Implementation Strategy), the main proposed SFD activities related to the themes, including the organisation of the several SFD sectors and organisational units⁴ within a programmatic framework.

It is important to recognise, that in some respects the programme descriptions are at this stage still only *indicative*. SFD cannot expect to specify fully all programme sub-components in this Document, in advance of detailed discussions with relevant partners or potential partners, or (in some cases) an 'experimental' or 'learning' phase.

To proceed first with the **themes**. These are four in number, as follows:

- Community empowerment at the local level;
- Increased attention to economic development;
- Institutional strengthening and partnership (outward synergy). And
- Internal synergy and enhanced efficiency and capacity within SFD.

Community empowerment at the local level the *Institutional Evaluation Report* suggests "working at the community level is an important area that should continue to be the central focus of SFD". Confirming this, the results of the *2006 Impact Evaluation Study* indicate that SFD has achieved a huge and still increasing nation-wide outreach with its projects at the community level; that these projects usually represent communities' priorities; that communities themselves contribute to the costs of most of them; and that they have mostly generated significant benefits to the communities. the *Study* also concludes that SFD is ranked by communities very high indeed among beneficial external agencies⁵.

⁴ 'unit' in this context meaning not merely SFD's several HQ Units, but also its branch offices, and sub-Units or sections of the HQ Units

⁵ Second only to the MoE as a beneficial agency, in the communities' perceptions

However, with these proven and very considerable achievements or with its approaches to date in this field, SFD will continue to enhance its approaches to further empower the communities for more sustainable development and to contribute to good governance supporting to the decentralization process and as part of the evolutionary progression. as the *Institutional Evaluation Report* observes, “there has been evolutionary progression of SFD’s activities in promoting ever-stronger community participation and empowerment”⁶.

The challenge may stem from SFD mainstream procedures⁷, which are presently ‘project implementation’-focused. But, this could be overcome by the appropriate arrangement for better planning for the community’s overall future needs (including those of the women of the community) in a rational way; in identifying and mobilising its own resources to attempt to meet these needs; in maintaining a continuing capacity to approach other external parties with which it might cooperate; in representing its ideas and needs to the local authorities on a continuing basis.

For improved approaches. SFD further recognises that several different pilot initiatives or models of community empowerment are being implemented or formulated within SFD – e.g. those of the Training and Organizational Support (T&OS) Unit, the Integrated Interventions Programme (IIP), the Rain Fed Agriculture and Livestock Project (RFALP), the Community Contracting (CC) initiative, the Education Unit, and the Water and Environment (W&E) Unit, some of them with actual or envisaged linkages to the local authorities, i.e. the District Councils and executive organs –

SFD will continue to refine and deepen communities participation practices at the project level while launching and expanding other initiatives and modalities for more comprehensive community empowerment beyond single projects level .

With respect to the second theme, ***increased attention to economic development***, SFD was set up by its founding *Law* explicitly to address both economic and social needs and objectives. However, despite SFD having developed several economic operational modalities involving SMEs - including having become the prime generating force, acting through its Small and Micro Enterprise Development (SMED) Unit, for the set-up and support of a thriving micro finance (MF) industry of independent MFIs already providing financial services to tens of thousands of poor people and particularly to poor women - SFD has to date, particularly in the rural areas, focused on social projects and modalities⁸. However SFD has evidence, *inter alia* from its Integrated Interventions Programme (IIP), that poor communities are as interested in pursuing economic initiatives as they are social ones once they fully realise that they can pursue either (or both) in cooperation with SFD and others. Furthermore, SFD’s project selection and approval criteria do not presently give sufficient weight to economic benefits, particularly for rural feeder roads (RFR) and W&E projects. On the other hand, Yemen’s overall development situation calls out for intensified agricultural and urban non-oil economic development as a pressing national

⁶ *Institutional Evaluation Report, February 2006*, p.14

⁷ Whilst this Document cannot focus explicitly on other stakeholders’ procedures, SFD feels that the community empowerment challenge is general and is definitely not limited to SFD’s own efforts

⁸ The results of the *2006 Impact Evaluation Study* confirm that between them, education, health and water projects – all with almost-exclusively social objectives – continue to account for nearly three-quarters of SFD total investments.

need, as articulated at much greater length by the government in the DPPRS. Moreover, of the six main intervention-types set for SFD itself in the DPPRS, four are economic and two are social⁹.

Given all these considerations, the visioning issue is not whether SFD ought to increase economic income-generating development, but how it should do so in practice. Social and economic interventions can *both* contribute powerfully, and in many circumstances synergistically, to the overall objective of poverty alleviation and sustainable livelihoods improvement.

The third, and crucially important, theme is ***institutional strengthening and partnership***. SFD is already extensively engaged in this domain in many sectors and at several levels. It cooperates with, and tries to strengthen, not merely local village communities, but also line Ministries at the central level and their associated national implementing agencies, NGOs both general and 'specialist' (MF, social protection, cultural heritage, etc.), local authorities at the District and governorate levels, and the private sector (chambers of commerce, SME associations, private handicraft exporters/importers).

