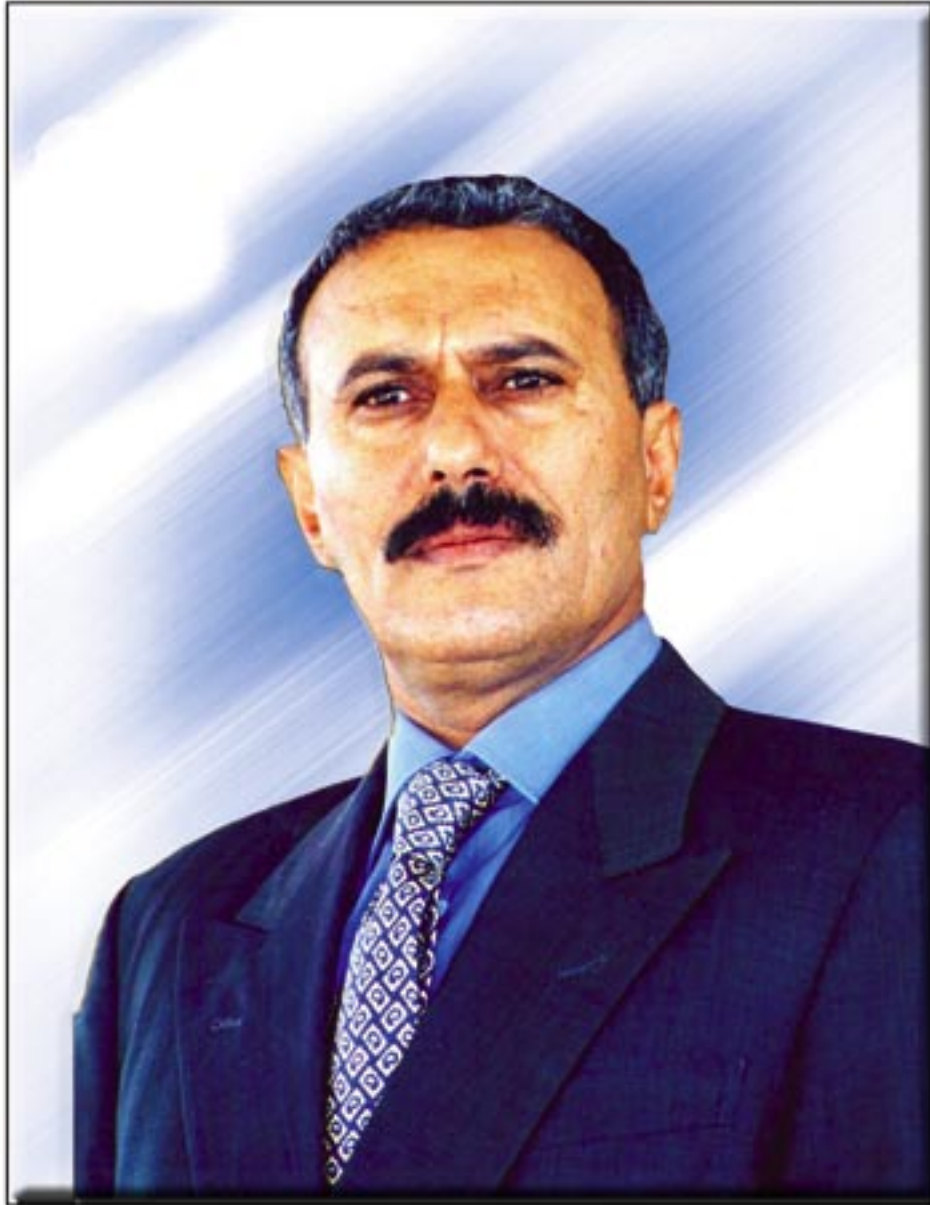


In the Name of Allah, the Gracious, the Merciful



H.E. Ali Abdullah Saleh
President of the Republic of Yemen

The Social Fund for Development at a Glance

In 1997, the government of Yemen established the Social Fund for Development (SFD), an administratively and financially autonomous agency governed by a Board of Directors that is chaired by the Prime Minister. The SFD aims to improve the living conditions of poor Yemenis by increasing their access to basic services, supporting income-generating activities and providing employment through labor-intensive projects.

The SFD's goals support government efforts to alleviate poverty and promote human development. These goals are achieved through three main programs:

- The Community Development Program, which focuses on labor-intensive projects to increase access to basic social and economic infrastructure and services—such as education, health, rural roads and water.
- The Capacity Building Program, which supports service delivery efforts by communities, nongovernmental organizations (NGOs), government agencies and private actors.
- The Small and Microenterprise Development Program, which supports income generation by providing microcredit and savings services to poor people, channeled through intermediary institutions.

These programs are implemented by five project units: the Infrastructure Unit, Water and Environment Unit, Social Protection Unit, Training Unit and Small and Microenterprise Development Unit.

Because government agencies lack sufficient capacity to deliver basic services to a large portion of the population, the SFD complements government efforts to deliver social services and assistance to poor people.

By the end of 2002, the SFD had contracted financing for 2,819 projects, with \$201 million in investment commitments and \$123 million in disbursements. Since its inception the SFD's projects have reached more than 5.9 million direct beneficiaries, evenly split between women and men, and generated more than 7.9 million days of employment.

During its first phase (1997–2000) the SFD gained considerable experience, financing projects with estimated costs of more than \$90 million. Using lessons from that experience, in 2001 the SFD began implementing the second phase of its operations, with planned investments totaling \$175 million. The third phase is scheduled to begin in 2004, with planned investments of \$400 million.

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Alawi Saleh Al-Salami	Deputy Prime Minister and Minister of Finance
Mohammed A. Al-Batani	Minister of Technical Education and Vocational Training
Sadiq Bin Amin Abu Ras	Minister of Local Administration
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Abdullah Salem Al-Rammah	Private Sector Representative
Abdullah H. Al-Olofi	Banking Sector Representative
Abdulkarim Ismail Al-Arhabi	Minister of Social Affairs and Labor, Managing Director of the Social Fund for Development

Statement of the Chairman



The Social Fund for Development (SFD) continued to exhibit impressive performance in 2002. As a result, it is nearing completion of the second phase of its operations (2001–05) in less than three years instead of the five planned.

Accordingly, the Board of Directors instructed the SFD's management to prepare a proposal for a third phase (2004–08). The proposal document was presented at the October 2002 meeting of the Yemen Consultative Group in Paris. Donors, impressed by the SFD's strong performance, responded favorably to the proposal.

Given the size of the third phase—which involves investments totaling \$400 million—and the SFD's important role in the implementation of the Poverty Reduction Strategy, the government will significantly increase its financial contribution to the SFD. In addition, the government hopes that donors will allocate sufficient resources soon so that the SFD can launch the third phase in 2004.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes. The signature is positioned above the printed name and title.

Abdulkader A. Ba-Jammal
Prime Minister
Chairman of the Board of Directors, Social Fund for Development

Statement of the Managing Director



It is my pleasure to present the 2002 outcomes of the Social Fund for Development—which, as in previous years, continued to display remarkable performance. During the year SFD investments reached \$63 million, a 13 percent increase over 2001. Meanwhile, disbursements soared, reaching nearly \$47 million—a stunning 42 percent increase over 2001. In their efforts to provide the basic services needed by most people in deprived rural areas, the real reward for SFD staff is that the quality of interventions is continuously improving. Moreover, the SFD is piloting new approaches to development and developing new methodologies and technical solutions.

During 2002, the SFD continued to synchronize its efforts with government policies for human development. The SFD helps meet needs for basic services, rehabilitate and integrate vulnerable groups, build the capacity of selected government institutions and civil society organizations and strengthen consultancy services.

Moreover, the SFD has further refined its policies for targeting needy areas and groups, encouraging communities to participate throughout the project lifecycle, improving the chances for its project operations to become sustainable, developing innovative solutions and building institutional capacity among SFD partners.

As such, the SFD has developed into a model civil service institution applying the best practices in modern management and governance.

At the operational level, the SFD has achieved higher outputs both qualitatively and quantitatively in each sector. Because human development begins with education, 57% of SFD investments involve that sector, focusing on girls' education as a gateway for achieving social and cultural change. SFD interventions in health are geared toward providing basic services and expanding training for health care workers in rural areas.

For water projects, the SFD continues to concentrate on constructing traditional water harvesting systems, accompanied by health and environmental awareness efforts. Interventions in feeder roads remain focused on serving remote areas, guided by methods developed for this sector.

Enhancing the capacity of partners—including communities and nongovernmental and government organizations—also remains a central concern of the SFD. During 2002, the share of these activities in the SFD's total tripled. Capacity building activities have expanded to include new areas of skill development such as vocational training and teacher training in literacy activities. SFD investments

to rehabilitate and integrate special needs groups have also increased. And in microfinance, the SFD has supported its existing programs to enhance their institutional capacity and outreach.

Increased absorptive capacity and improved working mechanisms have enabled the SFD to utilize its resources more efficiently. Thus, by mid-2002, the SFD had committed 60% of the resources for a five-year phase in one and a half years. Unfortunately, the SFD had to cut back its operations in the second half of 2002—to \$17 million, compared with \$43 million in the first half—due to the consequent depletion of available resources. Though it is gratifying to have an efficient Yemeni institution with considerable absorptive capacity, this situation forced the SFD to reduce its activities until additional resources could be mobilized from donors.

To stabilize SFD operations during the five-year third phase (2004–08), the SFD carried out an exercise to determine its annual absorptive capacity to achieve optimal qualitative and quantitative performance across all sectors of intervention. Annual operations were estimated to reach \$80 million. Based on this estimate, a \$400 million budget proposal was prepared for the third phase. However, if the government is interested in doing so, the SFD’s absorptive capacity could be increased further to help meet the huge national need for basic services.

The SFD is grateful to the political leadership of H.E. Ali Abdullah Saleh, President of the Republic, for his continuous support and easing of the difficulties faced by the SFD. Appreciation is also extended to H.E. Abdulkader A. Ba-Jammal, Prime Minister and Chairman of the Board of Directors, as well as to the members of the Board. In addition, the SFD is thankful for the ongoing support provided by the World Bank, Arab Fund for Economic and Social Development, government of the Netherlands, European Union, government of the United States, OPEC Fund, Islamic Development Bank and government of Japan. Finally, I gratefully acknowledge the development partnerships that the SFD has forged with various government agencies, community organizations and nongovernmental organizations as well as the efforts of the SFD’s dedicated and ambitious staff, who have done their best to help the SFD achieve its goals.



Abdulkarim Ismail Al-Arhabi
Managing Director, Social Fund for Development

The Social Fund and Human Development in Yemen

The Yemeni government has adopted a number of strategies and policies to reduce poverty and improve the living conditions of the population. These include the Strategic Vision for 2025, the Poverty Reduction Strategy Paper for 2003–05, numerous sector strategies, and a firm commitment to achieving the Millennium Development Goals by 2015. Given Yemen’s extensive needs and shortage of resources, realizing these strategies will require exceptional and concerted efforts.

SFD approach—focused on poverty reduction and human development

The Social Fund for Development (SFD) plays an effective role in government efforts to reduce poverty, focusing its activities on poor and remote areas as well as marginalized groups. In a 2002 report titled “Republic of Yemen Poverty Update,” the World Bank clearly states that the SFD is the best program in Yemen’s social safety net in terms of targeting policies and mechanisms.

The SFD helps implement government strategies for education, health and water by providing basic services in deprived areas. It also contributes to social protection efforts and pilots innovative solutions. In addition, the SFD will play an important role in the implementation of the Poverty Reduction Strategy (table 1).

The SFD also strives to strengthen government policies and increase their credibility among local communities. To that end, it bolsters the role of local councils and nongovernmental organizations as key actors in development and facilitates local community participation. In this way, the SFD fosters and supports investments in social capital.

SFD activities and interventions are distinct for their participatory and capacity building approach, which cuts across a range of services and options and reaches remote areas. In addition, the SFD achieves its mission with high-quality performance. Projects are implemented quickly and cost-effectively, and administrative costs average less than 5 percent of the SFD’s budget. Moreover, accountability and transparency are ensured by financial and other auditing performed by donors, the government and external auditors.

SFD efforts to develop human resources focus on four areas: education, training and skills development, health and mainstreaming women in development

Addressing education challenges

SFD interventions in education focus on:

- Broadening the coverage of education activities.
- Reducing overcrowding in schools.
- Fostering community participation.

Table 1:
SFD investments in the Poverty Reduction Strategy Paper, 2003–05

Sector	Millions of U.S. dollars	Millions of Yemeni riyals
Education	63	11,049
Water	36	6,279
Rural roads	13	2,335
Health	34	5,912
Social protection	173	30,395
Institution building	6	1,112
Total	325	57,082

Source: Ministry of Planning and Development 2001.

- Promoting girls' education.
- Supporting literacy activities.
- Providing institutional support to the Ministry of Education.

Broadening the coverage of education activities

The SFD has implemented targeting mechanisms to maximize outreach to communities lacking education infrastructure and services. Achieving the government's goal of universal enrollment in basic education (grades 1–9) by 2015 will require 211,755 classrooms to absorb 8.5 million students—meaning that more than 130,000 classrooms



Additional classrooms are still needed nationwide—
under-a-tree classroom

will have to be built. In other words, more than 10,000 new classrooms will be required each year through 2015 (Ministry of Education 2002). Reaching this goal will require enormous effort.

With more than half of its budget allocated to education, the SFD has become a major actor in building schools. Between 1997 and the end of 2002, the SFD built and refurbished 8,790 classrooms. Of these, 6,618 were constructed and 2,172 were refurbished. In addition, related facilities—such as school administration rooms, teachers' housing, warehouses, toilets, rainwater harvesting tanks and fences—were provided.

Reducing overcrowding in schools

The 2000/01 Education Survey found that in some urban areas the average classroom contains 100 students. In addition, the national Basic Education Development



The SFD implements projects aimed at increasing school facilities and improving education quality

Strategy for 2002 called attention to the growing problem of classroom crowding and its impact on school performance. Recognizing the importance of this problem, the SFD has implemented projects aimed at reducing classroom density and improving educational processes at the classroom level.

Fostering community participation

The SFD responds to community needs and tries to involve local communities in every stage of the project cycle, from design and implementation to operation and maintenance. The SFD also encourages communities to press for project contributions—that is, teachers and curriculums—from the relevant authorities.

In addition, the SFD has developed a Community Contracting Program for education that aims to build communities' skills in managing project implementation, ensuring their participation throughout the project cycle. The program also tries to use local expertise and strengthen the concept of community contracts based on transparency, efficiency, sustainability, solidarity and collective project ownership.

Promoting girls' education

Although the SFD's education interventions aim to increase enrollments among all students, special attention is given to increasing girls' enrollments—particularly in areas where they are especially low. In



Some fruitful outcomes of the SFD-implemented Overcrowding Reduction Program



One of the schools built by the SFD

such areas, every education project document includes a section devoted to analyzing the challenges of improving girls' education and increasing overall enrollments. Before the project documents are prepared, these issues are studied at the field level to identify appropriate interventions. In addition, school designs and project sites are adjusted for maximum response to girls' needs.

The SFD has also developed a special program for girls' education that addresses the issue at various levels. As part of this program,

participatory research was performed in four subdistricts: Al-Azareq (Al-Dhale'), Al-Soda (Amran), Al-Raimah (Al-Hudaidah) and Weld-Ayyash (Sa'ada).

Preliminary findings indicated that targeted communities have several unmet basic needs that affect girls' enrollments. Thus, increasing girls' enrollment rates may require multisectoral interventions. For example, efforts should include the water sector because water availability appears to significantly influence girls' enrollments: if girls must spend many hours a day fetching

**Box 1:
SFD support for the Adult Literacy Organization**

SFD interventions in support of the Ministry of Education's Adult Literacy Organization have included:

- Assisting curriculum review committees for basic education.
- Financing the printing of curriculums and training of trainers in several governorates.
- Furnishing the organization's office in the Sana'a governorate and training its staff in planning, report writing, administrative systems, documentation and archiving and information and communication technologies.
- Providing training on intervention strategies to the leaders of female-focused NGOs in various governorates.
- Planning high-quality literacy programs and defining their expected results.

Within the Adult Literacy Organization, staff training and development have focused on adopting new pedagogical concepts for adult education—including piloting new tools to promote literacy (such as poetry and popular culture rather than formal textbooks)—and disseminating lessons from this experience to other stakeholders involved in informal education in Yemen. The SFD has also supported the testing of new literacy methods, such as using text analysis and vocal skills to teach reading and writing skills in a relatively short period.

water, they are much less likely to be enrolled in school. The SFD will work to prioritize its interventions according to the extent of their effect on girls' education, taking into consideration their financial and managerial feasibility.

Supporting literacy activities

Reducing illiteracy requires a variety of interventions and strategies. The various causes of school dropouts, particularly among girls, must also be analyzed and addressed to develop innovative interventions that respond to the needs of targeted communities.

In addressing illiteracy issues, the SFD aims to:

- Increase the capacity of the Adult Literacy Organization (part of the Ministry of Education) to increase the effectiveness of its literacy training at the field level (box 1).
- Improve literacy workers' performance by designing and implementing training tailored to teachers and supervisors.
- Support centers for rural women, furnish classrooms for them and encourage their enrollment in literacy classes, as well as reach out to remote rural areas where girls' enrollments are especially low.
- Reduce dropout rates and raise the education achievements of illiterate people by improving the basic literacy curriculum, which was revised for the 2002/03 school year. Innovative adult learning methods were piloted and their impacts and local appropriateness evaluated. Various teaching methods and tools, depending on learners' needs, have also been used. This approach is particularly critical for women given the extra efforts made to encourage them to enroll in literacy classes. Conditions in these classes should minimize potential dropouts.
- Support NGOs that consider literacy crucial to improving women's vocational, health, cultural and economic status.

Providing institutional support to the Ministry of Education

The SFD gives special attention to Ministry of Education programs and activities that require institutional support and capacity building. The SFD helps provide experience and skills, improve performance and foster activities that contribute to education development. Programs supported and financed by the SFD include the newly created Inclusive Education Department, which received eight one-year scholarships in Jordan to build its staff capacity. In addition, the SFD recently supported the Educational Facilities Survey for the 2002/03 school year, a training session for statistics officials in the ministry's governorate offices and technical assistance for the ministry's General Directorate for Statistics and Planning and its Sana'a City Education Office. These programs have enhanced the capacity of ministry staff in processing statistical data and improved the performance of the governorate offices.

Providing training and developing skills

Because training and skills development crosscut all SFD sectors and are among the SFD's main concerns, it has created a special unit for such initiatives. This unit works closely with key government, NGO, community and private stakeholders. Efforts focus on:

- Supporting training that promotes new skills, such as for health workers in needy areas and for trainers who work with people with special needs. New skills for the trainers, for example, include efforts to promote the mobility of disabled people.
- Supporting training aimed at improving products and services—for example, by upgrading the skills of craft makers, school counselors and traditional midwives.
- Training trainers and providing onsite training to ensure the sustainability of services. High priority is given to the institutional development of existing training centers and to training trainers committed to using their new skills locally.