The issue therefore is how SFD and its institutional partners should *further develop* their roles and partnership relationships in the medium-term future.

SFD has proven itself to be a dynamic and innovative organisation, also an efficient and transparent one operating and cooperating on a large scale. It is an effective implementer, by its operations contributing directly and significantly to the national implementation capacity for poverty alleviation. The government policy, as explicitly spelt out in the DPPRS, is that these operations will expand significantly over the next 5 years¹⁰. But, at least as importantly, SFD acts as a source of expertise and a benchmark for wider institutional change and reform, and also as an institution which can and will synergistically complement many institutions, increasingly through cooperative operations. SFD's vision is that its *indirect* contribution to national public/private implementation capacity, through both 'expertise transfer' and cooperative arrangements for implementation and policy development¹¹, will become progressively more and more important. This indirect contribution, which can also be termed 'outward synergy', is the fundamental objective of SFD's acting upon the institutional strengthening and partnership theme.

The fourth and final theme - ***internal synergy and enhanced efficiency and capacity within SFD*** - has been illustrated above in the exposition of the 'community empowerment' theme above.

⁹ *Third Five Year Development Plan/Second Poverty Reduction Strategy*(DPPRS) Ch.9, p.12

¹⁰ *Third Five Year Development Plan/Second Poverty Reduction Strategy*, Ch.9, p.10, where it is projected that SFD investments will be 2 to 3 times higher in 2006-10 than in 2001-05

¹¹ SFD unequivocally accepts that 'policy' is the province of GoY and its general and sectoral Ministries. However, SFD can contribute significantly to GoY's policy-making capacities through (a) dialogue, e.g. on sectoral strategies (b) capacity-building technical assistance, and (c) pioneering experimental and innovative approaches in cooperation with Ministries and other partner-institutions. These three 'modes' - which are already all in fact operated by SFD - overlap and complement each other

SFD had been developing several programs, initiatives, work procedures at the planning, M&E and implementation levels throughout different periods of time geographic areas and various sectors as well, such initiatives and modalities reached different degrees of maturity and accumulated considerable experience of which, the need is increasingly felt to synergize and scale up horizontally (across units, sectors and programs) and vertically (down to and in between branches) as part of internal synergy and enhancement of capacity and efficiency. More precisely, the aim of such process could be briefly as to:

- Scaling up implementation of successful programs.
- Timely update and harmonize work procedures and criteria.
- Increase and deepen the knowledge of SFD's staff at the HQ and branch offices level about programs run at the central level such as MF, M&E and other initiatives .

Establishing Research and Development activities (RD) and Human resource Development (HRD) to serve and enhance SFD's implementation capacity and efficiency

Addressing these challenges is therefore the fourth theme of SFD's vision. Examples of measures to promote internal synergy and increased efficiency will be given below under 'programmes'. And it is to the programmes that the exposition of the vision now turns.

Programmes and supporting arrangements

Three operational **programmes** will be implemented. They are:

- Community development;
- Economic development and job creation. And
- Institutional capacity-building and partnerships

These programmes are conceived as agglomerations of interventions and activities linked as far as practicable by common objectives and/or methods. SFD will operate them as vehicles through which the sectors, Units and branches of SFD will contribute and cooperate to achieve work consonant with, and set by, the themes.

SFD will not implement the programmes in isolation from each other. Community development cannot be pursued in isolation from some aspects of economic development, and neither can be pursued in isolation from institutional capacity-building and partnership. Moreover, many sectors and Units, and of course the branch offices, will contribute significant activities to more than one of the programmes.

Community development

SFD envisages that the community development programme will, during the term of this vision, account for majority of its total SFD-wide funds-disbursements. However, although the great bulk of the programme's disbursements will be for 'projects' - specific social and economic interventions at the local community level - the guiding principle will

be to set these project-investments in a context promoting the overall empowerment of communities to identify their available resources and priority needs, to and plan and implement initiatives to meet these needs in an ongoing, continuous manner: in other words, to develop the permanent 'social capital' of the communities. This objective will be pursued in the ways described above, both in the programme as a whole, and more intensively, in selected deprived locations, in its IIP sub-programme. SFD will also ensure appropriate cooperative linkages of the programme with the economic development and job-creation and institutional capacity-building and partnerships programme

The community development programme will include the SFD service-deliveries and projects handled by its present 'mainstream' project/community mode SFD will continue to predominate in its interventions over the next few years, although other modalities will start to account for an ever-increasing proportion of the total.

The community development programme will also include as a sub-programme the Integrated Interventions Programme (IIP), which SFD is currently decentralizing to its branch network.

Direct SFD-branch/requesting-community interaction will continue to be the main operating modality within the community development programme for the foreseeable future. However, the procedures for interaction will be substantially reorganised, the better to promote community empowerment including bottom-up community linkages to other agencies such as the local authorities, and also some aspects of economic development and job-creation. There will also be major parallel initiatives, with much the same community-empowerment and enhanced local service-delivery objectives, within the institutional capacity-building and partnerships programme (acting in cooperation with local authorities, see below).

As noted above, SFD has been developing or pursuing several models or initiatives of increased community participation and empowerment.. Moreover, it is one aspect of SFD's vision that its large scale mainstream operations should be made with steady purpose, but deliberately, and building on existing strengths and experiences whilst correcting any weaknesses.

Accordingly, SFD will develop changes in organisation and procedures comprising briefly the following elements:

- Comparative evaluation for all relevant significant initiatives with a summary, of lessons and approaches, which will be used for amendments/enrichments where appropriate of the present initiatives and as found practicable, development of training materials for SFD staff and consultants:
- Further elaboration, and consequently expansion and promotion of economic ingredients of SFD's menu of services.

Economic development and job-creation

The economic development and job-creation programme will include *inter alia* all the ‘overtly’ economic initiatives and interventions of SFD, viz:

- SMED Unit’s support to MFIs’ operations reaching large numbers of both urban and rural MF clients,
- SMED Unit’s parallel support for the primarily-urban small enterprise lending operations of the Small Enterprise Development Foundation (SEDF);
- the Small and Micro Enterprise Promotion Service (SMEPS)’s also primarily-urban small enterprise diversification and upgrading facilitation-services
- the additional non-financial business development services (BDS) facilitation services provided to the micro enterprise (ME) sector by one of SMED Unit’s own project officers. And
- the Rain Fed Agriculture and Livestock Project (RFALP) operations to be implemented by the Agriculture and Rural Development (ARD) Unit through the SFD branch offices nearest to the RFALP designated Districts in five governorates¹².

These initiatives/interventions will operate in close consultation and cooperation with each other, wherever appropriate. An example will be consultation between expanded rural MF through MFIs and the rural/agricultural BDS and productive infrastructure - markets, water and soil conservation (W&SC) projects - to be supported by RFALP within the latter’s geographic operations areas.

Wherever and to the maximum extent practicable, the initiatives will work on the principle of establishing sustainable, unsubsidised, private-sector markets for all services (financial or non-financial), inputs, and products.

As one example, in its support for MFIs, SMED Unit will continue to promote ‘best practices’ by the MFIs leading to the MFIs’ financial self-sustainability, including their merging and scaling-up to achieve necessary economies of scale. It will also promote expansion of the MF industry and competition within it, through (a) promotion of ‘greenfield’ MFI investments in Yemen of economic scale by experienced international MFIs and (b) ‘downscaling’ programmes in MF by the mainstream commercial banking sector, whether through the banks’ direct operation of such programmes or their acting as wholesale lenders to MFIs which in turn provide loans and other financial services to their retail MF clients. The objective is to thoroughly ‘commercialise’ MF in Yemen, thus making it indefinitely sustainable, whilst at the same time expanding the industry and continuing to focus on the poor, both urban and rural, as the primary MF target-group.

As a second example, SMEPS’ initiatives will not focus on any long-term subsidy of non-financial BDS to small enterprises, still less on provision of BDS by SMEPS itself. Instead

¹² SFD also plans to introduce, in partnership with other bodies, agricultural promotion outside rain-fed areas (see further, below)

SMEPS through various short-term interventions (capacity-building of service-providers, introduction effected between customers and SMEs, and so on) will build the commercial markets between SMEs and their customers and service-providers, and then withdraw from intervention when, in any given sector or circumstances, such markets are functioning satisfactorily. In line with this 'market self-sustainability' principle, SFD's vision is that SMEPS - presently a semi-autonomous operating 'unit' of SFD - will itself within a few years be privatised and made completely independent from SFD, and live off the markets and earnings to be made as an SME service-facilitation contractor.

As a further principle, wherever and to the maximum extent practicable, all the urban and rural initiatives will promote the diversification and upgrading of economic activities which Yemen needs As part of the poverty alleviation. an example is handicrafts, where SMEPS is working to bring small producers both urban and rural into commercial relations with European importers, thus promoting both the market and technical (new products) development of the sector at remunerative prices and volumes. The same principle will underlie SFD's interventions to promote agricultural sub-sectors. Both the rural poor and Yemen's overall national interest require, the maximum practicable and sustainable increase through technical and market development of agricultural value added per unit of land, water or capital employed by the country's legions of small farmers.

RFR and W&E projects under the *community development programme* will also contribute to the *intensification of economic development theme*, but it will not necessarily mean direct operational coordination or cooperation with rural MF or with RFALP, because the locations of such RFR and W&E projects will be determined by the local communities themselves all over the country, and will generally not coincide with rural operations areas of the MFIs or those of RFALP.

other, mostly 'non-infrastructurel', local rural economic projects – such as agro-related technical or marketing training courses, agricultural or veterinary services-development projects, post-harvest technical demonstration projects, market facilities, etc. - emerging under the community development programme. SFD will provide for the necessary linkages between that programme and the economic development and job-creation programme.

To effect the linkage, an expanded ARD Unit team of specialist agricultural staff and its consultants, based primarily at the SFD branch offices, will provide the techno-economic backstopping for projects of these types in non-RFALP areas, just as the W&E Unit and the RFR sub-Unit and their associated project officers at the branch level do now provide, and will continue to provide, the techno-economic backstopping for W&SC and RFR projects.