Upgrading the skills of craft makers by an SFD-supported NGO

In recent years, SFD interventions have expanded to include:

- Librarians, school counselors and staff and trainers in the Adult Literacy Organization.
- Beneficiary committees and consultants for water and environmental projects.
- Contractors and consultants working with microenterprises.
- Craft teachers, particularly for traditional crafts. These teachers have been selected from NGOs and centers that promote household productivity and as part of efforts to market the products of NGOs involved in crafts, sewing, knitting and home economics.
- Trainers in agriculture, including improving the skills of experts and technicians in animal husbandry, veterinary medicine, bee keeping and agricultural extension.

Supporting health reforms

The SFD supports the Ministry of Health in implementing the Health Sector Reforms Strategy. Efforts include training primary health care workers in deprived areas, improving the capacity of hospitals to provide maternal and child care and setting up health care facilities in deprived areas when staff and maintenance funding become available. Overall, SFD health interventions fall under four main themes: promoting equitable service coverage, ensuring the sustainability of services, improving service quality and encouraging partnerships and decentralization.

Promoting equitable service coverage

The SFD works to expand the coverage of health services and training (both pre-service and in-service) and has implemented targeting mechanisms to ensure that services reach poor communities. Service provision is tracked by a database system, and requests for services are prioritized according to community needs—with poor and remote communities generally given priority, along with maternal and child care. In addition, the SFD supports and encourages NGOs to play an active role in providing health care service, especially for poor people.

Ensuring the sustainability of services

In 2001, the SFD conducted a comprehensive evaluation of its past interventions in health, with specific analysis of the challenges facing the sustainability of these services. The findings were used to develop the framework for current interventions.

These interventions include the creation of a Health Management System that draws on participation by local communities. This project has targeted health services funded by the SFD and reinforced a number of systems, such as community participation in health service management, information systems, medical supply systems, referral systems, cost sharing (though costs are waived for poor people) and accountability. The project has also trained trainers, developed a training manual, printed the materials needed for the systems just mentioned, trained local health



SFD-supported health services provided in one of the Old City of Sana'a neighborhoods

committees and individuals involved in providing health services and monitored the application of these systems.

In addition, the SFD has implemented a training program for paramedical staff. The program addresses the need for health care workers and the high turnover of these workers in rural areas. The project provides pre-service training, particularly in areas lacking trained personnel. Three strategies are used to support this training: providing scholarships for students to attend nearby training institutes, organizing local training in primary health care and midwifery (for women) and training traditional birth attendants, who play a vital role in remote communities.

Another project implemented by the SFD, working with local health authorities, is the Districts Health System Support. This project provides training on health care systems to district-level health authorities, with a focus on the management and support roles of these authorities.

Participants in these training efforts have included Ministry of Health staff from the central and local levels. This move was driven by the need to strengthen the ministry's human resource capacity, enabling it to implement various reforms and replicate these experiences in its various interventions.

Improving service quality

The SFD improves the quality of health services by:

- Increasing the availability of qualified health care workers.
- Strengthening teaching at health training institutes, including establishing new institutes, introducing new qualifications and improving curriculums.
- Providing pre-service training through scholarships to attend training institutes and training for primary health care workers, midwives and traditional birth attendants particularly in areas where these skills are in short supply.



Promoting training of female health workers

- Providing brief in-service training for health workers.
- Supporting the creation of local health committees and training them on how to promote health care, manage services and increase accountability among health care providers.
- Supporting the introduction of new services in existing health care structures—including emergency delivery services, mental health services and special care for premature infants.

Encouraging partnerships and decentralization

Decentralization is pivotal to health reforms, and partnerships among health institutions and providers—within and between various levels—are crucial to the process. Decentralization involves restructuring roles and responsibilities in the sector and encouraging community participation, particularly in recovering costs. SFD interventions in this area involve:

- Ensuring community participation at all stages of the project cycle, from assessing needs to participating in management.
- Involving local health offices in the implementation and operation of health projects identified by communities and training their staff on decentralization concepts and practices. Health offices sign contracts that indicate their approval of elected health committee members and of community participation in managing health services. In addition, independent

bank accounts are opened for each health service center. Decentralized health offices are also responsible for providing essential drugs and vaccines, securing overhead costs and implementing the cost sharing system (while waiving costs for poor and vulnerable groups).

- Strengthening the capacity of district health authorities on reform concepts and gaining the support of local councils for community-elected health committees (by having them participate in the selection process and later having the committees get local councils' authorization).

Mainstreaming women in development

The SFD pays special attention to women when designing and implementing its policies, strategies, projects and action plans. By doing so, it ensures that women have complete



A literacy training classroom

access to basic services and can participate in all development projects—particularly those for education, water and health. The SFD also tries to involve women in all phases of the project cycle.

Empowering women

The SFD raises awareness about the

Box 2:

Providing literacy training to promote women's role in local development

SFD literacy projects in areas covered by its integrated interventions program—Al-Lail city in Sana'a, Robe'a al Dos villages in Al-Hudaidah, Al-Naef villages in Khamer/Amran, and the villages of Mehsamah, Hanadh and Ambasty in Ahwar/Abyan—are considered key entry points for social change. Despite high illiteracy rates in these areas, literacy projects have achieved high enrollment rates. The number of girls and women enrolled, and the number of girls (older than 10) and women who cannot read and write, vary by locality. High enrollments reflect the SFD's policy of ensuring community participation in all stages of the project cycle.

In addition to increasing literacy rates, these projects have provided indicators of community participation and helped evaluate the extent to which social transformation is occurring in these communities. The methodology used for these projects has been a key reason for their success. Pedagogical methods are flexible and avoid stereotypes, encourage creativity and discussion and draw links between social and educational realities.

The projects have drawn on local human resources, with educated local women trained in adult teaching methods and contemporary literacy methods and tools. These women then implement the literacy classes. The projects highlight these women's important role and their potential to act as leaders in development efforts.

In addition to inducing social change, the projects are intended to develop and implement economic activities for women. Thus, the projects are promoting women's educational and economic empowerment as a first step toward the development of their households and the social transformation of their communities.

importance of women's participation in development efforts by organizing community meetings and discussions. Rural women are encouraged to identify their needs and priorities as well as those of their communities. In addition, the SFD gives priority to projects targeting women and girls.

The SFD also encourages women to run for elections and to participate in local development committees. Moreover, to facilitate access to rural women and enable them to express their needs and priorities, the SFD endeavors to ensure that its field assessment teams include women. Finally, the SFD supports female-focused NGOs, particularly those involved in literacy programs.

Employing female staff

The SFD employs many women at its headquarters and in its branch offices. It also promotes women's access to the highest levels of its administration, with the heads of SFD units divided almost evenly between women and men. Moreover, the SFD trains highly qualified female consultants.

Promoting education for girls and women

The SFD believes that educating girls and women is the most effective strategy for social and cultural change. Thus, priority has been given to promoting girls' education and removing obstacles to it—for example, by increasing access to water and building rural roads. The SFD has also created



Female students in one of SFD schools targeting socially marginalized groups in Bani Sa'ad in Al-Mahweet governorate



Providing needy people, particularly women, with microfinance services helps improve their living conditions

special classrooms for girls, particularly in areas where co-ed education impedes girls' education. In addition, the SFD makes special efforts to increase female literacy, with a focus on cultural and functional literacy for women (box 2).

Improving women's health

Most SFD health projects include components designed to improve maternal and child care. Moreover, the SFD has promoted the training of female health care providers to facilitate women's access to services. The SFD has also trained midwives, particularly in areas where female obstetricians are unavailable.

Providing women with microfinance

The SFD's microfinance programs are designed to benefit primarily women. For instance, the Al-Hudaidah lending program was set up in collaboration with the Yemen Women's Union to facilitate the targeting of women. Several of SFD's microfinance programs are only for women. The SFD's experience has shown that, despite the traditional nature of Yemeni society, women are usually eager to participate in credit and savings schemes.

Social Fund Efforts to Build the Capacity of Its Partners

The SFD has evolved from being an effective service delivery mechanism to a model national agency—one that has made enormous contributions to development and offers valuable lessons for how such efforts should be implemented. The SFD has also influenced the institutional development and capacity building of its partners, which include community groups, NGOs and government agencies (box 3). The following examples show how SFD interventions have increased the institutional capacity of its various partners

Investing in social capital

Providing social protection for poor people requires promoting individual initiative and community participation in social development. Such efforts also empower communities and increase their capabilities, particularly in managing risks. The SFD mobilizes community initiatives by responding to priorities, facilitating community participation in project planning and operations and building the capacity of local groups.

Investing in social capital fosters human and social development. But mobilizing the capacity of communities is an ongoing process, and it is more than just a way of ensuring the sustainability of development interventions: it also helps build social capital. Communities must be encouraged and enabled to participate in this process. The views and suggestions of communities should be taken into account—particularly in reviewing their resources and capabilities, assessing their needs and priorities, selecting their representative committees and monitoring their performance. This is clearly demonstrated in the Integrated Interventions Program.

Electing local development committees

The SFD works with beneficiary committees to guide local development efforts. Committee members are elected by communities, and the SFD values and adheres to the criteria developed by the communities—with facilitation from the SFD—to determine the eligibility of elected members. These criteria guarantee fair representation of all community members and to ensure that local skills and commitment are sufficient to manage these committees.

Building the capacity of local committees

Beneficiary committees receive various types of training from the SFD. Key topics include promoting participatory development, organizing and managing



Investing in social capital through promoting community initiatives and participation

development initiatives, ensuring proper accounting and book-keeping, documenting meetings and writing reports, developing annual work plans, ensuring transparency and accountability, following procurement procedures, and raising funds and mobilizing resources. Training takes various forms, including participatory training, study tours, in-service training, regular courses and follow-up visits by trainers.

Gauging the impact of committees on communities

Local development committees are responsible for disseminating knowledge and information to their communities. The SFD faces various challenges in this regard, because investing in social capital requires substantial human and material resources—as well as long-term commitment before results begin to materialize.

Delivering microfinance services

When the SFD was created, it was assumed that many of its partner organizations—especially local organizations and NGOs—would be capable of delivering microfinance services if given support to do so. However, this assumption proved inaccurate. Because most of these organizations lack the capacity to provide sustainable microfinance services, the SFD decided to:

- Work with institutions that demonstrate their willingness and ability to learn and improve their capacity for microfinance.
- Invest heavily to build capacity in providing microfinance services and improve management and supervision.
- Monitor progress carefully and conduct periodic evaluations to learn from experiences.

Another incorrect assumption was that, once microfinance services were available, poor



The first mile towards a lasting smile: a family that was supported by SFD's microfinance

people would be eager to use them. But while poor people have a need for financial services, they are not used to dealing with semiformal financial institutions. In addition, microfinance loans and interest rates raise many cultural issues. The SFD has dealt with such issues by:

- Working with communities and target groups to identify needs, discuss the use of such services, and raise awareness and understanding of microfinance.
- Building the capacity of beneficiaries by financing group awareness and training.
- Initiating discussions about microfinance with local leaders and religious scholars.

The SFD has worked with 15 organizations to improve their capacity to deliver microfinance services. As part of these efforts the SFD has developed many training programs and working tools, including training on management and supervision, financial analysis, basic and advanced accounting (including the creation of an accounting guidebook), basic and advanced microfinance issues and credit policies and procedures. In addition, training programs have been developed for credit officers and for credit and savings groups, as well as for group leaders.

The most important tool recently finalized is a loan tracking software, which was developed in cooperation with the different organizations. This software will help microfinance providers better manage their portfolios.

In 2002, the SFD also sponsored two workshops to promote a national dialogue between providers and supporters of microfinance. These workshops are expected to increase understanding of microfinance and help the different players work together and share their experiences.

The SFD knows that capacity building is a long-term process. Thus, it will continue to support Yemen's microfinance providers to

increase their capacity to deliver services on a sustainable basis.

Providing support to nongovernmental organizations

The SFD builds partnerships with organizations that have the institutional capacity to implement SFD programs and projects. The SFD has also helped build the capacity of NGOs—increasing the potential for financial, accounting, administrative and technical sustainability.

Supporting the General Directorate for NGOs

SFD assistance for NGOs has included support for the General Directorate for NGOs (part of the Ministry of Social Affairs and Labor) and for implementation of the Law on NGOs

The SFD began to support the General Directorate for NGOs in 1997 by providing institutional support—in the form of basic equipment and attendant staff training—and by financing the development of a database and funding the mapping of NGOs and cooperatives as a basis for supporting them.

Supporting implementation of the Law on NGOs

The SFD manages a World Bank grant allocated to support the implementation of the Law on Yemeni NGOs, which was enacted in February 2001. The grant aims to increase the institutional capacity of the Ministry of Social Affairs and Labor as well as of civil society to understand and implement the law. This support includes two elements: preparing the bylaws for the NGOs Law and supporting NGO capacity. The first element involves:

- Organizing workshops and seminars to train and raise awareness about the law among citizens, lawyers and jurists.
- Training staff in NGOs and in the Ministry of Social Affairs and Labor about implementation of the law and other legal issues.
- Providing resources for legal libraries and

legal aid centers aimed at familiarizing NGOs with the provisions of the law

- Providing NGOs with legal support.

To support NGO capacity, the SFD has stepped up its activities with NGOs, which it considers both providers of social protection and primary partners in achieving SFD objectives. The SFD has enabled NGOs to conduct training targeted at nearby poor communities. In addition, it has improved their performance by training their leaders in technical, financial and administrative skills. Moreover, training has been provided to trainers in NGOs, with a focus on financial management, production and marketing. The SFD also focuses on implementing transparency mechanisms, particularly for activities it supports. Efforts include onsite and classroom training in accounting, bookkeeping and maintaining accurate and regular records.

Supporting Social Safety Net Programs

Among the SFD's most significant contributions to social safety net programs has been the support it has provided to the Social Welfare Fund and the National Program for Community Development and Productive Families.

Social Welfare Fund

The Social Welfare Fund is Yemen's largest and most important social safety net program, providing financial assistance to groups at high risk of poverty. In 1998, when the fund first applied for SFD support, it was still using manual methods to record data on beneficiaries and on financial assistance provided. Making financial transfers to beneficiaries required an enormous number of staff. Moreover, it took months to process the assistance, and there was no proper recording of final beneficiaries—even though beneficiaries numbered only 35,000 at the time.

The SFD has enormously improved the institutional capacity of the Social Welfare Fund by providing

support in stages. It began by analyzing the fund's needs, which led to supporting the creation of an automated database of beneficiaries (including assistance received and other information). As a result, the fund can now issue financial assistance instantly. Moreover, it now reaches 450,000 beneficiaries. SFD assistance to the fund included one year of onsite training in operating the database system.

The SFD also funded the development of a filing

system and the acquisition of a computerized accounting system to ensure that the Social Welfare Fund's operations are transparent and accountable. The SFD's partnership with the fund has been its most successful.

National Program for Community Development and Productive Families

This program was created in 1988 to assist poor families. The program trains households on income-generating activities that can be

Box 3: The SFD and local authorities

In its activities with communities, civil society institutions, government entities and local authorities, the SFD focuses on a few key issues. The most important are encouraging participation in project implementation and providing institutional support and capacity building. In recent years, the SFD has made especially strong efforts to strengthen its partnerships with local councils.

Encouraging participatory development. Local councils are responsible for approving project plans and monitoring implementation. As a first step, the SFD informs councils of projects that it proposes for their districts. In some cases, to facilitate monitoring, council members join local development committees. Coordination with local executive bodies also starts early in the project cycle. For example, local offices of the ministries of education and health receive regular updates on all SFD projects.

Providing institutional support and building capacity. In late 2002, the SFD initiated a training program for members of local councils. The program explains essential concepts of contemporary development—including how these concepts have evolved to incorporate sustainable development and community participation. It also covers procedures for applying for funding from the SFD and other potential donors. In addition, council members help identify their needs in training programs aimed at improving their capacity and technical abilities. Ultimately, local councils are expected to be able to develop detailed proposals for training their members—helping the SFD to develop strategies better suited to their needs. The program is considered crucial for facilitating partnerships between the SFD and local councils.

Planning future collaboration with local authorities. As the SFD enters its third phase of operations (2004–08), local authorities will become full-fledged partners in its development efforts and important intermediaries in its interactions with communities, increasingly helping it achieve its objectives. Participation by local councils will be facilitated at various levels. At first, the councils will be informed of the budgets allocated to their districts, the rationale and criteria for the budget allocations and the corresponding annual plans. In addition, training will be provided in line with councils' needs and responsibilities. The SFD will also increase the transfer of knowledge to local councils and build the necessary executive structures at local levels (governorates and districts). For example, the SFD has acquired considerable expertise in building and using project databases and in planning and managing projects with community participation. This experience can be transferred to local authorities, increasing their skills and capacity.

carried out in the household or in the market. By 2001, there were 47 centers for community development and productive families, and the centers had trained more than 19,000 people—most of them women (National Program for Community Development and Productive Families 2001).

Since 1999, SFD support for this program has focused on developing the skills and capacity



The closing ceremony of a training of trainers course to support the National Productive Family Program

of these centers, which are scattered all over the country. The aim has been to improve the quality of their services through a series of programs to train trainers in sewing and design skills and other handicrafts.

Strengthening institutions and programs for groups with special needs

To build the capacity of organizations serving people with special needs, recent SFD efforts have included support for the National Union of Disability Associations, the Ministry of Education's Inclusive Education Program and the National Strategy for Disadvantaged Children. In addition, the SFD has strengthened partnerships between civil society and government institutions.

National Union of Disability Associations

The National Union of Disability Associations was created in 2001 to oversee disability issues in Yemen and coordinate among organizations active in this field. Because SFD responsibilities include supporting



Special needs groups are provided with a variety of services and facilities

people with disabilities and the organizations that care for them, it has supported the union both institutionally and technically.

The SFD has funded a program aimed at building the union's institutional capacity by equipping its premises and supporting the development of a strategy to define its relationships with the organizations it represents. The strategy also outlines the coordination of work and efforts among member organizations. This program is also intended to build the union's capacity to develop strategic and annual plans. Developing the strategy was a collective effort that involved the member organizations, ensuring their ownership of the process.

In addition, administrative and organizational systems were prepared, as were job descriptions for members of the union's administrative committee, an annual plan and revisions to the union's bylaws to match its functions and the new strategy.

Inclusive education projects and programs

The Ministry of Education created an Inclusive Education Department in 1998. In recent years, the SFD has signed contracts to fund several projects supporting the ministry's Inclusive Education Program, which seeks to place children with special needs in mainstream schools. This funding was made possible through support provided by various international and local development agencies, including Sweden's Radda Barnen.

The program was first tested in 12 schools in the governorates of Taiz, Lahej and Abyan, then expanded to include the governorates of Aden and Sana'a. As a result, 470 girls and boys with special needs were integrated in mainstream schools in the districts and villages of these governorates. The SFD funded the training of local trainers in inclusive education. Moreover, as part of other joint projects between the SFD and the Ministry of Education, trainers are being trained on issues related to the education of groups with special needs.

In addition, the SFD is implementing a project that involves refurbishing inclusive education schools in the governorates of Lahej and Abyan. This effort also involves promoting community participation and awareness about maintaining these schools and equipping their special education units.

Finally, the SFD is funding another project aimed at expanding the Inclusive Education Program to other governorates, where departments for this purpose will be created and equipped. This effort also includes training trainers in the governorates and training teachers in new schools. Some of these schools need to be modified to remove architectural barriers that impede the enrollment of children with disabilities.