SFD will seek close working relationships with the Ministry of Agriculture and Irrigation (MAI) and its strategies, in ways which will be explored together with MAI and its programmes, including the Water and Soil Conservation Programme, during 2007 and beyond. To ensure coherence with national agricultural and water sector strategies, MAI will always be a strategic partner, but not in all areas a local implementation partner. Indeed, in keeping with the 'markets-building' principle noted above, SFD's core contribution in the field of non-infrastructurel agricultural 'projects' may be the promotion

of sustainable private/community service models - for example, training community-level veterinary workers who would receive fees for their services from their fellow-farmers, and linking them with re-trained veterinary technicians owning livestock medicine stores in the market towns - and assisting MAI to re-develop its role more as a facilitator of such services rather than an implementer.

In another 'linkage' area, SFD will also make it a standard practice for its officers responsible for all of these types of rural economic projects (the W&SC, RFR, and other projects emerging from the community development programme, all included) to report their existence, location and summary characteristics promptly both to SMED Unit and also to any MFIs with operations in or near the areas where such projects are located. In this way, the MFIs will be kept abreast of local improvements in the economic environment for MF, i.e. of possible new profitable MF-business development opportunities for them. The MFIs will not necessarily find all such opportunities attractive, and it will be up to them whether or not they pursue them, based on their own commercial judgement. But they will not be losing such opportunities for lack of information.

Moreover SFD, through the ARD Unit staff at the branch level, will seek to extend such information-sharing by feeding to the MFIs notices of similar projects (W&SC, RFR, non-infrastructure agricultural BDS) implemented independently by *other* active agencies, such as the PWP, MAI, NGOs, and (as they further develop) the District Councils. The ARD Unit will pioneer the organisation of such general rural economic environment information-sharing and, if it proves successful, will transfer this capacity and function to the MAI local offices, probably at the District level. Since this would contribute to the strengthening of decentralized government, it will constitute a *de facto* linkage, and perhaps an organised cooperative one (through training modules or joint seminars), with the decentralization support components of the institutional strengthening and partnerships programme (for which, see below)

Besides all the above initiatives/interventions both rural and urban, the economic development and job-creation programme will also include SFD's activities within the LIPWP (Labour Intensive Public Works Programme).

LIPWP is a recent programme presently financed wholly by the government to be implemented largely by SFD. LIPWP funds are used for projects such as paving roads, constructing bridges, rainwater harvesting, erecting dams and dikes, maintaining terraces and protecting valleys. As such, it will be an additional source of SFD funds for RFR and W&SC projects all over the country (even in RFALP operations areas, because the RFALP itself will not fund RFR). It is very crucial to note that:

Though following labor intensive construction techniques, SFD's regular projects were not meant or designed necessarily for income generation through temporary job creation as a prime objective; rather, they aimed at provision of sustainable social and economical benefits to poor communities through revival of their self help traditions and mobilizing their resources including experience, labor and local materials for best use of resources and enhancing feeling of ownership.

SFD also approaches implementation of its interventions following firstly sectoral policies and criteria to serve the same purpose.

Towards the end of 2006, the Government asked both SFD and PWP to design and implement a program for labor intensive public works to be financed by the government as part of the national efforts for reduction of unemployment.

For maximizing effectiveness, SFD recognizes the need of such program(s) to be designed and implemented in a special way benefiting as much as possible from international best practices employing also SFD's advantage and experience in community mobilization, poverty targeting and community contracting.

The above, in addition to the wide spread of unemployment and huge demands do require SFD's engagement in LIPWP.

The LIPWP will have a different set of prioritized objectives and consequently selection criteria and implementation mechanism than found in both SFD and PWP regular operations. The new operations will be focusing in a pilot bases on:

- Unemployment / extreme poverty or income shocks mitigation.
- Maximum labor intensity and consequently income generation.
- Sound implementation mechanism insuring adequate targeting, practicality and control.
- Maximizing benefit production with more focus on longer term income generation as possible.

SFD will use LIPWP funds to increase the funding available for the relevant sectors. Then, RFR & W&SC project applications by communities will less likely be postponed or shelved because of lack of funds. This in itself will be a powerful signal to communities of SFD's desire to promote economic as well as social projects. Over and above that, SFD knows from experience that the need for local infrastructure is huge, particularly in rural areas; using LIPWP funds will contribute to meeting it.

As another example of meeting local needs (and also contributing to the decentralization support effort), SFD will seek opportunities to use LIPWP funds to finance project in direct SFD cooperation with local authorities but in consultation with all the villages affected. Similarly, in the W&SC domain, SFD will seek opportunities for somewhat larger 'watershed' projects

Finally, in addition to all the above initiatives, the economic development and job-creation programme will include a 'search/exploit economic opportunities' activity. This will be an annual or perhaps biennial review – an 'economic opportunities audit' of all SFD's operations – by consultants, or by an inter-Unit task force including representatives from the branch office network. The objective of this periodic review will be to identify markets associated with any aspect of SFD's operations which could be supplied efficiently but in pro-poor ways¹³, and subsequently to devise modalities for practical exploitation of such markets: which may, furthermore, be implemented not merely by SFD itself, but also by other agencies whose operations offer similar opportunities.

¹³ Although it was not in fact historically identified in exactly this way, the whole field and practice of Community Contracting in Yemen and elsewhere in the world is an excellent example of this line of thinking. Instead of putting money into the hands of external commercial contractors, CC puts more of it into those of poor rural residents.

To summarise: the economic development and job-creation programme will include all the 'overtly' economic income-generating initiatives/interventions of SFD through SMED Unit and its partners including SMEPS, the ARD Unit, and SFD use of LIPWP funds; and will operate linkages with both the community development and the institutional strengthening and partnerships programmes, and also develop direct cooperative links with other agencies such as MAI. Wherever practicable in any sector of intervention, the programme's underlying principles will be the building sustainable, unsubsidised markets serving SMEs and poor people, and the diversification and upgrading of their economic activities.

Institutional strengthening and partnerships

The third programme is institutional strengthening and partnerships (outward synergy), which SFD will implement through three sub-programmes:

- capacity-building at the national (or other higher) institutional level
- capacity-building in the NGO sector
- strengthening of decentralisation and local governance

The *capacity-building at the national (or other higher) institutional level* sub-programme will continue and diversify SFD's already widespread existing activities of this type. To take only a *few* current illustrative examples, such activities include the Ministry of Education Evaluation and Measurement Centre implemented by SFD's Education Unit; the technical and organisational support rendered to the Social Welfare Fund, and SFD's support to the Ministry of Vocational Training in equipping certain large Vocational Training Institutes (both implemented by the T&OS Unit); and the Health Unit's support for education at HMIs and HHIs.

Because these activities are diverse and largely depend on evolving needs of SFD's partners at the time, it is neither appropriate nor practicable to include a definite predicted list of them in a vision Document. However, the following should be considered:

Firstly, support in the health sector, particularly perhaps in the field of further experiments to strengthen health services at the grass-roots or District level, is likely to be among the higher priorities. This is consistent with the recommendation in the *Institutional Evaluation Report* that:

The MoPHP, supported by donors, is embarking on a health sector review and sub-committees have been established to address four key areas: health financing, health manpower, management systems and health delivery system. SFD should actively seek to participate on these committees as a *partner* with the MoPHP, and as well as bringing its experience to the table, it should also agree as the review evolves, agree a clear role for SFD in the health sector that complements and strengthens that of the MoPHP.¹⁴

SFD's has already identified three 'candidate-priority' areas for health sector capacity-building at MoPHP and its operations at various levels, but further discussions between SFD, MoPHP and other stakeholders in the health sector review process will confirm or amend the priority areas for SFD capacity-building support.

Secondly, SFD's capacity-building initiatives will henceforward give higher priority to fields in which SFD itself has proven special strengths, and is therefore potentially in a good position to transfer or scale-up its own operational expertise to other national-level

¹⁴ *Institutional Evaluation Report, February 2006*, p 30

agencies. Possible fields for such external transfer of expertise include M&E, Procurement, and systematic targeting based on geographical data-bases, all three of which are fields of recognised SFD expertise¹⁵.

SFD's vision proposal for transferring its expertise to a wide range of institutional partners, ranging from line Ministries to local authorities envisages cooperation in this initiative with the national High Tendering Board, which anticipates, under new legislation and regulations, undertaking a larger role in public sector tendering, both in the administration of tenders and in building the procurement capacities of other public institutions.

Thirdly, Cultural Heritage and Social Protection activities will be included under this sub-programme. Although these activities are frequently implemented at the grass-roots level, they also operate at higher levels (city governments, assistance to the Social Welfare Fund and the Ministry of Social Welfare, etc.), and at whatever level, they are essentially efforts to build up institutional capacities of other bodies, public and private, to operate in these sectors effectively in cooperation with beneficiaries, with SFD providing funding and technical assistance.

Furthermore, by participating actively in the formulation and, in 2008 and beyond, implementation of the national Social Protection Strategy now being developed by the government in cooperation with the donor community¹⁶, SFD will refine and update its partnership and capacity-building programmes vis-à-vis the Ministry of Labour and Social Welfare, the Social Welfare Fund, and NGOs which target disadvantaged groups - which will provide an evident opportunity to set and, as necessary, amend its Social Protection operations firmly within a national policy and institutional framework in this poverty-focused sector. Moreover SFD will most probably contribute within, such a framework, to social protection in other areas as well. Examples include insurance provided among other financial services by SFD-assisted MFIs to their MF clients; structuring SFD's LIPWP operations to provide wage-income particularly to the rural poor; and even, in cooperation with the MoE and other parties, operating pilot projects testing the feasibility of cash-transfer schemes to increase the educational opportunities of poor children. SFD will also closely monitor and evaluate the outreach and impact of these various anticipated initiatives which will be administered by several of its specialist Units, and communicate the findings to other stakeholders, and compare notes. This is a very good example of SFD's general vision and stance towards institutional strengthening and partnerships and augmenting synergies both outward and internal.