National Strategy for Disadvantaged Children

The SFD is supporting the Higher Council for Motherhood and Childhood by contributing to developing a strategy for disadvantaged children as part of the National Mother and Child Strategy for 2003–13. This will be the first national strategy highlighting issues of children with special needs. Local experts are developing the strategy in collaboration with the United Nations Children's Fund (UNICEF),

Box 4:

Stages of administrative reform in institutions caring for children with special needs

Preparation. The SFD has organized two workshops with the Ministry of Social Affairs and Labor and its governorate offices, together with participation by the private sector and local councils. The workshops analyzed the situations facing targeted institutions, discussed the purposes of reform and the expected effects of good management and reconsidered the private sector's role in providing social care. This stage was completed with the support of all stakeholders.

System development. The SFD contracted a consulting firm to develop a proposal for the reform format and for new systems and bylaws. This work was completed with the participation of NGOs, local councils, and the Ministry of Social Affairs and Labor. A comprehensive review was made of laws related to local councils and NGOs and of laws related to disabled people, delinquent juveniles and other groups.

Reforms are now being implemented with local councils and with the governorate offices of the Ministry of Labor and Social Affairs.

Institutional support for reform. This stage involves projects aimed at building the capacity of stakeholders involved in implementing reforms and of institutions targeted by the reforms—including disability centers, orphanages, centers for street children and rehabilitation centers for delinquent juveniles. Some projects are already operational, while others are still in the pipeline. Because this stage is still under way, it will require the attention of the SFD over the next few years.

Evaluation. In three years, the SFD will support the evaluation of this experience and ensure that its lessons are widely disseminated and used.

with technical assistance from the World Bank.

The strategy will analyze the challenges for children in difficult conditions, including orphans, girls, street children, children in conflict with the law and children with disabilities. A causal analysis and an analysis of current policies and programs targeting these children have already been completed. In addition, the strategy will offer recommendations for policies and programs aimed at improving the lives of these children—as well as mechanisms for mitigating the factors that contribute to the high risks they face.

The overall Mother and Child Strategy should be completed in 2003. It is expected to be officially endorsed as part of national social and economic development policies and strategies.

Partnerships between civil society and government institutions

The SFD's concern for groups with special needs (children and women at risk, people facing social exclusion) has led it to analyze the problems facing government institutions that provide social care and rehabilitation for disadvantaged children and women. These problems fall into two categories: weak administrative systems and inadequate financial resources.

SFD financial and technical support has



During the selection of the Board of Directors in an inclusive education school in Dhamar

enabled the Ministry of Social Affairs and Labor to adopt a program aimed at fostering partnerships among NGOs, private actors and government entities to run social care institutions. The program will develop efficient administrative systems, ensuring accountability, transparency and flexibility (box 4). This effort is also expected to increase funding from the private sector and charitable organizations.

In addition, the process will clarify the roles of different partners, enabling two management scenarios for the targeted institutions. The first will contract NGOs to run these social care facilities, supported by independent financial and decision making systems. The second will create an administrative board that includes representatives of NGOs, the Ministry of Social Affairs and Labor, the private sector, local councils and other stakeholders, with responsibilities distributed as follows:

- The NGOs will be responsible for developing services and for day-to-day management.
- The Ministry of Social Affairs and Labor will help select the NGOs and develop general policies and strategies. The ministry will also perform a monitoring role through its representatives on the administrative board.
- The private sector will provide funding and advice, and contribute through its representatives on the administrative board.
- Local councils will participate in selecting the NGOs, in funding and in providing advice through its representatives on the administrative board.
- Other stakeholders will provide advice and support and collect donations through their representatives on the administrative board.

Social Fund Institutional Development

During its first phase of operations, between 1997 and 2000, the SFD committed an estimated \$90 million in project funding. Its budget for this phase was covered by the World Bank, Arab Fund for Economic and Social Development, European Union, OPEC Fund and governments of the Netherlands, United States and Yemen.

In 2001, the SFD began implementing the second phase of its operations, with commitments totaling \$175 million secured from the donors listed above, as well as the Islamic Bank and the Japanese government. Implementation of the second phase, which was initially to extend until 2005, is proceeding quickly. As a result, preparations are being made to initiate the third phase of SFD operations, which is expected to start in 2004 and extend through 2008.

In 2002, the SFD developed preliminary outlines for its policies during the third phase. Its Board of Directors has endorsed this proposal and asked the government to mobilize efforts and resources for its implementation. The Board of Directors has also endorsed a budget of \$400 million for the third phase, with \$360 million coming from donors and the government and \$40 million from project beneficiaries.

The SFD's role in and contribution to Yemen's development have become increasingly important, and it is now a main intermediary for effecting change and reducing poverty. These achievements have been made possible by adopting participatory approaches to development, identifying technical solutions at the grassroots level and learning through experience. To sustain its role in strengthening the social safety net and reducing poverty, during its third phase the SFD will implement a multifaceted strategy aimed at improving the living conditions of poor people. This strategy will develop human resources

within a framework of social and economic advancement and strengthen collaboration with government institutions active in the social sector. It will also support local councils by developing their planning and project implementation capacity, empower communities suffering from poverty and continue to give priority to projects that target women and girls, as well as facilitate women's participation in SFD activities.

Targeting people, places and sectors in need

By the end of 2002, the SFD had contracted financing for projects covering every district in Yemen. To ensure that SFD resources reach the poorest groups and the community settlements with the greatest need for services, a targeting mechanism has been developed in line with the nature and scope of its activities. This mechanism includes *geographic targeting* (to channel more resources to districts with a larger proportion of poor households) and *sector targeting* (education, water, health, training, microfinance, groups with special needs). The SFD also uses indicators on living standards and poverty levels to improve targeting.

Geographic targeting

Yemen is composed of 20 governorates that include 332 districts. Districts, in turn,



Using poverty related indicators combined with field visits to verify and identify the priorities

Table 2:
SFD performance in targeting poor households in its first and second phases, by
governorate (US dollars per household)

Governorate	Mean allocation per household		Mean amount going to poor		Mean amount going to nonpoor		Targeting differential	
	Phase 1	Phase 2	Phase 1	Phase 2	Phase 1	Phase 2	Phase 1	Phase 2
Ibb	22.1	51.0	14.2	100.5	26.8	29.0	-12.6	71.5
Abyan	33.4	48.7	--	71.0	--	41.9	--	29.1
Sana'a City	20.5	34.3	--	90.7	--	6.8	--	83.8
Al-Baidha	32.6	54.8	73.7	121.9	-0.03	6.3	73.7	115.6
Taiz	19.8	52.2	27.4	108.7	25.9	16.8	1.6	91.9
Al-Jawf	20.3	55.7	--	94.8	--	31.4	--	63.4
Hajjah	22.5	57.2	16.6	93.9	23.2	34.8	-6.6	59.1
Al-Hudaidah	18.3	52.8	539.1	88.1	-212.9	38.0	752.0	50.1
Hadhramaut	23.5	51.2	-251.4	35.3	316.4	77.9	-567.8	-42.6
Dhamar	22.2	49.5	16.8	140.7	27.3	13.9	-10.6	126.8
Shabwah	35.5	50.4	--	101.6	--	23.9	--	77.7
Sa'ada	29.5	50.6	51.8	86.8	24.8	39.2	27.1	47.5
Sana'a	37.0	50.1	15.0	105.1	25.4	26.9	-10.4	78.2
Aden	24.1	32.7	--	108.1	--	-3.08	--	111.1
Lahej	26.3	50.2	--	90.9	--	36.2	--	54.7
Mareb	47.6	45.5	151.3	105.1	30.1	33.6	121.2	71.5
Al-Mahweet	31.0	50.6	2.2	104.1	43.1	28.9	-40.9	75.2
Al-Maharah	122.4	34.7	--	--	--	--	--	--
Amran	--	47.0	16.5	111.4	25.3	27.7	-8.8	83.7
Al-Dhale'	--	47.5	--	78.6	--	37.1	--	41.5
National average	37.9	51.4	87.7	94.3	13.3	29.7	74.4	64.7

Source: World Bank 2002.

contain subdistricts consisting of clusters of villages. The SFD takes this geographic structure into account to ensure that its resources and investments are distributed fairly, based on poverty indicators and living conditions in each governorate and district

and using criteria relevant to SFD policies and objectives.

During its first phase, the SFD allocated almost 70 percent of its resources on the basis of population density and living standards

Table 3:
SFD project commitments based on geographic targeting by sector, 1997–2002

Sector	Number of projects	Commitments (U.S. dollars)	Share of total (percent)
Education	1,232	81,198,739	62.7
Water	245	18,626,292	14.4
Roads	92	10,645,923	8.2
Health	203	10,471,450	8.1
Environment	57	8,595,252	6.6
Total	1,829	129,537,656	100.0

Note: Geographic targeting accounts for 70 percent of SFD investments and is based on living standards and poverty indicators.

Source: SFD management information system

indicators. Based on lessons from that phase, the allocation of funds during the second phase was based on a constructed index, with equal weight given to unmet basic needs and to income and consumption poverty, regardless of population density. This approach allowed poor households to obtain more resources. Hence, the distribution of allocations was not equal for poor and nonpoor households (table 2).

By the end of 2002, \$180 million had been allocated to ensure optimal targeting of needy and poor areas, as well as to increase investments in poor areas in response to community project proposals for basic services. Commitments for the 1,829 projects based on geographic targeting totaled \$130 million (table 3). Thus, 72 percent of the planned allocations had been committed—including for 936 completed projects, with the rest still being implemented or in the project pipeline.

Allocation absorption rates vary by governorate. For instance, by the end of 2002 the absorption rates already exceeded 100 percent in governorates such as Hadhramaut, Sana'a, Aden, Al-Mahweet and Al-Maharah, while others have not yet absorbed their entire allocations—though they are expected to do so by the end of 2003.

Projects based on geographic targeting focus

on education, water, health, roads and the environment, with well over half the funding going to education projects (see table 3). The SFD responds to community project proposals using clear criteria and procedures, which ensures that targeting enables the poorest and neediest areas to be reached. The process includes field visits to assess priorities and needs, determine appropriate interventions and define community contributions to projects.

Sector targeting

“The SFD is now in its second phase. Over time, it has capitalized on early experience and altered its activities in various ways. For example, the second project scales up assistance to the particularly vulnerable and disadvantaged—notably destitute women, abandoned children and the handicapped. This social protection component promotes informal education and training, support to rehabilitation centers, orphanages and other centers that cater to these groups, child care and literacy training for female prisoners and so on.

The SFD has also attempted to correct for weaknesses in the demand-driven concept of project identification by taking a more active role in targeting marginal groups and the poorest communities who are less well organized or inadequately represented by intermediaries. In these areas, the SFD

identifies special needs and works with the communities to address them. Central among these supply-driven special programs are basic education for girls, water harvesting and integrated development schemes". (World Bank 2002).

The resources allocated to sector and special programs—mainly supply driven—account for the other 30 percent of SFD investments. By the end of 2002, \$68.5 million had been allocated to 995 such programs (table 4). These programs address critical problems facing communities and reflect key SFD policies and objectives. Notable examples of such programs are described below.

Water Harvesting Program (phases 1 and 2).

This program targets areas that depend on seasonal rainwater collection for drinking, household uses and animal watering. These areas are prone to droughts and suffer from water scarcity. The program has been quite



Traditional water collection is extensively focused on—a cistern in Marhaba, Dhibain, Amran governorate

successful in a number of areas, villages and settlements. Projects are self-targeted, with poor people using water collected in cisterns. By the end of 2002, 146 water harvesting projects had been completed or initiated, at a cost of \$13.3 million.

Girls' Education Program. This pilot program promotes girls' education—particularly in rural areas, where enrollment in basic education is generally very low. The program

also includes complementary activities that address obstacles to girls' education, such as water availability (because, as noted, women and girls are often responsible for fetching water for households). For example, the program provides drinking water by constructing nearby water catchment ponds. Within this program, three pilot projects have been initiated in three areas, the preliminary cost of which is \$195,000.

Overcrowding Reduction Program.

This program targets overcrowding in schools—particularly in urban areas, where overcrowding reaches extremely high levels and jeopardizes education efforts. Schools in the poorest and neediest areas are targeted on the basis of available indicators and field studies. Wherever possible, the program builds additional classrooms and attendant facilities. It also builds new schools. By the end of 2002, 105 such projects had been implemented, with more than 24 classrooms added to some schools. This program has cost \$20 million.

**Table 4:
SFD project commitments based on
sector targeting, 1997–2002**

Sector	Number of projects	Commitments (U.S. dollars)
Environment	14	219,262
Integrated interventions	18	1,420,808
Training	116	1,434,277
Health worker training	71	7,158,339
Groups with special needs	135	10,676,383
Water	264	14,008,265
Education (reducing crowding)	161	20,899,433
Institution building	140	2,992,127
Roads (paving)	6	578,647
Microfinance	39	3,779,319
Cultural heritage	31	5,311,829
Total	995	68,478,689

Note: Sector targeting accounts for 30 percent of SFD investments.
Source: SFD management information system



The SFD encourages girls' education—along with creating the desirable environment for this sub-component

Increasing outreach by health training institutes. SFD field studies have found a lack of competent health care personnel at both the technical and administrative levels, which hinders the operations and capacity of health care services. Thus, SFD interventions have focused on supporting essential health service inputs and training health care personnel. The main goal is to improve the quality of health care education by supporting the creation of health training institutes in deprived areas, introducing new services and training facilities in these institutes and increasing enrollments. As noted, scholarships have been awarded in remote areas; graduating students are then hired by local health care facilities. In addition, the SFD—working with communities—has mobilized existing health care systems and administrations by providing training and developing administrative systems.

Integrated Interventions Program. This program focuses on developing local human resources and social capital. During its pilot phase the program targeted one urban and three rural areas considered the poorest and most needy, as determined by data on living standards and findings from field studies and surveys—enabling the nature and scope of SFD interventions to be determined by actual needs for services. The process also involved mobilizing communities and ensuring their participation and leadership in the development process. By the end of 2002,

18 such projects had been implemented or initiated, at a cost of \$1.4 million.

Program for Groups with Special Needs. This program is one of the SFD's most important interventions involving direct targeting. It focuses on groups requiring special interventions—namely, those at high risk of destitution and poverty (such as orphans, people with disabilities, women and children in difficult conditions and incarcerated women). These groups are often neglected because their problems are too complex to address given the lack of adequate infrastructure and human resources. During its second phase the SFD focused considerable attention on this sector using interventions tailored to actual needs and priorities. By the end of 2002, 135 such projects had been implemented, at a cost of \$10.7 million.

Training efforts. Training is considered an important way of improving skills, performance and work quality. Hence, the SFD's training interventions target NGOs, government bodies and community organizations considered essential partners in its efforts to alleviate poverty. The SFD has organized many training workshops and events that have addressed the needs and skills of these stakeholders. By the end of 2002, 116 training projects had been implemented, at a cost of \$1.4 million.

Institution building. Institution building efforts are designed to support community organizations, government bodies and NGOs involved in SFD interventions in cases where partnerships can better serve SFD aims and policies. By the end of 2002, 140 institution building projects had been implemented at a cost of \$3 million.

Microfinance. The SFD's microfinance efforts are aimed at increasing the capacity of small financial institutions, enabling them to provide credit and savings services to

Box 5:
A pledge of faith—building a school in a highly tribal area

The Qaflat Uthr district, located in the northwestern part of the Amran governorate, faces major hardships—including violence, tribal wars and high illiteracy. Moreover, the Al-Ma'aresh region, the area selected for an SFD school project, is highly tribal. It has been in continuous conflict with other tribes and so is considered very complicated from a tribal and social viewpoint.

Because the community had no trust in government (or any other) entities, at first it was not responsive to project initiatives. Thus, the SFD decided to delay its interventions in the area. But recently, after the community observed the SFD's credibility in implementing projects in a nearby area, community leaders visited the SFD office in Amran and requested a school project as a priority for their area.

It was agreed that four classrooms, along with supporting facilities, would be constructed. Two of the classrooms will be divided into several smaller classrooms.

Following approval by the SFD's Project Committee, the assigned team, along with a project officer, visited the project site to form community committees and to raise awareness about the importance of community contributions. The community agreed to the contributions it would have to make—including preparing the site, providing some financing for the project and installing a water tank at the project site.

Just one week after the community was informed about the needed contributions, students' parents started distributing lists of the amounts required and collecting the money. Because community members traditionally own weapons, many citizens who could not afford to provide cash at the time offered their rifles to the project's accountant and manager as a "pledge for fulfillment." Over a week, the equivalent of \$2,300 was collected. In recognition, a list of the contributors and the amounts they paid was hung on the wall of the school.

poor people for income-generating projects. The SFD has supported 17 microfinance programs as well as related capacity building projects, at a cost of \$3.8 million.

Cultural Heritage Program. This program focuses on restoring and preserving historic sites important both for Yemen and for world heritage. In other countries, sites from comparable periods have been destroyed or are beyond repair, but in Yemen, numerous sites enable a better understanding of the past. These sites help explain the Yemeni people's contributions to world heritage and have the potential to increase tourism and create jobs. By the end of 2002, 31 such projects had been implemented, at a cost of \$5.3 million.

Improving and adjusting community participation

The SFD has made community participation an integral aspect of its interventions. To



Training provided to the members of development committees of integrated interventions areas



A training session provided to researchers and SFD staff on participatory techniques

help guide the large number of projects implemented each year, a simple manual has been developed for field researchers. The manual provides clear information on procedures for undertaking needs assessments and for setting up committees responsible for representing communities in executing and operating agreed projects (box 5).

The manual also clearly defines the roles and responsibilities of field branches and consultants, the preparation period, the tools and techniques to be used, the time required to implement each tool, methods for reviewing each day's work and preparing for the next day, conditions and timing for moving from one village to the next and consultant honorariums for field work and report writing. Copies of the manual were sent to branches for use before beginning any field activity.

Building the capacity of researchers

Since 1999, the SFD has provided training to its consultants on approaches to community participation. The initial skills gained by these consultants were evaluated by reviewing their training reports, with a focus on their analytical and report writing skills. Because many of the reports were not of sufficient quality, a second round of training was conducted in 2002. The earlier training curriculum and materials were revised, and a new training program was delivered in three workshops that benefited 75 consultants.

These workshops covered four innovative new techniques for community participation in data collection and analysis. As a result, while preparing for field work in 2002, debates occurred between consultants and their branch managers about the most appropriate field tools and the time required for data collection and analysis at the field level (taking into account the four new tools). These discussions also focused on the roles of the consultants and SFD branches.

Assessing needs

The cost of community participation is one of the main challenges facing the SFD. Although community participation is vital to all SFD projects, it has been decided that its scope and method will vary. Participation may take the form of group interviews or opinion surveys to assess whether a project addresses community needs and priorities. It may also take the form of arranging onsite consultations, setting up representative community committees or encouraging communities to contribute to the costs of projects submitted to the SFD.

However, in very poor areas, which have not been able to submit project proposals to the SFD until recently, participation takes the form of community mobilization. In such cases, a team of SFD field researchers (women and men) visits the area to undertake a needs assessment.

Setting up community committees

As noted, SFD interventions require the participation of targeted communities, with committees of beneficiaries created as guarantors of projects. Evaluations of beneficiary committees have found that they sometimes include individuals who do not live in the project locality. In addition, committees may not have enough time to monitor and control projects or to honor their commitments to projects.