Fourthly, that another significant example of this vision and stance has already been provided in the exposition above of the economic development and job-creation programme, viz. SFD's anticipated cooperation with, and capacity-building support of, MAI, the local authorities, and other agencies active in the promotion of an improved rural/agricultural economic environment. Inter alia, this anticipated cooperation further illustrates SFD's intention of positioning its operations and capacity-building efforts within the policy and institutional frameworks of the government's major relevant sectoral

¹⁵ These strengths are recognised in the *Institutional Evaluation Report and the Yemen Aid Absorption Capacity Study*

¹⁶ *Yemen: An Integrated Approach to Social Sectors - Towards a Social Protection Strategy (Concept Note)*, World Bank, Washington DC, October 2006, *passim*.

strategies - for agriculture; social protection and health (as noted above); and also education, wherein SFD will continue, and seek to further develop, its cooperation with MoE and other stakeholders within the Basic Education Development Strategy (BEDS)

The second institutional strengthening and partnerships sub-programme is *capacity-building in the NGO sector*. It will be recalled that the *Institutional Evaluation* Report highlighted this as a field in which SFD is well positioned to work.

It has been found that Yemeni NGOs in general, most of whom supported by the SFD, have serious shortcomings or limitations, due to their status which is generally characterized by :

- Urban –based, and almost no existence of rural grassroots –based NGOs.
- Party orientation by some of these associations
- charity oriented services
- Lack of vision and weak planning
- Chronic shortage of running expenses
- Affiliation with a limited number of people or with one person
- Lack of beneficiaries' participation
- Ignorance about sustainable development

So the SFD's vision is now for the T&OS Unit to concentrate on supporting the establishment of rural grassroots NGOs through the local development programme. The implementation of this programme has been started in 3 districts (namely : Al-Nadira and Jibla districts of Ibb governorate , and Al-Haima Al-Dakhliya district of Sana'a governorate). It includes the establishment of associations (NGOs) in each district, based on local committees of sub-districts, while the sub-districts' committees are based on local committees of each population settlement within each single sub-district. All these committees are freely elected "by secret ballot", and include males and females. They are certified by the local authority, with honorary membership of the local council members in the sub-districts committees.

This vision is to be scaled up in other districts. It aims at supporting the local authority and establishing NGOs in order to empower the local community to maximize the utilization of available resources by means of:

1. Reviving the spirit of self initiatives within the community.
2. Initiating the transformation in thinking and conduct among local communities , in order to overcome dependency and negative waiting , as well as over- expectation about receiving services and projects from outside the community.
3. Filling the existing gap between the community and the local authority by the development of the inter-communication process within the two levels. This is for the purpose of strengthening trust between the citizens and the local authority by means of certifying and implementing realistic plans responding to the people's needs and expectation.
4. In addition these new grassroots NGOs will also have a role in social auditing, as well as forming partnership with the SFD and any other development agency.

The third institutional strengthening and partnerships sub-programme is *strengthening of decentralisation* in line with the government's policy on decentralisation. SFD has already implemented substantial initiatives in this field through the T&OS Unit, notably a large-scale training programme of elected District Councillors, including also the District Directors. The programme in successive phases has covered practically all the Districts in the whole country. As noted above in Section 3, the *2006 Impact Evaluation Study Report* found that the training support was valued and has increased local planning District

capacities and cooperation between Councillors and local executive officials; but much still remains to be done, and that many Councillor feel that improved planning capacities alone, mean relatively little while funding authority still in practice lies almost entirely at the governorate level.

SFD through the T&OS Unit is also a major funder of the Decentralisation and Local Development Support Programme (DLDSP), a multi-stakeholder large pilot-programme to strengthen the capacities of the local authorities in 28 Districts. Besides providing technical assistance to the Districts (the Councillors and local executive officials reporting to them), DLDSP makes available US\$100,000 per District to be spent on development projects, whether infrastructural or 'services'.

Despite these efforts, most Districts remain weak, their Councils and local executive officials/organs (hereinafter in this Document, these bodies will be referred to simply as 'District Councils', 'Councils', or local 'authorities') lack information and funds, and there is so far poor SFD/Councils/local communities coordination. Indeed many communities do not even know what the Councils are for.

In moving forward, SFD is committed to developing a major sub-programme of mainstream institutional capacity-building in support of the government's decentralisation policy. The sub-programme which will be spearheaded by the T&OS Unit but will draw on other Units' specialist expertise and will after a pilot phase be implemented by the SFD branch network, will include the following:

- Awareness-raising of local communities on the decentralisation system, the role of the Councils, and need for communities to establish direct contacts with the Councils on their needs.
- Training programmes for Councils and SFD staff and consultants (particularly at the branch levels) on participatory preparation, and subsequent assessment, of local area development plans;
- Further development (where necessary) of SFD's GIS, poverty-mapping, and other data bases, and making local data from these bases available to the District Councils upon their request;
- Technical assistance programmes for strengthening the technical expertise of the Councils in a number of fields, for example, W&E (including W&SC) projects, RFR construction and maintenance; Community Contracting; M&E; procurement procedures and financial systems; and working with community-based development committees;
- Strengthening the capacities of the Councils in the field of negotiations, advocacy and representation of their residents' interests with the local authority and the line Ministries' offices at the Governorate level;

- Technical assistance to MoLA to strengthen its training capacity so that it will be able progressively to take over the function of training the Councils in place of SFD and its consultants
- Increasingly working with the District Councils as mainstream services-delivery implementing partners of SFD, providing them routinely with development-projects funding for this purpose, as well as the above-noted technical assistance and training. The first move in this direction has already been made with SFD's participation in the DLDSP noted above. But SFD will develop alternative and expanded forms of funding and implementation partnership, including
 - (a) relying on the Councils to interact with the local communities, and generate and implement community-level projects (whilst at same time fostering community empowerment), instead of SFD doing this directly, and
 - (b) For Councils not yet judged to have sufficient management capacity to implement all the SFD-supported projects in their development plans, SFD may continue to implement the projects directly with the communities targeted by the projects, albeit the projects themselves emerge from and are part of the Council's own plan¹⁷.

Complementary initiatives both above and below the District level, viz:

- (a) capacity-building at the governorate level, to help governorate officials and Councillors to assist the decentralisation policy through technical support, monitoring, and timely and full funds-disbursement to the Councils in the Districts, and
- (b) support for good local governance from below, by capacity-building for community empowerment through establishment and training of permanent local community committees, which can identify their communities' resources and priorities and develop and help implement plans to meet them in cooperation with the Councils and other external bodies, or in some cases with their own resources¹⁸. And
- (c) As these experiences grow, organising and funding, in cooperation with MoLA, exchanges of experience between Councils, both within and between

¹⁷ These and other modalities of direct cooperation-and-funding with local authorities are already extensively practiced by Social Funds in Latin America, c.f. 'Integrating Social Funds into Local Development Strategies: Five Stories From Latin America', Rodrigo Serrano, *WB Innovation Notes September 2005 Volume 3 No. 1*

¹⁸ SFD notes that this element of the sub-programme has much the same objectives as the IIP and the 'mainstream' community empowerment features of the community development programme. As noted in the exposition of that programme, SFD will conduct an M&E exercise, planned from the outset, to monitor and evaluate the progress and results of all the 'models' of enhanced community empowerment being pursued in parallel; and will thus ensure mutual learning, linkages, and application of experience from all the initiatives promoting community empowerment and local governance.

the several regions of the country, through workshops and direct exchange-visits.

Supporting local development Vs. community empowerment:

SFD recognizes the significance of decentralization process from development and good governance perspective; and believes that it should effectively participate in supporting this challenging process using its experience and different resources.

However, this shouldn't dim the fact that SFD is basically a poverty alleviation institution which implies the continuity of its community based operations at the grass roots level in which poor communities will continue to express and prioritize their needs, participate and even lead implementation of sub projects in partnership and coordination with local authorities.

The above directions of SFD's interventions seemed to have an artificial competition for a while, especially with raising issues of (representation) by some of local councils.

Therefore, SFD views its relevant interventions to be guided by the following:

- SFD will continue to directly respond to the poor communities needs, but with adequate coordination with local and central authorities.
- SFD will increasingly act to enhance the role of local authorities and empower local communities to reach appropriate partnership in light of the local councils law and its regulations.

As an essential complement to the above three sub-programmes, SFD will also formulate and implement, through the institutional strengthening and partnerships programme, a ***communications strategy***. This will intensify SFD's efforts of communication to stakeholders at different levels: national policy makers, including Parliament and the several Ministries; local authorities; donors; civil society; and communities. The strategy will include not only periodic meetings and sharing of plans sectoral ministries and some other partners as heretofore and presently, but also a much wider distribution of plans and reports, both regular-periodic and 'special' (e.g. on innovations); an improved website, and perhaps a periodical. These efforts will be additional to the various initiatives described above in the other two programmes, aimed at directly raising the awareness of local communities to SFD's evolving operations and thrusts. Another important aspect to increase the SFD development effectiveness is the development of ***gender strategy(2008-2010)*** to guide SFD institution and its interventions which has been taking place in 2007.

The institutional strengthening and partnerships programme, besides representing SFD's visioning commitment to outward synergies with other Yemeni institutional stakeholders, will also have linkages with the other two SFD programmes, most notably, as noted above, in the fields of rural economic development and support to good local governance.

To conclude, SFD feels that brief recapitulation can do justice to this varied, rich and highly important programme. Instead, the Document here merely repeats the titles of the three component sub-programmes, viz. (a) capacity-building at the national (or other

higher) institutional level (b) capacity-building in the NGO sector, and (c) strengthening of decentralisation and local governance.