Thus, the SFD's branch consultants were trained in techniques for setting up

beneficiary committees. To achieve viable results, community mobilization is required to ensure that all community members are represented by these committees. Techniques covered included promoting voter registration, designing free elections and promoting women's participation. The training also disseminated special implementation guidelines stipulating that whoever performed needs assessments in communities should be involved in setting up local committees. The guidelines also suggest that this team spend two full days with communities before election dates to ensure successful elections. The trained teams of female and male consultants represent an additional community mobilization resource for SFD branches.

Strengthening monitoring and evaluation

The SFD has tried to objectively measure the impact of its interventions and use the lessons to improve future interventions. Early on, the SFD developed its approach to interventions to conform to the various sectors and activities in which it is involved. As a result, monitoring and evaluation have become an integral part of its activities. Evaluation indicators have been developed for each sector of interventions, and evaluation levels have been clearly defined and categorized. In late 2002, comprehensive evaluations were introduced for all sectors using qualitative and quantitative research tools. These impact assessments will be conducted every year for projects and every three years for households.

In addition, detailed evaluations are undertaken for each sector. The SFD uses the services of external experts, in addition to encouraging internal capacity building, to develop terms of reference, review proposed methodologies and supervise these studies. In undertaking this monitoring and evaluation, the SFD uses data from various sources—including government studies and surveys, the impact assessments conducted at

the project and household levels and its own management information system. Moreover, a project information system was developed early in the life of the SFD, allowing it to monitor the progress of projects, targeted areas, beneficiaries and employment opportunities. In addition, the 1999 Poverty Survey collected data from 306 geographic areas. These areas included SFD interventions for which data were gathered for later use.

The SFD has also sought to benefit from international expertise in impact assessments. In 2001, a proposed methodology for evaluation was drafted. It called for:

- A desk evaluation of SFD targeting, using the findings of the 1999 Poverty Survey as a baseline.
- A field survey of an area where 2,000 households had been targeted and 100 projects had been implemented to measure the impacts of SFD interventions in education, water, health, roads and microfinance. The survey also uses the 1999 poverty data as a baseline for education, health and water projects.
- A qualitative study to complement the quantitative study. The qualitative study is based on focus group discussions and in-depth interviews for a sample of projects covered by the quantitative study. The qualitative study may also look at sectors not covered by the quantitative survey.

Results from the first round of impact assessments are expected in mid-2003.

Drawing on poverty indicators and other data

The SFD has placed enormous emphasis on gathering data and indicators from various sources that are involved directly or indirectly with issues related to living conditions and that have played a significant role in targeting and reaching out to poor groups and areas most in need of services.

The SFD has integrated all available data and

indicators into the Geographic Information System (GIS), and SFD branches are given this system to support decision making on projects and interventions. The system includes population maps and data as well as demographic, poverty and service provision indicators at the governorate and district levels. This information is drawn from the 1999 Poverty Survey.

Other information sources include population and demographic data at the village level drawn from the 1994 census, illiteracy and school enrollment indicators for 1999 at the governorate and district level, a map of schools, the 2000–01 Educational Census (with data on individual schools) and a map of health care infrastructure, including baseline data from the 1998 Comprehensive Health Census.

Improving the management information system

The SFD has continuously improved its management information system in ways that suit the technical and financial monitoring of implemented projects and allow staff to create timely reports that meet the reporting requirements of donors. In mid-2001, with the beginning of the SFD's second phase, the need arose to undertake an independent review of the management information system to identify the organizational needs that it had to meet and to adapt it accordingly.

In 2002, the system was radically restructured to comply with work demands and changes that had occurred and to ensure that the project data it produced were accurate and comprehensive. In addition, a new timesheet system for staff was introduced.

External consultants were hired to conduct a detailed review of the new system. The consultants offered recommendations for structural improvements and developed a timeline for implementation, an attendant budget and a clear referral system. The sophisticated monitoring and evaluation

processes used were able to review the progress made in developing new databases and ensure that the new information system took into account the needs and demands of SFD branches. These processes also identified elements that needed to be integrated into the new system, including staff training. In addition, together with the SFD's unit for information technology, it was possible to analyze training needs, outline a guide for users and identify ways to use and further develop the system.

In addition, tools were developed to simplify the Geographic Information System for project officers who require basic information about the SFD's geographic areas of intervention. The simplified system will be shared among all SFD branches to facilitate targeting of poor areas.



Periodical staff meeting to review performance and outline improvements

Developing staff capacity

In 2002, the SFD held regular meetings for staff—including branch directors and project officers—to discuss performance reviews and evaluations and thus improve interventions. In addition, training workshops were organized externally and internally on topics such as local committee formation, health interventions and reforms (particularly for groups with special needs), community contracting, microfinance, literacy programs and adult learning.

Table 5:
Cost per square meter of SFD education projects, 1997–2002

Year	One-story buildings		Two-story buildings		Average cost (U.S. dollars)
	Number of projects	Cost (U.S. dollars)	Number of projects	Cost (U.S. dollars)	
1997 / 98	31	180.27	43	155.09	163.14
1999	88	152.18	35	131.52	139.42
2000	101	147.06	37	125.53	137.24
2001	72	147.75	103	120.97	126.98
2002	110	154.20	174	126.80	136.10

Monitoring costs

The average unit cost per square meter of implemented SFD education projects dropped by more than 5 percent a year between 1998 and 2001, but in 2002 this cost rose 7.2 percent (table 5). The sudden increase occurred because of:

- Payments of income taxes for contractors.
- Higher costs for some raw materials (particularly concrete).
- A drop in the number of contractors submitting bids for SFD activities (to an average of 5.6 contractors per bid, down from 8.4 in 2001). This change happened because SFD specifications had become less attractive to contractors.

In response, SFD organized meetings with contractors to discuss their decreasing desire to work for the Social Fund—even though it normally makes payments quickly. The SFD has urged contractors to take part in bids on offer and promised to address the issues they raised. Although the SFD’s unit costs increased in 2002, they are still lower than those of other actors involved in school construction.

Social Fund Operations in 2002

SFD projects and activities in 2002 continued to respond to communities' most urgent needs. Projects occurred in all governorates under the SFD's three programs: the Community Development Program, Capacity Building Program, and Small and Microenterprise Development Program.

Compared with 2001, SFD investments and commitments increased 13 percent in 2002, while disbursements jumped 42 percent. In 2002, the SFD contracted financing for 783 projects, with commitments totaling \$63.2 million. Projects covered all the main SFD sectors: education, water, health, roads, environment, cultural heritage, groups with special needs, training, institutional support, integrated interventions and microfinance. As in previous years, education came first, with investments of \$34.8 million—57 percent of the total.

Projects in 2002 reached 1.5 million direct beneficiaries, 51 percent of them women and girls. The projects also generated 2.6 million days of temporary employment.

Since 1997, the SFD has contracted financing for 2,819 projects, with cumulative commitments of \$201 million. Of this, \$123 million has been disbursed. The cumulative number of direct beneficiaries is 5.9 million, 49 percent of them women and girls. The cumulative amount of temporary employment is 7.9 million days.

SFD programs are implemented through its five project units:

- Infrastructure Unit.
- Water and Environment Unit.
- Social Protection Unit.
- Training Unit.
- Small and Microenterprise Development Unit.



Special attention is given to increase girls' enrollment

Infrastructure Unit

In 2002, the Infrastructure Unit implemented a number of projects focused on both quantitative and qualitative issues. These projects fell into three sectors: education, roads and cultural heritage (table 6).

Education—expanding efforts, strengthening coordination, promoting stability

In 2002, the SFD approved 371 education projects, with commitments reaching \$34.8 million. Of this, \$22.6 million was disbursed. During the year 2,963 classrooms were added, expanded, improved or furnished.

During the year, education projects reached about 0.2 million direct beneficiaries, 46 percent of them girls. The projects covered every governorate, with Al-Hudaidah receiving the most (46) followed by Taiz (37), Hajjah (36), Dhamar and Sana'a (30 each), and Ibb and Amran (29 each).

Between its inception and the end of 2002, the SFD committed financing for 1,405 education projects, with a total cost of \$104 million. Of this, \$59.9 million has been disbursed. These projects have involved 8,790 classrooms—6,618 were constructed and 2,172 were refurbished. More than 0.9 million students have been direct beneficiaries, about 0.4 million of them girls (43 percent).

Expanding projects and piloting new interventions. In 2002, education projects focused on building new classrooms, expanding and furnishing existing classrooms and improving school administration and other facilities (for example, building fences, stores and teacher dorms and installing toilets). In addition, a pilot project was implemented to improve school libraries and health environment. The second element was pursued by raising student awareness about health issues and the proper use of health facilities, fixing sanitary facilities, mobilizing school administrations and teachers and providing water and solid waste collection services. Five schools were selected for this pilot project—three for boys and two for girls.

The projects reflected a qualitative and quantitative expansion of SFD's interventions. In addition, monitoring and followup were enhanced to support this expansion.

Coordinating with other stakeholders. The SFD has become one of Yemen's most active actors in building schools. To avoid



The SFD remains enjoying a relatively low unit cost in school construction

duplicated efforts, coordination between the SFD and other organizations active in this field has been given high importance at both the central and branch levels. In 2002, the SFD launched an initiative for regular meetings to increase collaboration and exchange experience. Meetings were held with participation of the Public Works Project, Basic Education Expansion Project, Child Development Project, Ministry of Education's Project Department, Southern Governorates Development Project and the Rural Roads Project. Although education was the common concern of all stakeholders, coordination efforts involved other areas of common interest.

Promoting stable policies. In 2002, SFD education policies designed earlier were more stable, with followup to ensure the highest possible compliance with policies at SFD branches and to ensure that Ministry

Table 6:

Indicators for Infrastructure Unit projects by sector, 2002 and cumulative

Indicator	Education		Roads		Cultural heritage	
	2002	Cumulative	2002	Cumulative	2002	Cumulative
Number of projects	371	1,405	30	96	15	31
Commitments (millions of U.S. dollars)	34.8	104.1	4.0	10.7	2.5	5.0
Disbursements (millions of U.S. dollars)	22.6	59.9	3.1	4.9	0.3	1.7
Direct beneficiaries (millions)	0.2	0.9	0.3	0.9	---	---
Share of female direct beneficiaries (percent)	46	43	49	50	---	---
Temporary employment created (millions of days)	1.5	4.3	0.3	0.7	0.1	0.3



Improving school conditions has a major effect on increasing enrollment—one of the schools prior to intervention

of Education regional offices met their commitments and responsibilities. Similar efforts were made to empower local beneficiary committees to follow up with Ministry of Education regional offices to ensure that education inputs—especially female teachers—are provided, particularly in rural areas. In addition, this year witnessed more sector targeting besides demand driven approach.

The special programs in this sector are described below.

•**Girls' Education Program.** Office and field research showed that effective interventions under this program should address the needs of communities that have a direct effect on girls' education, especially access to safe water. Targeted communities usually live in extreme poverty and have basic needs that cannot be ignored. Thus, this program is aimed at creating a desirable environment for girls' education through the provision of basic services, in addition to addressing other supply-side aspects.

•**Overcrowding Reduction Program.** This program is designed to decrease overcrowding in classrooms and so improve both the education process and education quality. The success achieved in the program's first phase encouraged the SFD and the Dutch government to move into its second phase. The first phase covered only urban schools;

the second phase covers both urban and rural areas. By the end of 2002, 105 projects had been implemented under the program, at a cost of about \$20 million. The program has reached 4,540 classrooms (furnishing 2,906 and building or rehabilitating 1,634) and 0.3 million direct beneficiaries, 46 percent of whom were girls.

•**Community Contracting Program.** The Community Contracting Program aims at building the capacity of communities to manage local resources and contracts. The program promotes participation by benefiting communities throughout the project cycle, starting with the needs assessment and moving through project preparation, implementation, completion and operation and maintenance. The pilot phase of this program started in four governorates and expanded to three others, managed by SFD branch offices. In 2002, the program focused on building the capacity of the SFD and its branches in managing such projects. A team experienced in community mobilization was created, and it attended a number of training workshops that also involved participation by branch managers, the Procurement Unit and the Water and Environment Unit. Reflecting an expansion in the program, every SFD branch now has an officer in community contracting responsible for enabling the branch to engage in such projects.

Roads—targeting poor areas, promoting sustainability and ensuring economic and social feasibility

SFD interventions for roads focus on linking villages and subdistricts (box 6) where the SFD improves rural roads that link isolated areas to markets and social services (such as schools and health facilities). Road projects are implemented using selection criteria that focus on the remoteness and poverty of the benefiting areas and the social and economic feasibility of the roads. Community participation and maintenance of the roads are always stressed.



SFD interventions for roads focus on linking villages and subdistricts

In 2002, the SFD contracted financing for 30 road projects with a total cost of about \$4 million. A preliminary follow-up of new rural roads indicates that they have drastically lowered transportation costs for people and products—in some cases cutting costs in half. These roads have also facilitated access to basic services and promoted marketing of agricultural products.

SFD projects improved 284 kilometers of roads in 2002, generating around 0.3 million days of temporary employment and reaching about 0.3 million direct beneficiaries. The projects were implemented in 14 governorates.

Between its inception and the end of 2002, the SFD committed financing for 96 road projects with commitments of more than \$10.7 million. The number of direct beneficiaries exceeded 0.8 million—half of them females. These projects generated approximately 0.7 million days of temporary employment.

Targeting poor areas

As noted, the SFD prioritizes areas where poverty is particularly high. It helps raise living standards in remote settlements by linking them to primary and secondary road networks and facilitating their access to markets and basic services, such as health facility and schools. This targeting allows people in these areas to market their agricultural products more easily and reduces



Rural roads are constructed based on remoteness, poverty and feasibility of the roads

transportation costs for food supplies and cooking gas.

Promoting the sustainability of services

The main challenge of mountainous feeder road projects is ensuring their sustainability—particularly their resistance to rain. Thus, the SFD has increased efforts to ensure the sustainability of roads by involving communities in implementing projects and providing rainwater drainage components (side canals, box culverts, landslide prevention works, easing of steep portions). Moreover, emphasis is placed on communities' role in maintenance: they must adopt maintenance plans with specific commitments prior to final approval of projects by the SFD.

Ensuring economic and social feasibility

Any road should have a clear-cut economic function (providing connections to markets, increasing traffic, and so on) and social function (facilitating access to basic services such as health centers, schools, and so on). A road should benefit a substantial number of people, and its costs should not exceed \$25 a person.

Cultural heritage—safeguarding Yemen's cultural and historic legacy

The SFD has increased its efforts to preserve Yemen's unique cultural heritage by restoring and repairing historic sites of aesthetic and cultural value. These sites have increasingly

Box 6:
The Naqil Al-Adhabe' Rural Access Road Project

The Naqil Al-Adhabe' rural access road, 8.3 kilometers long, was constructed in a rocky and mountainous area. The road extends through many villages in the Al-Salam district (Taiz governorate), connecting them to the main road between Taiz and Al-Tourba, and is just 5 kilometers from another major road leading to the Ibb governorate.

A steep escarpment had been a major obstacle to the socioeconomic development of the villages located beyond it. The increased accessibility provided by the new road has provided numerous benefits, with beneficiaries citing:

- An increase in traffic volume, from 2–3 cars a day before construction to 15 a day after.
- A halving in passenger fares, from 200 to 100 Yemeni riyals.

The main work involved in building the road was realigning and widening the escarpment. In addition, drainage structures had to be built, with bridges, pumps and sedimentation ponds directing water from small catchment areas above the road to fields downstream—while respecting existing water rights. These challenging works were constructed by beneficiaries using the community contracting approach. In addition, labor-intensive techniques were used to implement civil works.

Beneficiary contributions to the project consisted of supplying needed stones and constructing some retaining walls. The unit cost of the road was \$11,796 per kilometer, and the labor content was 43 percent.

drawn the attention of the Yemeni government and international, regional and local cultural organizations. Thus, the SFD is working to further develop its capacity, as well as local capacity and resources, in this field. As part of these efforts, the French government agreed to provide the SFD with an archeological expert whose work has focused on old mosques with colored wooden ceilings and roofs.

The SFD has emphasized the importance of practical training in this field. A number of architects and craft workers have gained skills in documenting and supervising of rehabilitation operations, as well as in using traditional construction techniques for projects involving the restoration of the Maqashem (see below), Zabid citadel and historic houses in Shibam (Hadhramaut governorate).

The number of cultural heritage projects is growing, as is the amount invested. In 2002, the SFD contracted financing for 15 such projects with a total cost of \$2.5 million—equal to 3.4 percent of SFD investments, up from 3 percent in 2001. The projects are diverse and include restoring and protecting historic sites, performing documentation and studies, expanding cultural centers, building public libraries and museums, and repairing the inner roads of historic cities. Since its inception, the SFD has committed financing for 31 cultural heritage projects worth about \$5 million. Of this, \$1.7 million has been disbursed.

Some completed and ongoing projects are described below.

The Maqashem. In the Old City of Sana'a, the green areas and small gardens adjacent

to mosques are called the Maqashem. The builders of mosques in the Old City placed the Maqashem next to mosques as a source of income for the gardeners who lifted water from wells for ablution use by prayers in the mosques. The gardeners reused that water to irrigate the Maqashem, with any remaining water needed taken directly from the wells. The main crops of the Maqashem are vegetables, herbs and fruits such as blueberries, figs, peaches and citrus fruits.

SFD interventions seek to protect the Maqashem, which suffer from neglect and violations that have shrunk their surface area, in addition to severe shortage of water—all endangering a vital part of the unique architectural fabric and cultural heritage of Sana'a. The SFD has contributed to the rehabilitation of about 16 Maqashem. Violations have been eliminated—in collaboration with SFD's partners—and the sites have been protected with supporting walls. In addition, the land has been restored and the traditional irrigation system—using water from the mosques—reinstated. The SFD has also supported efforts to rehabilitate the production of traditional crops.

Historic wall in the city of Sa'ada. The SFD is involved in maintaining and restoring the wall surrounding the historic city of Sa'ada. The wall dates to the second half of the 10th century of the Hegira (16th century B.C.) and is about 3,500 meters long. The outer wall is 8 meters high, while the inner wall is 4 meters. The wall is almost 5 meters thick. The wall was built with turf (*zabour*) using a stone base and has about 45 defense towers spread across its outer wall. The wall also has four gates that were built to regulate movement into and out of the city.

Restoration work will include a protective covering to the entire wall as well as the lower and upper walls in the aqueducts and two gates (Bab-el-Yemen and Bab-Hamdan). Restoration will also involve removing new buildings. Work will adhere to the historic

architectural style, using the same traditional construction materials. In addition, the SFD has intervened to rehabilitate the walls surrounding the city's orchards, which are considered endangered.

National Museum. The SFD is involved in the expansion and development of the National Museum in Sana'a. The SFD is also seeking to increase the museum's competencies so that it can exhibit its numerous historic treasures in a safe, appropriate way. The museum is a major attraction for tourists, making tasteful exhibitions of objects and artifacts essential.

SFD support to the museum is aimed at enhancing its administrative, technical and physical capacity. A series of operations have been financed for rehabilitation of parts of the museum compound, site landscaping, introduction and training on a computerized documentation system and construction of an underground depot to allow the museum to properly store, restore and exhibit the many antiquities and manuscripts it possesses. These efforts will enable the museum to care for Yemen's cultural heritage more effectively and improve access to information and services for researchers.

Shibam historic housing. The SFD has financed a pilot program to rehabilitate Shibam's historic housing. The program was proposed by Shibam's Urban Development



The SFD contributes to restoring Yemen's historic cities, such as Shibam/Hadhramaut

Program and supported by the German Agency for Technical Cooperation (GTZ), and is designed to help local residents rehabilitate their houses to the standards accepted for the city, which is inscribed in the World Cultural Heritage.

Under this pilot program, 20–30 houses are expected to be rehabilitated, with substantial contributions from the house owners—reaching up to two-thirds of the cost of rehabilitation. The local council and the local branch of the General Organization for the Preservation of Historic Cities are also involved in preparation and implementation of the program.

In addition to the pilot project, the SFD is funding the restoration of the Ma'arouf Ba-Jammal Mosque, one of the oldest in Shibam. The mosque was built by Sheikh Ma'arouf Bin Abed Ba-Jammal in year 887 of the Hegira.

Zabid citadel restoration. The historic city of Zabid and its landmarks are experiencing rapid deterioration, with increasing threats from the spread of modern stone and cement block buildings and the bad condition of major monuments, among them the citadel of Zabid.

The SFD has financed a phase of restoration for the northern part of the citadel, covering the main gate, the external walls and towers



The SFD focuses on preserving the unique cultural heritage of the country, including Zabid citadel

and some internal features. This intervention protected the most endangered parts from collapsing. The project was used as an opportunity to train skilled and unskilled laborers in traditional building techniques.

Koukaban Mosque. The finely decorated wood ceilings of the Koukaban Mosque, in Shibam, are among the oldest and rarest Islamic works of its kind. But this historic landmark is in danger of collapsing, particularly its roofs. The most endangered area is the southwest wing, where most of the decorated wood ceiling has already collapsed. The SFD undertook urgent interventions to repair and protect the remaining ceilings and to avoid further deterioration resulting from the widening of cracks in the mosque's roofs. In addition, decorated wooden planks are being documented and stored while awaiting restoration.

Water and Environment Unit

Like other parts of the SFD, the Water and Environment Unit saw considerable expansion in its activities in 2002. Environmental projects saw an especially sharp increase, with more than half of the SFD's cumulative interventions in this area occurring in 2002 (table 7)

Water—delivering crucial services

Water is among the most important sectors for social and economic development due to its enormous effects on people's health and well-being. In addition, there is a direct correlation between water availability and girls' enrollment in school because fetching water is usually the responsibility of girls and women.

The government has prepared a National Water Strategy with broad goals that form the basis for every regional water strategy. The national strategy focuses on the optimal use of rain and surface water and advocates community participation in managing water

Table 7:**Indicators for Water and Environment Unit projects by sector, 2002 and cumulative**

Indicator	Water		Environment	
	2002	Cumulative	2002	Cumulative
Number of projects	117.0	518.0	39.0	74.0
Commitments (millions of U.S. dollars)	7.3	32.1	4.4	9.3
Disbursements (millions of U.S. dollars)	6.7	18.9	1.6	4.7
Direct beneficiaries (millions)	0.3	1.4	0.5	1.1
Share of female direct beneficiaries (percent)	51	50	50	49
Temporary employment created (millions of days)	0.4	1.5	0.1	0.3

resources. The strategy also identifies major challenges, such as limited water resources and irrational use of groundwater (93 percent of groundwater is used for agriculture, and 30 percent of this is used to irrigate qat). Inefficiency is also a major concern: 30–50 percent of household water is wasted through leaks in household networks, and 35–40 percent of irrigation water is wasted through open, unlined irrigation ditches. (National Water Resources Authority 2002).

In 2002, the SFD committed financing for 117 water projects worth \$7.3 million. These include projects to harvest water and build reservoirs, dams and efficient irrigation networks. In addition, water-related training and awareness courses have been carried out. Direct beneficiaries of these projects total about 0.3 million, 51% females. The projects have involved 18 governorates, including 8 projects to train Water Users' Committees in various governorates.

Since its inception, the SFD has committed financing for 518 water projects, with the majority focused on rainwater harvesting, followed by mechanized supply systems, in addition to building managerial capacity for such projects. Commitments for these

projects exceed \$32 million. The projects are expected to reach 1.4 million direct beneficiaries, half of them females, and generate 1.5 million days of temporary employment.

Harvesting rainwater

The SFD supports the expansion of traditional rainwater harvesting systems because they offer low-cost water sources for poor communities. These projects are often accompanied by health and environmental awareness courses because harvested rainwater is usually not suitable for drinking. Harvesting projects have also built several weirs and irrigation channels. Although most groundwater is used for agriculture, the SFD has stopped supporting mechanized supply systems because laws on the use of groundwater are not obeyed. Moreover, nonmechanized water projects rely on renewable water sources, and their operation and maintenance costs are usually affordable to communities.

In 1999, the SFD introduced the Rainwater Harvesting Program to rehabilitate traditional rainwater harvesting systems in areas highly dependent on them. Funds for the program are allocated outside the usual budget for



Cisterns for rainwater harvesting—a major SFD's activity aiming at providing water to rural communities

water projects. In the program's first phase, 106 cisterns were rehabilitated or expanded in 24 subdistricts. In the second phase, which started in 2000, the program selected 667 villages that depend on rainwater for at least 95 percent of their water resources. (Each village also had to contain at least 250 people.) Field visits cut the number of villages to 443,

and by the end of 2002 all those villages had been covered by the program.

Early indicators showed that water harvesting interventions are successful, encouraging the SFD to focus on this area. Most such projects—and nonmechanized water supply projects in general—require a lot of skilled and unskilled labor, and so create far more jobs than mechanized supply systems.

Drawing on surface water

The SFD aims to provide communities with water using available local resources. The SFD often supports water projects in areas where surface water (such as from springs) is abundant and where topography permits the flow of water by gravity. Such projects are usually successful because water resources are available and project implementation and maintenance are feasible and can be managed by communities. The SFD also supports the

Box 7:

Raising health and environmental awareness about water

Many residents of Yemen's mountainous regions rely on rainwater collected in cisterns for drinking water, household uses and animal watering. Indeed, according to data collected in 1994, 2,852 settlements rely entirely on cistern water—that is, there is no other source.

One of the goals of the SFD's Rainwater Harvesting Program is to provide sufficient water for targeted communities during drought seasons. The program also improves water quality by covering water channels, fencing or covering cisterns to prevent animals from entering them and installing manual pumps to avoid drowning caused when people descend into cisterns to fetch water.

Because water collected in cisterns is usually unfit for human consumption, the program also includes a component to raise the awareness of beneficiaries on ways to deal with such water. As part of this component, 18 male and female consultants were trained in raising health and environmental awareness. These consultants then train health workers (of both sexes) selected by communities. These health workers are vital to raising awareness in their communities, with assistance, monitoring and support from the SFD. To date, 116 such workers have been trained.

In addition, a book containing the training material was prepared, and recordings and videocassettes were produced of plays that raise health and environmental awareness. Calendars and posters with health messages were developed as well.

**Box 8:
Pilot project for fog water collection**

Fog is a natural phenomenon in some regions of Yemen, such as in the governorates of Hajjah, Al-Mahweet and Al-Maharah and on Socotra Island. Fog forms in these regions more frequently between December and March—which is also when droughts occur. Developments in meteorology and in the manufacture of high-quality materials capable of collecting fog water drops have helped make fog a major source of water in such areas.

Fog water collector consists of a frame made of aluminum or iron and a polypropylene net sewn on the frame. The collector is installed facing the direction of the wind, and gathers fog water in a channel that is then drained into a collection tank.

In December 2002, an SFD pilot project installed 30 standard collectors (1 square meter) in different parts of Hajjah, in addition to a large collector (48 square meter). The local community was involved in the entire process and trained in collector installation and data gathering.

Standard collectors gather data daily on indicators such as the quantity of collected water and the wind velocity and direction. A collector's productivity depends on several factors, including its height above sea level and the local temperature, wind velocity and humidity.

Productivity level can reach 30 liters a day per standard collector—especially if fog is accompanied by rain. A site is considered feasible for fog collection if a standard collector gathers 5 liters a day.

building of weirs to transfer floodwater, to maximize its use in irrigation. In addition, the SFD has implemented a pilot project to protect agricultural terraces in Manakha district.

Using wastewater in agriculture and energy production

When implementing sewerage projects, the SFD pays special attention to treating wastewater so that it can be reused in agriculture. It also educates farmers on how to handle such treated water and the kinds of crops that can be irrigated with it. In a pilot project in a schoolyard in Sana'a City, wastewater was collected, treated and used to irrigate green spaces. Inflammable gaseous byproducts were used to produce energy to light the schoolyard.

Raising health awareness and promoting community involvement

The sustainability of water projects is directly

related to communities' ability to operate and maintain them. Thus the SFD helps form water user committees, with members elected by beneficiary communities. These committees are trained in operating and maintaining water systems, in keeping financial records and in health and environmental awareness.

The SFD also recognizes the importance of benefiting from the traditional local techniques used in water harvesting projects. Using these techniques, communities have directly implemented many water harvesting projects—such as building cisterns and reservoirs—under the community contracting (direct implementation) approach.

Most communities in targeted areas have long relied on cisterns for drinking water. For that reason, in addition to developing water sources, the SFD has focused on improving water quality in various ways—such as by

building fences around or covering cisterns, covering water channels, installing manual pumps and building sedimentation basins. In addition, more than 100 health workers have been trained to raise health and environmental awareness about water in local communities (box 7).

Harvesting fog water

The SFD has implemented a unique pilot project aimed at gathering water from fog, under the supervision of an international expert. In late 2002, 30 standard fog collectors (1 square meter each) were placed in various parts of the Hajjah governorate (because fog is present there from December to March; the fog season is also a dry season). The collectors trap water droplets in fog and collect them in a channel that is then drained into a collection tank. In addition, a larger collector (48 square meters) was provided for



Fog water collectors piloted by the SFD

local experts to install when and where it is needed (see box 8).

If this project is successful, it will provide a new source of clean drinking water. Data are currently being gathered from the fog collectors on a daily basis. A site is considered economically feasible if a collector gathers 5 liters of water a day.

Building capacity

The Water and Environment Unit has paid special attention to conducting assessment workshops as well as training courses to raise health and environmental awareness.

For example, a workshop was conducted to assess community contracting for water harvesting projects. Workshop attendees were consultants (engineers and accountants) and project managers who had participated in such projects. The benefits and drawbacks of this approach were discussed, and several recommendations were made for further improvements.

The unit has also implemented several activities focused on capacity building, such as a course to train trainers on raising health and environment awareness about rainwater harvesting (see box 7). This course was attended by all the officers of water projects and 18 male and female consultants, enabling the trainers to train health workers from local communities. In addition, a training course for health workers focused on health and environment awareness related to mechanized water projects. Participants learned about optimal ways of preventing water pollution and about water-borne diseases. Finally, a training course for operators of slow sand filters was held to explain how to operate and maintain various filter components. The Water and Environment Unit also participated in a workshop held on the World Bank's strategy for the water sector.

Environment—providing training, improving management, conserving resources

In 2002, the SFD's environmental activities focused on conducting workshops and training courses. A workshop on the environmental impacts of nonrecyclable plastic bags (used excessively by retailers) was attended by representatives of relevant agencies and experts from Sana'a University. The main goal of the workshop was to consider feasible alternatives to such plastic bags that the SFD could support.

Another training course on the SFD's Environmental Management Plan was organized for project officers, branch office managers and SFD consultants. The



A pilot project for wastewater re-use in gardening—
17th July School in Sana'a City

course aimed at increasing awareness about the plan and applying it at all stages of the project cycle. This effort will require branches to train consultants hired by the SFD to implement the plan. In addition, SFD environmental staff participated in a training course on implementing environmental projects that was held for NGOs, sponsored by the General Authority for Environment Protection. During the course these staff members presented a working paper titled “SFD’s Role in Contributing to the Implementation of Environmental Projects.”

In 2002, the SFD committed financing for 39 environment projects: 31 are being implemented, 5 have been implemented and 3 have been approved. The expected cost of these projects is \$4.4 million, and the expected number of direct beneficiaries is 0.5 million.

These projects, occurring in nine governorates, involve managing wastewater, improving health and environmental conditions in the Central Prison of Al-Hudaidah governorate, managing solid waste (garbage collection and disposal, collection and disposal of slaughterhouse waste, preparing a study on managing hazardous medical waste in Sana'a City), promoting water and soil conservation, protecting communities and agricultural areas from floods and conducting training courses and awareness campaigns.

Since its inception, the SFD has committed financing for 74 environment projects with a total cost of \$9.3 million. Disbursements have totaled \$4.7 million, with 1.1 million direct beneficiaries—49 percent of them female.

Social Protection Unit

The Social Protection Unit focuses on three sectors: health, groups with special needs and integrated interventions (table 8).

Health—improving care, training and management support

In 2002, the SFD committed financing for 41 health projects worth \$2.5 million. These projects fell into four categories: improving and expanding health training institutes, supporting the provision of health care services, training mid-level health workers and training trainers and local health committees in health system management involving community participation. The projects were distributed among 17 governorates and are expected to reach 0.06 million direct beneficiaries and create 0.06 million days of temporary employment.

Health interventions were diverse and included constructing and equipping health facilities, providing training and building



Availability of female health staff facilitates access of women to the service

institutional capacity. Of the 18 construction and equipment projects, 8 involved constructing and equipping health training institutes. Training involved five courses for pre-service training (especially for women), three for health workers and two for traditional birth attendants. These courses reached 128 participants, including 28 traditional birth attendants in the governorates of Al-Hudaidah and Sana'a. In addition, a project for traditional birth attendants assessed their performance after training to evaluate its effect on changing knowledge and practices related to prenatal and neonatal care.

A program to improve health system management involving community participation targeted 58 health centers and was implemented by the Social Protection Unit at SFD headquarters. The second phase of the program will be implemented by SFD branch offices, allowing them to draw on the expertise of trained consultants in forming and training local health committees.

The health management development of the targeted health centers will be finalized in the first quarter of 2003. In addition, another health management development project will involve some districts and will link health authorities in these districts with SFD projects in local communities.

Between 1997 and 2002, the SFD committed financing for 268 health projects worth nearly \$16 million. Of this, \$11 million has been disbursed. The projects will reach 1.2 million direct beneficiaries, 51 percent of whom are female.

Enhancing SFD understanding of primary health care

In 2002, the Social Protection Unit conducted a training course on primary health care and SFD interventions for branch office managers and health workers. The course focused on exchanging knowledge about identifying health priorities based on the primary care concept and SFD policies. It also sought to

help communities access SFD support based on priority needs and available resources, driven by comprehensive understanding of primary health care—including the need for health facilities, safe drinking water, sanitation, health education and so on.

Training trainers in health system management involving community participation

The unit also conducted a course to train trainers in health system management involving community participation. The course, which drew 21 consultants from various governorates and staff from the Ministry of Health, was designed to create an additional team of trainers and supervisors to support efforts to improve the performance of health facilities. The course focused on strengthening supervision.

As part of this effort, a trainers' manual was prepared containing regulations on community participation in health management and rules governing the use of health services. The manual focused on the importance of providing preventive services in health care centers and on involving communities in solving health-related problems both inside and outside the centers.

Training consultants

Due to the limited number of SFD consultants qualified in acquiring medical equipment, a course was held to build capacity in developing specifications and analyzing tenders. Twenty-seven participants attended the course, which covered SFD procedures for procurement and bidding, general and specific specifications for medical equipment, and mechanisms for analyzing and awarding contracts and for receiving equipment from suppliers at project sites.

Groups with special needs—increasing integration, improving lives, building capacity

SFD projects for groups with special needs involve supporting national strategies,

Box 9:

The Safe Childhood Center in Sana'a

The Safe Childhood Center in Sana'a, established in January 2000 by the Ministry of Social Affairs and Labor, is a home and rehabilitation center for male street children under 15. The SFD has provided the center with furniture and equipment, developed its administrative and financial systems and provided technical support for its activities. The SFD is also managing the financial support provided to the center by Sharjah Charitable Society.

The center's main goals are to protect its residents, provide them with social, educational and vocational rehabilitation and return them to their homes. It offers education, health and social services and helps the boys adjust their behavior and attitudes so that they can integrate with mainstream society.

The center also offers follow-up care, checking on the status of boys after they leave. This care can take the form of staff visits to boys' households and schools, provision of school uniforms and monthly subsidies (cash, in kind or both) or monitoring of how the boys are behaving and treated in the schools they attend.

- Mohammed A., a former resident of the center, could not succeed in school. But he showed interest and talent in repairing watches. Therefore, the center funded and supervised a project designed for him in the Amran governorate, where he came from. Now he is working in watch repair—and supporting himself and his family.
- Ahmad H. A., in third grade, has become cheerful and social since moving into the center. He now refuses to beg, “to preserve dignity.” When asked what dignity means to him, he instantly replied: “Dignity means that I respect you and you respect me, doesn't it?” At school, Ahmad recently received a yellow belt in karate.

improving living conditions in centers for the disabled, integrating disabled children in public schools, building the institutional capacity of associations for the disabled, supporting vocational training for the disabled, training trainers who work with the disabled and rehabilitating female prisoners and improving

their living conditions in prisons.

In 2002, the SFD committed financing for 73 such projects worth \$2.9 million. The projects are expected to reach 0.04 million direct beneficiaries, 48 percent of them female. The projects cover 16 governorates.



Catering for the disabled—an increasingly growing focus of the Social Fund in special-need-group activities



Education, health and social services are provided for street children by the SFD-supported Safe Childhood Center

Table 8:
Indicators for Social Protection Unit projects by sector, 2002 and cumulative

Indicator	Health		Groups with special needs		Integrated interventions	
	2002	Cumulative	2002	Cumulative	2002	Cumulative
Number of projects	41	268	73	126	7	17
Commitments (millions of U.S. dollars)	2.50	16.0	2.9	9.7	0.2	1.0
Disbursements (millions of U.S. dollars)	4.60	11.0	2.7	5.3	0.3	0.30
Direct beneficiaries (millions)	0.06	1.20	0.04	0.07	0.02	0.05
Share of female direct beneficiaries (percent)	45	51	48	36	53	51%
Temporary employment created (millions of days)	0.06	0.50	0.09	0.30	0.01	0.04

Interventions were widely diversified and included training in management, means of communication (including sign language and speech training), integration of the disabled, rehabilitation preceding integration, rehabilitation of the mentally handicapped, education of the blind and early interventions. Other projects provided physiotherapy, education and vocational training for the disabled and improved the living conditions of women in prisons and of elderly people in specialized homes.

As noted, the SFD has also supported the Higher Council for Motherhood and Childhood in preparing a national strategy for disadvantaged children (orphans, street children, children in conflict with the law, disabled children) in coordination with UNICEF and with technical assistance from the World Bank (box 9).

Since its inception, the SFD has committed financing for 126 projects for groups with special needs, at an estimated cost of \$9.7 million. Of this, \$5.3 million has been disbursed, with 0.07 million direct beneficiaries—36 percent of them female.

The SFD is making efforts to strengthen

activities for groups with special needs. As part of those efforts, it conducted a course on the integration and rehabilitation of these groups. The course aimed at exchanging knowledge with branch managers and project officers on integrating the disabled both educationally and socially. One of the course's main focuses was integrating disabled children in mainstream education and providing the rehabilitation needed prior to integration. In addition, in April 2002 the Aden branch officer for special needs groups participated in the seventh scientific session of the Arab Union of Agencies Working with the Deaf, which focused on the rights of deaf people in the 21st century.