SFD Organisational framework for implementation

In order to ensure the effective implementation of the three programmes in coherence and synergy with each other, and also to ensure that its overall implementation capacity is scaled up to match the role allotted to it by the government in the DPPRS, SFD will put in place the organizational and support arrangements outlined below. As befits a vision Document, they are not set out in great detail, but SFD feels that they nevertheless provide the essential organizational underpinning for the vision.

A summary of the most important arrangements is represented diagrammatically in the Figure which concludes the Document.

Apart from general support functions such as finance, procurement, and M&E, SFD will organise all its operations, both at HQ and in the branch network, under the three programmes outlined above.

The operations of the three programmes will be planned and coordinated by a Group Management Programmes/Projects Review and Approval Committee, chaired by the Managing Director, and bringing together the Heads of the main implementing Units and the Heads of the Programming and M&E Units. The Committee will also be responsible for the review and approval of all projects within each programme and the general support functions.

The programmes will each have their own full annual and multi-annual budgets and specification of activities, broken down by Unit and location, and performance against budgets and expected outcomes will be recorded by the SFD MIS.

As at present, all the Unit Heads - even those not sitting on the above Committee - and the branch managers will have periodic and frequent roundtable 'management meetings' chaired by the Managing Director.

SFD feels that the Committee will be a major force for internal SFD synergy and coordination, in that the senior managers who sit on it will all acquire a broad, but clear view of SFD's operations, will continuously share experiences; and also work out and apply common approaches, principles, and criteria, and apply them to each programme, initiative, and project.

SFD will further ensure that each of the programmes, besides applying these common principles, is satisfactorily implementing its main planned thrusts and initiatives and meeting its budgets and planned outcomes.

The Figure represents these arrangements diagrammatically. For the sake of simplicity, it does not show explicitly all of the more obvious inter-relationships, notably between the general support Units and three programmes and the branch offices, and between the programmes themselves and the branch offices.

The ‘ordering’ of the Units/sectors within the programme boxes is not necessarily arranged by their ‘importance’ Instead, at the top of each box appear those Units/sectors which are exclusively within the programme concerned. Both these (in brown) appear those which contribute significantly to more than one programme (or to a programme and to general support functions).

With respect to the R&D Unit, SFD feels that, as a large multisectoral organisation constantly facing new challenges to itself and its partners in an ever-changing environment, certainly needs some research capability. Although SFD has sophisticated M&E systems, it is of the very nature of M&E that the investigations it permits are tied closely to data from existing operations. Whilst such investigations may be, and frequently are, helpful in suggesting new directions, they cannot fully substitute for research capacity that be focused on any topic deemed to be of interest by SFD management and/or senior staff. SFD offers in this context just one example: the conception of the recently-established Small and Micro Enterprise Promotion Service (SMEPS) lay in a research study by a consultant, of non-financial business development services (BDS) to SMEs in Yemen commissioned by SFD’s Managing Director. It is extremely unlikely that SMEPS would have emerged from an M&E or other consideration of MF financial services, however successful the latter has become in Yemen with SFD’s support, because SMEPS’ interventions are completely different from MF interventions.

SFD will establish the R&D Unit with a small research staff (SFD staff) of its own, and the Unit also commission consultants as necessary. Some of the Unit’s staff will be on secondments of varying lengths (usually a few months) from other SFD Units and also from the branch offices. Reverse secondments, from R&D Unit to other parts of SFD, will also be encouraged. This will ensure that staff engaged on R&D, whilst having the opportunity to pursue it full-time, will be kept in contact with operational experiences and realities. The R&D Unit, like other Units, will be coordinated by the Group Management Programmes/Projects Review/Approval Committee, which will originate research projects and also consider/approve proposals for such projects coming from various parts of SFD, and will moreover monitor their results. The Committee will refer, through the Managing Director, to the SFD Board any results which it feels call for really substantial new SFD initiatives or significant re-organisation or re-direction of SFD’s existing operations.

Balancing quantitative expansion and envisaged evolutionary role:

SFD is aware of the competitive nature of playing its evolutionary role as stated in this paper , in which SFD will more effectively engage with issues like community empowerment, enhancing social capital and institutional capacity building and enhancement at different levels ,in one hand , and foreseen substantial increase in its funds absorption capacity .

The following should be considered to reduce concerns about the distance between the two directions:

- SFD's implementation mechanisms and arrangements are continuing to diversify with growing share for implementation through SFD's partners including communities , local councils and other sponsoring agencies.
- SFD will consider establishing new branches and increasing staff number whenever necessary.

- SFD – for various reasons- may consider implementing over/inter community projects of a relative larger average size; those are not (by no means) the same size or nature of projects mentioned in the first draft under the abandoned idea of establishing the large projects unit.
- At least 30% of the foreseen increase in the funds to be used by SFD could be simply attributed to the inflation factor; so far the unit price index of school construction –for example- reveals higher increase than this percentage in comparison to the levels of the first two years of the current phase; further inflation is also likely which suggests that the real expansion will be practically limited.

Despite the above issue, SFD foresees (where applicable) initiatives for upgrading procedural manuals, staff training and perhaps more delegation of authority to the branch offices