Integrated interventions—focusing on complementary efforts

In 2002, the SFD committed financing for 7 projects involving integrated interventions, at a cost of about \$0.2 million. The projects involved the Al-Lail neighborhood in Sana'a City (3 projects), Al-Nayef village (in Khamer) in the Amran governorate (2 projects), Al-Mihsama village (Hanadh /Ambesty) in the Abyan governorate (1 project) and Al-Aola village in the Al-Hudaidah governorate (1 project). These projects are expected to reach 0.02 million direct beneficiaries,



The Integrated Interventions Program emphasizes on community empowerment and social capital

more than half of them female. Since its inception, the SFD's Integration Interventions Program has involved 17 projects worth about \$1 million. Direct beneficiaries are expected to total 0.05 million persons, 51 percent of them female.

Because community development is the main goal of integrated interventions, it is crucial that they provide training in literacy—an essential element of social change. Thus, SFD staff have been trained in illiteracy eradication, drawing on the experiences of neighboring countries.

In 2002, projects focused on pursuing social mobilization, especially among women, by initiating literacy activities to enhance women's role and participation in community development. The program also continued to train local development committees in project operation and management. In addition, several activities were conducted to identify potential human resources that can be used in efforts to build institutional capacity.

Projects included constructing and equipping the Al-Aola Center for Social Services and incorporating the village's literacy project in the center, establishing the Literacy and Social Awareness Center in Al-Lail, rehabilitating the health unit in Al-Nayef, providing literacy training for women in Al-Mihsama and Al-Nayef and developing health and environmental awareness programs.

Other integrated interventions supported since the SFD's inception include literacy classes and social awareness raising for women.

All aspects of integrated interventions have been documented so that they can be replicated in the future.

Training Unit

The Training Unit implements projects for the SFD's Capacity Building Program through its training and organizational support activities. In 2002, the unit committed financing for 82 projects in various governorates (table 9). These projects involved commitments totaling about \$ 2 million and are expected to reach nearly 0.05 million direct beneficiaries—about 55 percent of them female.

Training—increasing efforts in response to needs

In 2002, the SFD committed financing for 45 training projects costing \$0.9 million. The projects were distributed throughout most governorates. Examples of these interventions follow.

Boosting literacy and marketing skills for women in microenterprises

An SFD project to improve women's



Training—along with practical application—is provided in various fields

marketing skills identified about 100 female small entrepreneurs (intermediary saleswomen) in Sana'a City. This effort was designed to help the women sell their goods in places near where they work—such as in their homes and at social gatherings.

A preliminary survey was conducted of the saleswomen in a small area of Sana'a City. The survey found that there were far more female microentrepreneurs selling by installments and selling minor commodities than originally expected. A questionnaire of 200 saleswomen showed the need for a variety of training, particularly in marketing and basic reading and writing skills. As a result, the SFD has targeted this group for intervention.

Recognizing the importance of conducting analytical work before implementing training programs, the SFD held five workshops. Then about 80 illiterate saleswomen participated in a three-month training program that provided functional literacy, using two study booklets on marketing and arithmetic prepared for this purpose. Arrangements were also made for a similar program targeting 60 female students in the village of Bani Al-Adhabi (Abs district, Hajjah governorate) to test the booklets on illiterate women from a rural area.

Training local councils to determine project needs

As part of its efforts to involve local councils



Training in tailoring and embroidery in one of SFD-supported associations

in determining the project needs of their communities, the SFD introduced a training program for consultants from various governorates. The program concentrated on mechanisms for defining the training needs of council members in districts and governorates, to build their capacity to identify their communities' needs. This program will be followed by the preparation of training materials for council members, and in 2003 the consultants will start conducting training in various governorates.

Providing counseling in kindergartens and basic education schools

This training program focused on about 120 teachers in coastal districts of Hadhramaut governorate. It was designed to qualify teachers in social and psychological counseling so that they can help students overcome health and emotional problems

Table 9:

Indicators for Training Unit projects by sector, 2002 and cumulative

Indicator	Training		Organizational support	
	2002	Cumulative	2002	Cumulative
Number of projects	45	109	37	137
Commitments (millions of U.S. dollars)	0.9	1.5	1.1	2.7
Disbursements (millions of U.S. dollars)	0.5	1.0	0.7	1.7
Direct beneficiaries	5,941	8,265	40,945	80,168
Share of female direct beneficiaries (percent)	58	58	51	68
Temporary employment created (millions of days)	0.02	0.03	0.02	0.05



Enhancing training for females—one of SFD's main activities

that result in deviant behavior and undermine attendance and academic performance. The program is now being evaluated before being implemented in other governorates.

Increasing onsite training

A pilot project for onsite training was extended beyond Sana'a City to include governorates such as Mareb, Al-Mahweet, Taiz, Dhamar and Ibb, where a number of institutions and NGOs provide training for beneficiaries. Some of these organizations lack skills in providing training in areas such as handicrafts, sewing, accounting systems, marketing and product quality improvement. The project showed that onsite training is less costly and more effective than class training due to its link with direct, practical applications. The types of training provided reflected various needs, including those of trainers and consultants for SFD projects, government organizations, NGOs and social groups.

Organizational support — for communities, education programs, data collection and other efforts

In 2002, the SFD committed financing for 37 organizational support projects—with 2 agreed upon, 5 completed and 30 under way—worth an estimated \$1.1 million and with nearly 41,000 direct beneficiaries, 51 percent of them female. The projects are located in various governorates.

These projects include support for women's

training centers, support for cooperatives and professional and women's societies, establishment of libraries, printing of books for literacy programs, equipment to improve management capacity, support for literacy programs and adult education, support for archives, documentary film systems and accounting systems, field surveys and outcome evaluation surveys and support for building databases. Efforts focused on the following areas.

Forming and building the capacity of community committees

As noted, the SFD implements many projects targeting communities. These projects require beneficiary committees for their management. A performance evaluation of a sample of these committees found that there was an urgent need for SFD consultants (trainers) to visit areas where the SFD had begun funding projects. Consultants needed to meet with beneficiaries to help them select committee members, then train the committees in



Local communities are continuously involved in the entire lifecycle of projects—from identification and planning to operation and maintenance

project management to ensure sustainability. These activities took place in numerous governorates: Al-Mahweet, Amran, Sa'ada, Al-Dhale', Taiz, Al-Hudaidah and Dhamar.

Expanding literacy programs and adult education

In line with its support for NGOs providing literacy training, the SFD has increased the number of projects for developing and improving policies, procedures and

curriculums (supervised by the Adult Literacy Organization), building the capacity of teachers and providing organizational support to literacy centers in various governorates. Support for these projects included providing funding for improvements in literacy curriculums, printing 50,000 copies of the literacy textbook, providing equipment for the Adult Literacy Organization to strengthen its management and supervision, and training 1,000 teachers in using the new curriculums.

Evaluating outcomes and following up in the field

To determine the extent of benefits from training and organizational support projects, follow-up fieldwork was conducted for training in home economics and for organizational support for home economics and handicrafts programs, targeting organizations in Sana'a City. In addition, preparations were made for follow-up fieldwork on training in beekeeping development and for organizational support for specialists and technicians working in livestock and veterinary science.

Supporting the Central Statistical Organization's Geographic Information System

During 2002, the Training Unit provided support for some database and statistical activities. An example is equipment provided to the Central Statistical Organization's GIS for work performed by field teams when updating data for statistical and geographical maps.

Small and Micro Enterprise Development Unit

In 2002, the Small and Micro Enterprise Development Unit supported a wide range of projects for microfinance and small and microenterprise development, including training courses and workshops, establishment of new programs and institution building for

existing ones, establishment of the Al-Amal Microfinance Bank and capacity building for the unit's monitoring and supervision. The unit's activities in 2002 fell into three main categories:

- **Small enterprise financing.** The unit performed a study of prospects for funding small enterprises through banks. In addition, it submitted a proposal for joint liability that would have strengthened banks' ability to fund small enterprises. However, this proposal was not implemented due to a number of objective complications. The unit also engaged in a dialogue with the



A client who benefited from the Al-Hudaidah Microfinance Program

Small Enterprise Development Fund—the only institution specialized in small enterprise financing in Yemen and reached an initial understanding to appraise the fund's operations and determine its needs for support.

- **Nonfinancial Services.** The unit completed a study assessing the need of small enterprises for nonfinancial services. A pilot program with a number of experimental activities will start in 2003. In addition, the SFD started encouraging interested enterprises to file requests for nonfinancial services support.
- **Microfinance.** Microfinance is the main focus of the unit's activities. The

Box 10:

A microfinance success story

Nadia Fadhel Muhammad, one of the women who benefited from the microfinance program sponsored by the Al-Thuraiya Association in Dar-Sa'ad, Aden, tells her story:

“I belong to a very poor family of seven. We have suffered a lot in our lives. One day I met with some women who were talking about an association they called Al-Thuraiya. I got excited and, after thinking it over briefly, I decided to join the program.

In January 2002, I was introduced to the women in charge of the project and started participating with them. In May, I received my first loan of 40,000 Yemeni riyals. The only requirement was to repay the loan within six months. With the loan, I bought two sewing machines, along with other required materials (threads, scissors and so on), to start my own business instead of being employed by others.

I have been focusing on producing traditional men's garments (ma'awez) and earning at least 60,000 Yemeni riyals a month. I use part of the income to purchase additional materials, and the rest to support my family. I recently borrowed another 50,000 Yemeni riyals, to be repaid in 10 months. I am using the new loan to improve my work and increase my production.

Praise be to Allah, the suffering my family and I endured is now part of the past to remember and learn from. Indeed, by virtue of the good will, many women like myself have been assisted. The program targets people with limited income, particularly women. Thanks to the program, we have become capable of improving our poor living conditions and becoming more self-reliant.”

unit's objective is to improve access to microfinance by developing the skills and capacity of existing microfinance programs and supporting new initiatives. In 2002, the unit concentrated on developing an automated loan tracking

system, installing financial systems and operational policies in existing programs and developing new products for clients. The unit also conducted training courses and workshops to improve the skills of staff of microfinance programs and encourage sharing of experience. In addition, the unit helped establish microfinance programs in new areas, drawing on international experience.

Support for existing programs

The unit assists existing programs through direct technical support provided by project officers. In 2002, the main goals were to strengthen loan portfolios by improving understanding of performance indicators, studying causes of arrears and default and reviewing the quality of services. Among the most important activities was the review of the Al-Hudaidah Microcredit Program. The



A woman who started her own bakery shop



A microfinance client making traditional garments

review resulted in a plan to restructure the program, and the process was started.

Support for new programs

The unit continued to experiment with new mechanisms and methods with the goal of providing sustainable microfinance services. The unit helped establish a number of new programs in Sana'a City, Aden, Ibb, Taiz, Dhamar and Bait-al-Faqih. The new programs are offering new services that were developed based on lessons from previous efforts and international experiences.

Training and capacity building

The unit conducted several training courses to improve the skills of staff of microfinance programs. Special materials were developed for courses on microfinance, management, supervision and accounting. In addition, the unit held a workshop on the role of project officers and another on accounting and auditing.

Yemen's first workshop on microfinance

Driven by the SFD, Yemen's first workshop on microfinance was held and was attended by microfinance providers, donors and government representatives. Participants discussed a variety of issues, including the need for a special legal framework for microfinance and for mechanisms to improve coordination and cooperation among practitioners. Participants also discussed issues of common interest, such as portfolio management, arrears and default. Participants agreed to improve coordination

among programs by exchanging information and conducting field visits.

The Microfinance Network in Arab countries

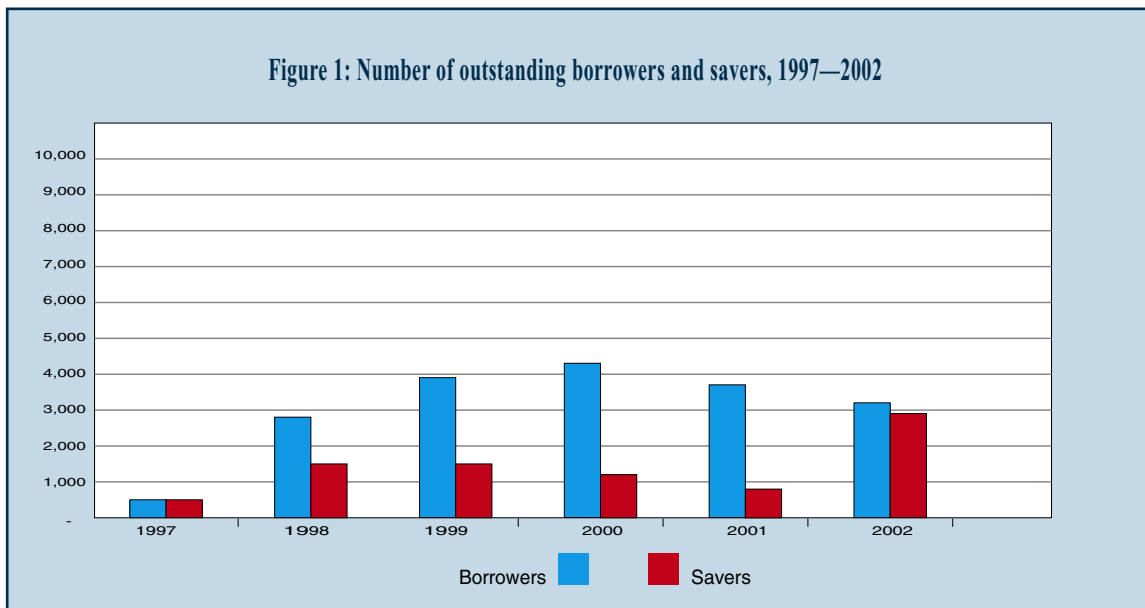
The SFD participated in establishing the first Arab institution specialized in microfinance: the Microfinance Network in the Arab Countries (SANABEL). The network seeks to support microfinance programs in Arab countries and strengthen cooperation in this field. Aside from the SFD, 13 leading microfinance providers in the Arab world and 3 leading Arab experts participated in forming the network. The network accepts as members only microfinance institutions with 5,000 clients or close to that goal. Cooperation between the SFD and the network began with an agreement to conduct a course on financial analysis in the first quarter of 2003.

The loan tracking system

Effective loan tracking system is one of the most important elements of a successful microfinance institution. Thus, the Small and Micro Enterprise Unit has been developing an automated loan tracking system, using local expertise. The first version of the system was completed in December 2002. The system has a flexible design and is based on advanced software. It allows for both individual and group lending methods and is based on the standards adopted by the Consultative Group to Assist the Poorest (CGAP).



Income-generation activities help poor people in their livelihoods



Active microfinance programs

In early 2002, the Small and Microenterprise Development Unit was supervising 10 microfinance programs, 4 of which were in the formation stage after agreements were signed with sponsoring agencies. The unit helped the new programs develop policies and procedures and train staff. The unit also worked to improve the capacity of existing programs. During 2002, the number of programs supported by the unit increased to 11.

Between 2001 and 2002, the number of active borrowers in SFD-funded microfinance programs dropped from 3,680 to 3,282 (table 10)—but the number of savings clients more than tripled, from 787 to 2,899. As a result, the ratio of savings clients to loan clients increased to 88 percent at the end of 2002

(figure 1).

The combined loan portfolio of these programs was nearly 100 million Yemeni riyals at the end of 2002, down from about 133 million in 2001 (figure 2). The drop resulted from the restructuring of the Al-Hudaidah Program, the largest program supported by the unit. Savings, however, increased eightfold in 2002— to about 6 million Yemeni riyals (figure 3). This increase was the result of new programs that use group lending in Aden (Al-Ma’alla and Dar-Sa’ad), Ibb, Taiz and Dhamar. Total loans distributed through SFD-funded programs since its inception exceed 690 million Yemeni riyals and have benefited more than 15,000 borrowers.

In 2001–02, SFD-funded microfinance programs

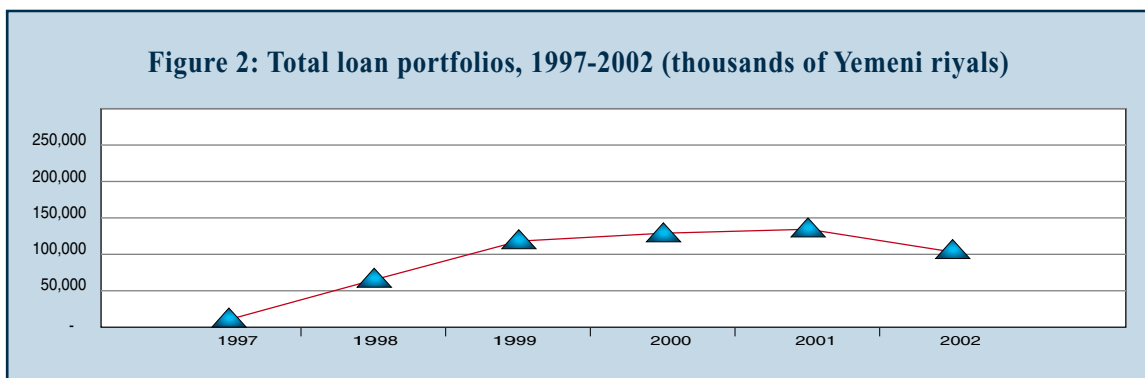
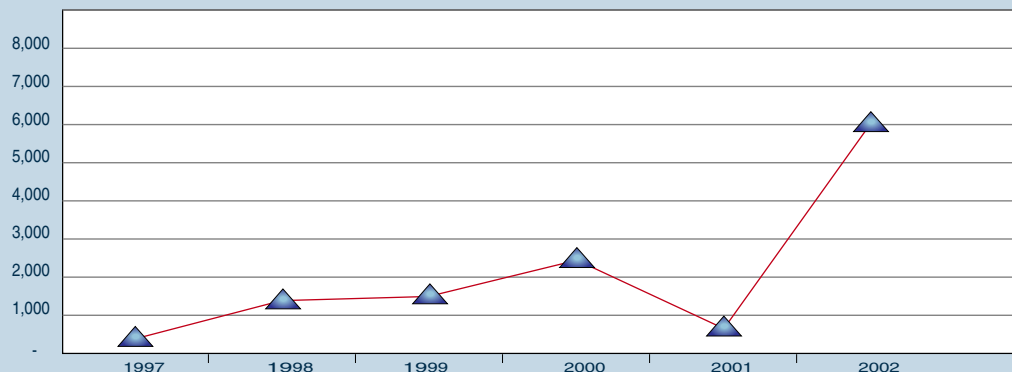


Figure 3: Total savings, 1997–2002 (thousands of Yemeni riyals)



paid more attention to targeting poor women. The programs found that such women are eager to use savings products. In 2002, the average outstanding loan was about 30,000 Yemeni riyals (figure 4), which is less than the average per capita income.

Al-Hudaidah Microcredit Program. The unit helped establish this program in 1998 as the first microfinance program in Yemen to provide services using the Islamic lending method murabahah. In the past few years, the program has provided services to thousands of clients, extending more than 320 million Yemeni riyals in loans. In 2002, a review was conducted of the program’s services and financial and administrative systems. As a result, a new phase began with several objectives: strengthening the program’s

institutional structure, attracting more clients and covering the entire city of Al-Hudaidah. The program opened its first branch in December 2002, and more branches will be opened in 2003. The program is now offering new products that will increase the number of female clients.

Al-Marawa’ah program. This program operates in the rural district of Al-Marawa’ah, providing financing primarily for cattle herding. The program is unique in its use of the Musharakah method (a traditional method of partnership between borrower and lender) and over the years has achieved good results. In 2002, however, drought in the area led to the complete halt of lending. Program activities are expected to resume in 2003.

Figure 4: Average outstanding loan, 1997–2002 (Yemeni riyals)

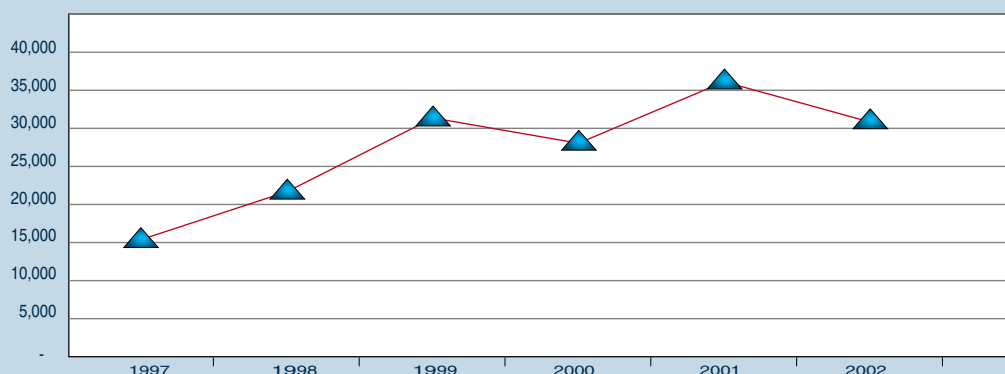


Table 10:**SFD-funded microfinance and income generating programs, 2002 and cumulative**

Program	Number of active clients, 2002				Outstanding loans	Savings	Portfolio at risk	Cumulative	
	Borrowers		Savers					Borrowers	Loans
	No.	Female (percent)	No.	Female (percent)					
Al-Hudaidah Microcredit	1,365	11	-	-	45	-	-	5,048	321
Hais Savings and Credit	183	57	518	89	8	2	5%	1,345	40
Marawe'ah Income Generating	140	33	-	-	9	-	-	3,306	150
Odain Beekeeping	165	1	-	-	3	-	-	334	18
Wadi Hadhramaut Savings and Credit	266	28	-	-	11	-	3%	306	23
Dar-Sa'ad Savings and Credit	281	89	592	86	6	1	3%	467	15
Ma'alla Savings and Credit	202	100	342	100	4	1	1%	307	10
Sana'a Microfinance	179	26	-	-	6	-	0%	279	11
Ibb Microfinance	120	100	412	100	2	1	0%	120	3
Taiz Microfinance	103	100	534	100	1	1	0%	103	2
Dhamar Microfinance	278	100	501	100	5	1	0%	278	6
Other	-	-	-	-	-	-	-	3,255	91
Total	3,282		2,899		99	6		15,148	691

Note: Loans and savings are measured in millions of Yemeni riyals.

Hais Savings and Credit Program. The savings and credit program in Hais has been active since 2001 in the districts of Al-Khawkhah, Hais and Jabal-Ra's. It was established after the completion of the earlier Small Enterprise Development

Project funded by the SFD. The program developed new financial and management systems to enhance sustainability and trained staff to work with the new approach. The new program is run by a new local society. In 2002, the unit provided financing and

training to improve bookkeeping and increase the sponsoring agency's effectiveness in managing the program.

Al-Ma'alla Savings and Credit Program and Dar-Sa'ad Income-Generating Program.

These two programs, established in late 2001, depend on groups of savers. Groups are required to save, and then members become eligible to receive loans (box 9). Both programs achieved excellent results in 2002, reaching their targets in distributing loans and mobilizing savings.

Microfinance programs in Ibb, Taiz and Dhamar.

In early 2002, the unit initiated a study to determine appropriate intervention areas and methodologies. Accordingly, three programs were established in Ibb, Taiz and Dhamar. The programs received technical assistance from the Association for Social Advancement "ASA" (a Bangladeshi NGO specialized in microfinance) through a project implementation unit located in Ibb.



One of the microentrepreneurs assisted by Sana'a Microfinance Program

Staff were selected and trained, and the programs began providing women with savings and loan services using the group approach. Loans are repaid in equal weekly installments over a one-year period. Though this approach is new to Yemen, the programs have achieved good performance.

Sana'a Microfinance Program. This program was established in 2002. During the year the office was rented and equipped, employees were chosen and trained, loan policies and financial and management systems were installed, and the program began providing services. The focus was on installing and testing the program's basic policies and performing a promotional campaign in the targeted areas in Shumailah and surrounding areas in Sana'a City.

Bait-al-Faqih Microfinance Program. The unit provided support to the sponsoring agency in Bait-al-Faqih, which laid the foundations for the work, including the installation of the accounting system, the promotion of the program and the formation of groups.

Major Sources of Funding

By the end of 2002, the SFD had almost completed disbursements for all the projects approved for financing during its first phase of operations (1997–2000), with funding coming from a credit from the World Bank’s International Development Association (IDA), a loan from the Arab Fund for Economic and Social Development, grants from the European Union and the Dutch and U.S. governments, a loan from the OPEC Fund for International Development and a technical support grant from the Japanese government. A further grace period is allowed to honor commitments from the OPEC Fund and the Japanese and Dutch governments. Remaining grants from the European Union are expected to be closed by the end of 2004.

The SFD made efficient use of its first phase resources, funding 1,210 projects in all its main sectors of concern. SFD financiers have delivered funds quickly, provided technical and institutional support and been highly responsive to SFD needs. In 2001, the SFD began its second phase (initially set to cover 2001–05 but ultimately covering 2001–03), which is funded by the financiers of the first phase as well as the Islamic Development Bank.

World Bank (International Development Association) credits

First credit (2953). The 482 projects funded by this \$29.3 million credit were approved during the first phase of SFD operations and completed by 2002 (table 11). The credit included activities to build SFD institutional capacity and staff skills. Projects involved education (293), water (40), special needs groups (3), the environment (3), roads (3), institutional support (44), training (25), health (55) and microfinance (16). These projects reached 0.6 million direct beneficiaries, 47 percent of them women, and created 0.8

million days of temporary employment.

Second credit (YEM 3353). To date, this \$75 million credit provided in 2001 has funded 874 projects—321 developed in 2002 and 553 in 2001 (table 12). The projects have involved water (282), education (242), health (81), roads (69), special needs groups (63), the environment (37), institutional support (32), training (31), cultural heritage (19), integrated interventions (10), microfinance (7) and small enterprises (1). The projects are expected to reach 2.5 million direct beneficiaries, 49 percent of whom are female, and generate 2.8 million days of temporary employment.

Islamic Development Bank

Loan YAR/50. Received by the Yemeni government in 2000, this loan of about 4 million Islamic dinars (equivalent to 6 million US dollars) helped finance community development projects in education, water, health and rural roads.

Dutch government grants

Grants TF 020451 and 020452. These grants worth \$7 million and are administered by the World Bank. The grants were used to provide technical assistance to the SFD and finance projects in education (58), water (8), institutional support (8), health (6), training (3), special needs groups (1), the environment (1) and roads (1). Direct beneficiaries are expected to reach 0.2 million people—51 percent of them women. .

School overcrowding reduction grant YE 009804B. Signed in 2002, this grant provides \$8 million to fund a program aimed at increasing capacity and reducing overcrowding in public schools, constructing new schools in urban areas and purchasing

70,000 chairs to furnish some schools built by the Ministry of Education. Financing was committed for 60 projects, 40 of which involve expanding schools and constructing new ones and 20 of which involve providing furniture for schools in every governorate (with an average of one project per governorate). The projects are expected to benefit about 0.3 million students, 44 percent of whom are girls, and involve 3,826 classrooms.

Grant YE 024601. This grant will finance 241 projects worth \$22.8 million. Projects involve education (146), health (32), institutional support (16), training (14), special needs groups (13), water (9), roads (4), the environment (3), integrated interventions (3) and cultural heritage (1). Direct beneficiaries are expected to exceed 0.4 million—49 percent of them female. By 2002, \$7.7 million of the grant had been disbursed. Use of the grant is expected to be completed by the end of 2003, as the projects funded by it have reached an advanced stage of implementation.

Arab Fund for Economic and Social Development loans

Loan 350/1997. This \$19.6 million loan started being used in mid-1998 and was closed at the end of 2002. The loan funded 351 SFD projects involving education (228), health (53), water (52), the environment (8), roads (6) and microfinance (4). The microfinance projects are still under way because the life cycle of these programs can span five years. Initiated in 2001, they include savings and credit programs in Hadhramaut, Al-Ma'alla and Dar-Sa'ad, as well as the microfinance programs in Ibb, Taiz and Dhamar. Projects under the loans are expected to reach 0.8 million direct beneficiaries, 49 percent of whom are female, and provide 0.7 million days of temporary employment.

Loan 425/2002. The SFD was provided with \$49.8 million based on an agreement signed between the Arab Fund for Economic and Social Development and the Yemeni government in April 2002. Use of these funds

began at the end of 2002, with financing committed for 295 projects involving education (194), water (68), health (11), roads (11), the environment (8), special needs groups (2) and cultural heritage (1). The number of direct beneficiaries from these projects is expected to be 0.4 million, with females forming 48 percent. Expected temporary employment amounts to 1.2 million days.

Grant for the Grand Mosque in Sana'a. This grant—mounting to \$1.5 million—has been allocated for the restoration of the Grand Mosque in Sana'a.

U.S. government grants

Wheat Counter Value Aid (1999). This \$7.2 million grant was used to finance 29 projects for health, the environment, roads, cultural heritage and special needs groups.

Wheat Counter Value Aid (2000). This \$9 million grant was provided based on an agreement signed by the SFD and the Yemeni government in June 2001. The grant will fund 96 projects in education (93), cultural heritage (2) and health (1) reaching more than 0.4 million direct beneficiaries—44 percent of them female. The projects will generate 0.07 million days of temporary employment.

Wheat Counter Value Aid (2001). This \$5 million grant was provided to implement development projects around the country focusing on highly tribal areas such as Mareb, Al-Jawf, Sa'ada and Shabwa. Part of this aid will be used to finance the first phase of the Mareb Museum, which will increase tourism in the region of Mareb.

The European Union

Grant B-3000. This 15 million Euro grant was signed between the European Union and the Yemeni government in 1998. It has been used since 2000 to fund water harvesting and roads projects as part of the

Table 11:
Major sources of external funds for SFD's first phase

Source	Agreement year	Amount (millions of U.S. dollars)*
World Bank International Development Association, credit 2953	1997	29.3
Arab Fund for Economic and Social Development, loan 97/350	1998	19.8
European Union, grant B-3000	1998	15.0
Dutch government, grants 02451 and 020452	1998	7.0
OPEC Fund for International Development, loan 721P	1998	6.0
American Wheat Counter Value Aid, 1999 program	1999	7.2
Dutch government, grant YE 009804B	2000	8.0
Total		92.3

*Equivalent amounts of the funds in U.S. dollars are approximate

SFD's Community Development Program. In addition, the grant has helped build the capacity of NGOs and local settlements—supporting their organizational capacity and helping them in health, environmental and financial activities. As of the end of 2002, 184 projects worth \$5.6 million were financed with direct beneficiaries expected to exceed 0.1 million people, 50 percent of whom are female. Temporary employment is expected to reach 0.1 million days.

OPEC Fund for International Development

Loan 721 P. This \$6 million loan was used to fund 116 projects in education (87), health (19)

and water (10). The projects are expected to reach nearly 0.2 million direct beneficiaries, 54 percent of whom are female, and generate 0.2 million days of temporary employment.

Japanese government

Grant 026373. This grant, for \$209,400, was provided at the end of 2000 and has been administered by the World Bank. It was allocated to build the capacity of the SFD's Small and Microenterprise Development Unit. The amount was used to finance microfinance pilot programs in Ibb, Taiz and Dhamar and to build the unit's technical and organizational capacity.

Table 12 :
Major sources of external funds for SFD's second phase

Source	Agreement year	Amount (millions of U.S. dollars)*
Islamic Development Bank loan	2000	6.0
World Bank International Development Association, credit YEM 3353	2000	75.0
Japanese government, grant 026373	2000	0.2
American Wheat Counter Value Aid, 2000 program	2001	9.0
Dutch government, grant YE 024601	2001	22.8
Arab Fund for Economic and Social Development, loan 425/2002	2002	49.8
Arab Fund for Economic and Social Development, grant for the Grand Mosque of Sana'a	2002	1.5
American Wheat Counter Value Aid, 2001 program	2002	5.0
Total		169.3

*Equivalent amounts of the funds in U.S. dollars are approximate

Table 13:
Sources and uses of funds, 1997–2002

Source	1997	1998	1999	2000	2001	2002	Total
World Bank IDA credit 2953	2,125,976	6,237,451	14,145,398	4,555,602	2,115,281	124,867	29,304,575
Yemeni government	-	-	588,033	591,652	884,956	862,069	2,926,710
European commodity aid	76,923	-	-	-	00/01/1900	-	76,923
European grant B-3000	-	-	-	1,157,987	967,651	2,620,685	4,746,323
Dutch grant for Al-Hudaidah Microfinance	35,000	6,003	-	-	-	-	41,003
Dutch grant TF020452	-	-	654,756	2,543,328	485,775	1,796,295	5,480,154
Dutch grant YE 009804B	-	-	-	4,098,402	1,971,163	1,639,064	7,708,629
Arab Fund for Economic and Social Development loan 97/350	-	-	1,950,000	10,246,784	7,355,431	18	19,552,233
American aid (416-b) 1999/2000	-	-	3,130,675	-	6,567,079	4,236,321	13,934,075
OPEC Fund for International Development-721P				1,312,936	3,667,554	742,461	5,722,951
Japanese grant TF 026373					50,000	65,394	115,394
World Bank /IDA credit 3353					10,386,683	21,398,527	31,785,210
Dutch grant -YE 024601					5,976,096	3,500,000	9,476,096
Total	2,237,899	6,243,454	20,468,862	24,506,691	40,427,669	36,985,701	130,870,276
Interest earned	-	79,413	46,423	445,751	441,603	448,587	1,461,777
Incomes	-		64,909	141,915	697,318	889,733	1,793,875
Recovered expenses				181,208	54,193	95,967	331,368
Grand Total of sources	2,237,899	6,322,867	20,580,194	25,275,565	41,620,783	38,419,988	134,457,296

Uses	1997	1998	1999	2000	2001	2002	Total
Works and goods	1,093,461	3,796,844	10,920,967	13,687,079	24,825,200	36,113,631	90,437,182
Sub-loans	56,723	601,900	314,986	335,164	133,673	171,930	1,614,376
Equipment	38,535	482,266	742,448	2,172,044	2,691,058	4,013,070	10,139,421
Consultancy and training	168,184	539,597	1,634,877	2,155,653	3,057,694	4,583,035	12,139,040
Capital cost	243,248	291,797	318,770	113,970	155,081	132,280	1,255,146
Operating cost	220,809	835,142	1,224,018	1,595,950	1,646,142	1,883,372	7,405,433
Total of uses	1,820,960	6,547,546	15,156,066	20,059,861	32,508,848	46,899,320	122,992,601

Annexes

Commitments, disbursements, benefits and maps of projects locations around the country by sector

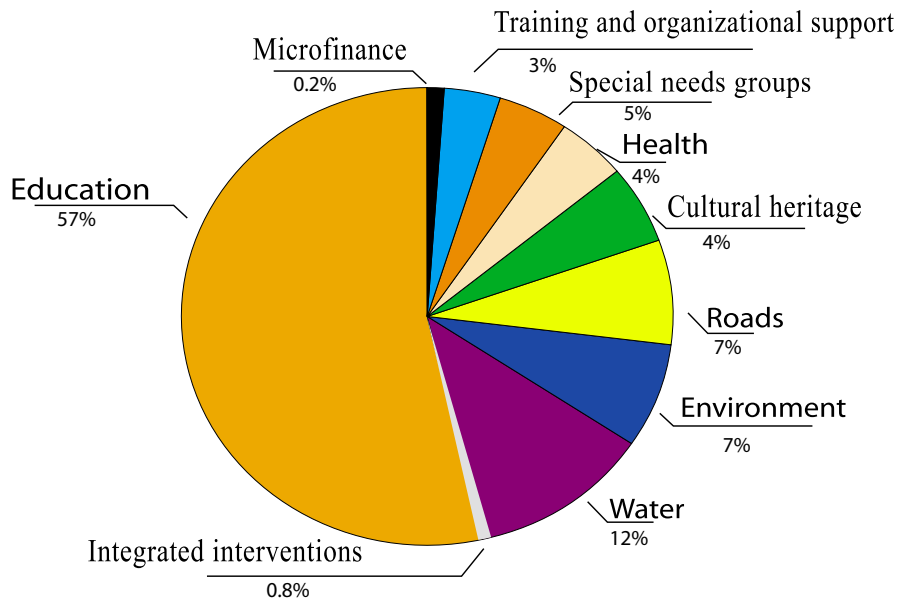
SFD commitments and disbursements by program, 2002

Program	Commitments (millions of U.S. dollars)	Disbursements (millions of U.S. dollars)
Community Development	55.2	41.3
Institution Building	7.8	5.1
Small and Microenterprise Development	0.2	0.5
Total	63.2	46.9

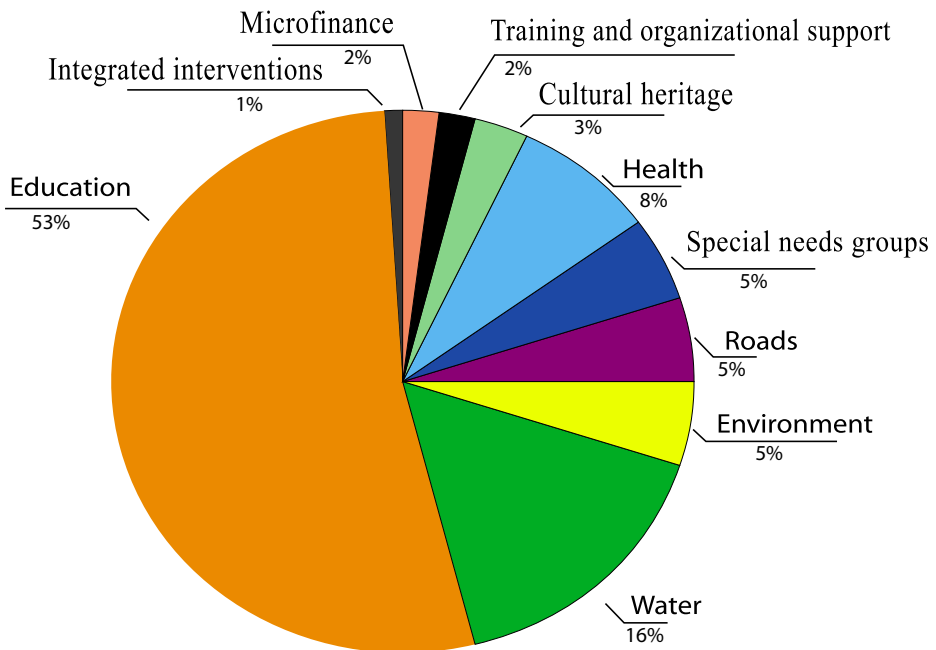
SFD commitments and disbursements by program, 1997-2002

Program	Commitments (millions of U.S. dollars)	Disbursements (millions of U.S. dollars)
Community Development	179	107
Institution Building	18	13
Small and Microenterprise Development	4	3
Total	201	123

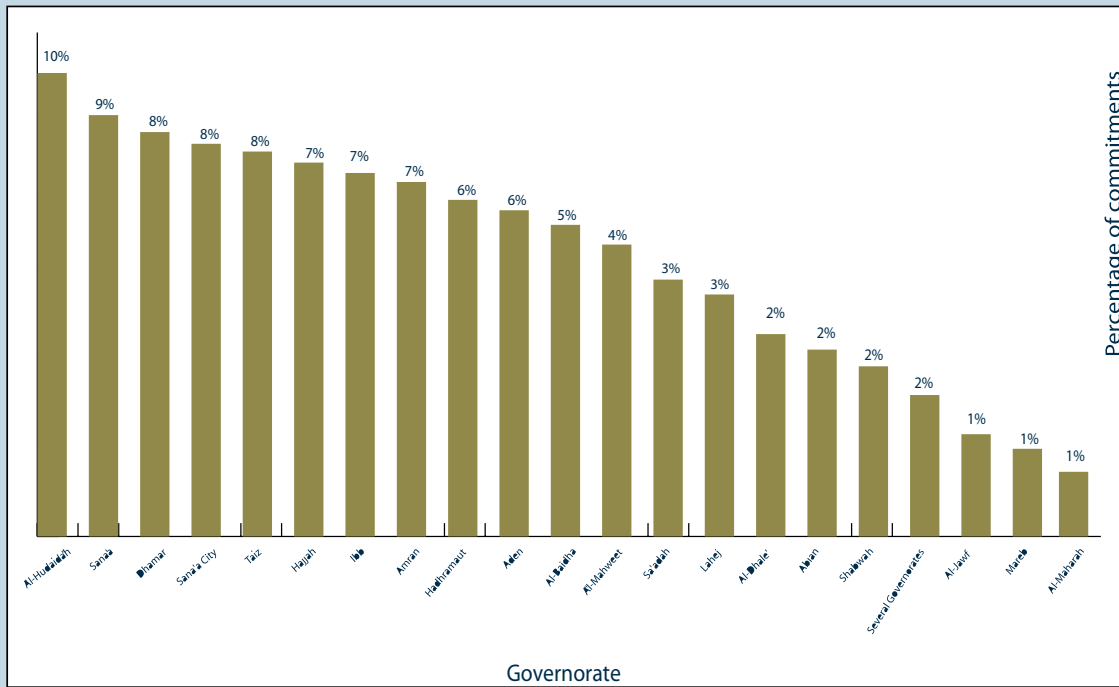
Distribution of SFD commitments by sector, 2002



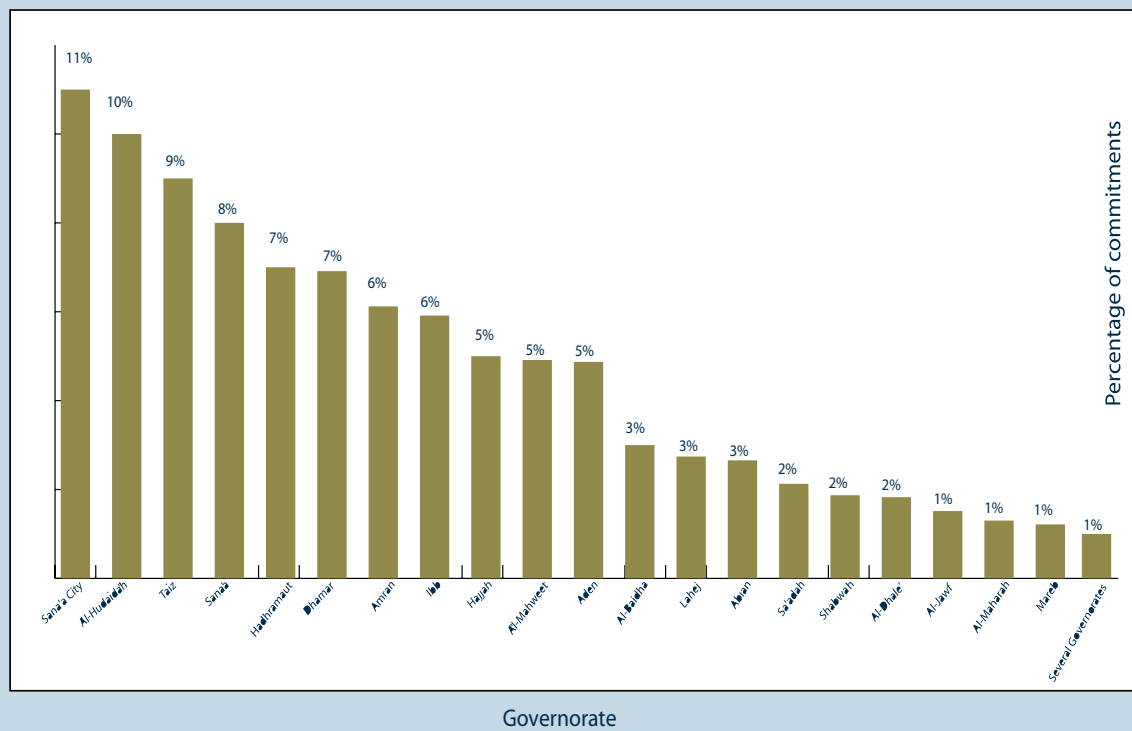
Distribution of SFD commitments by sector, 1997-2002

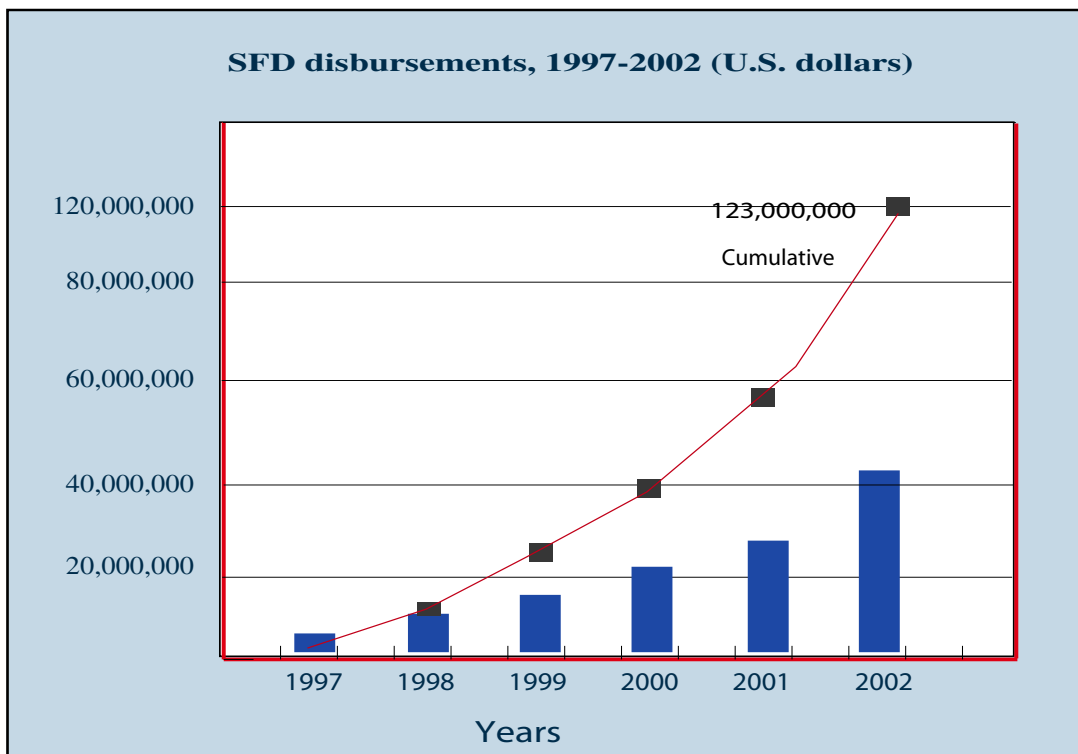
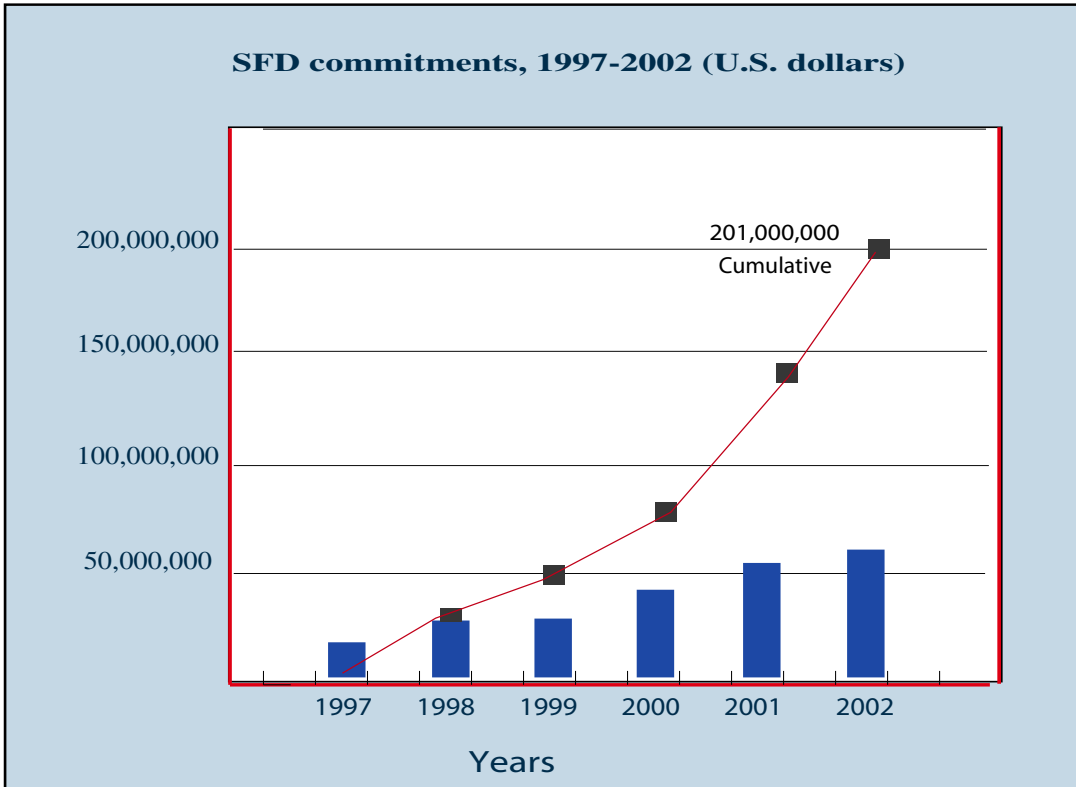


Geographic distribution of SFD commitments by governorate, 2002

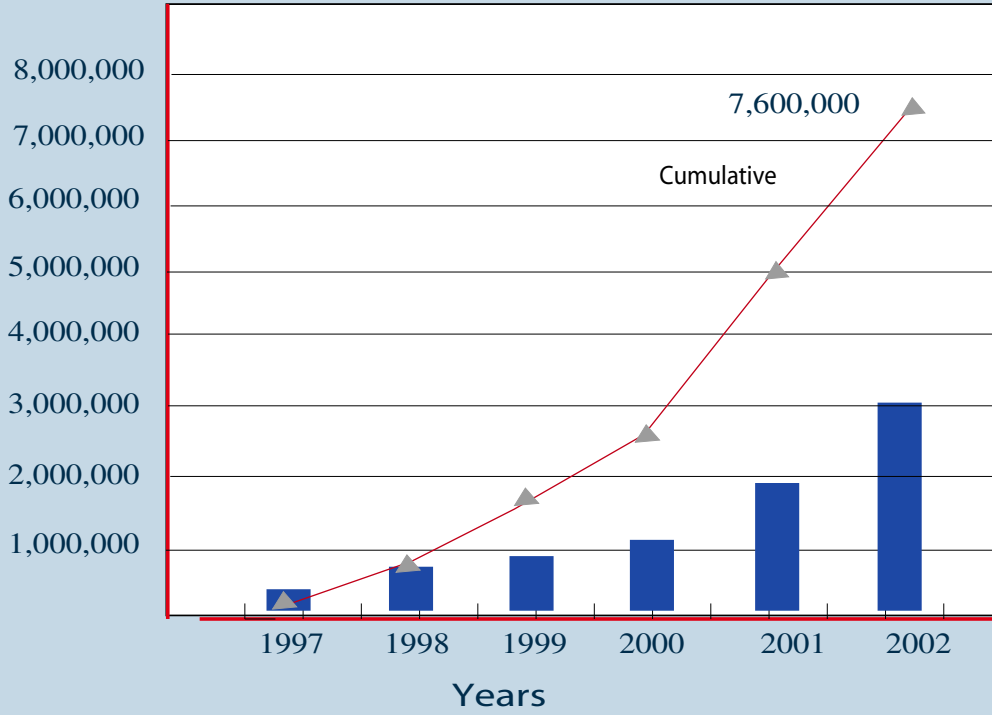


Geographic distribution of SFD commitments by governorate, 1997-2002

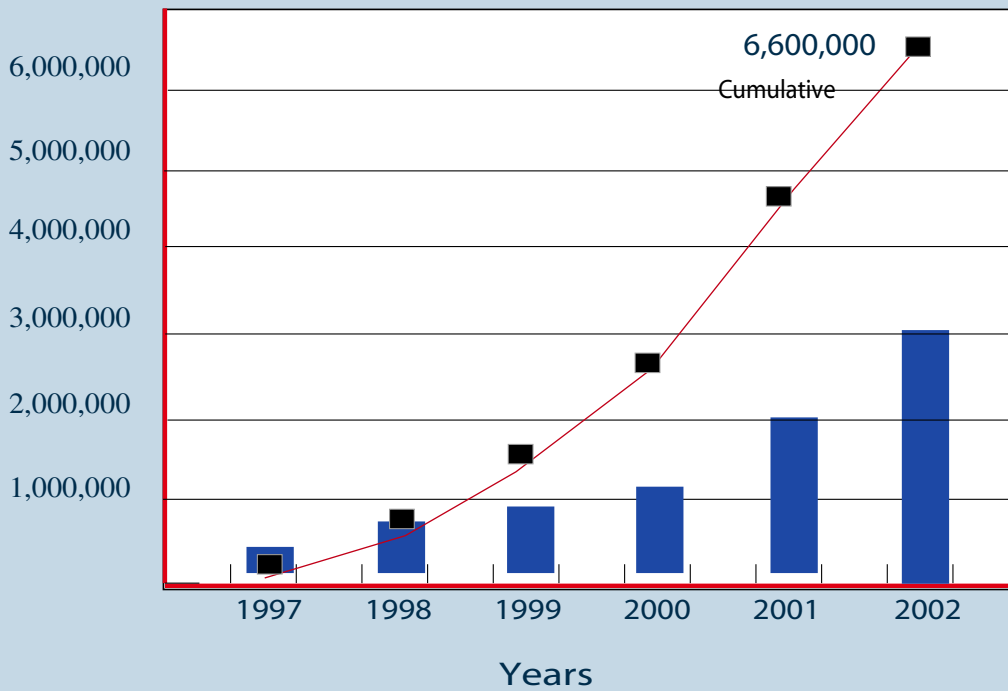


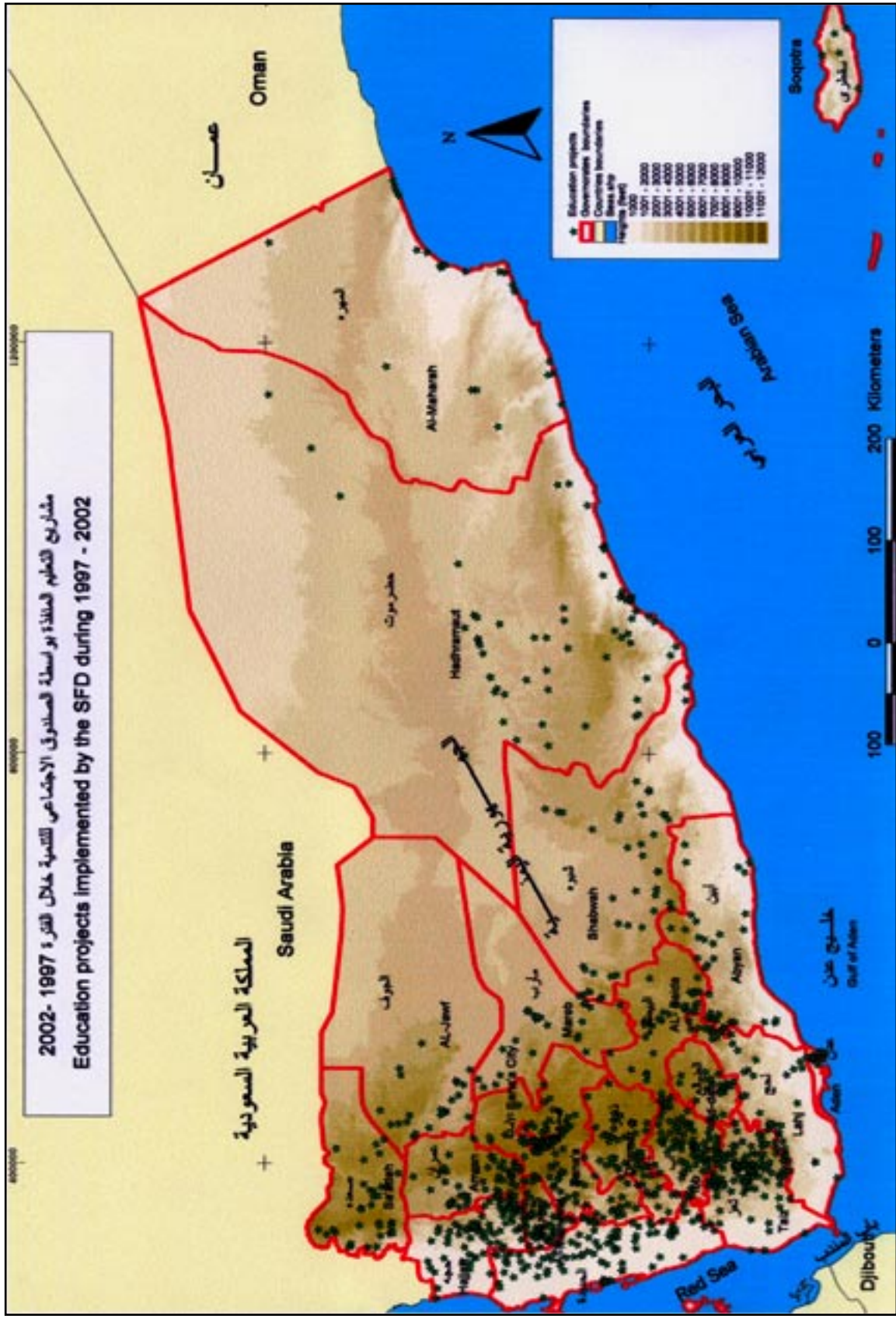


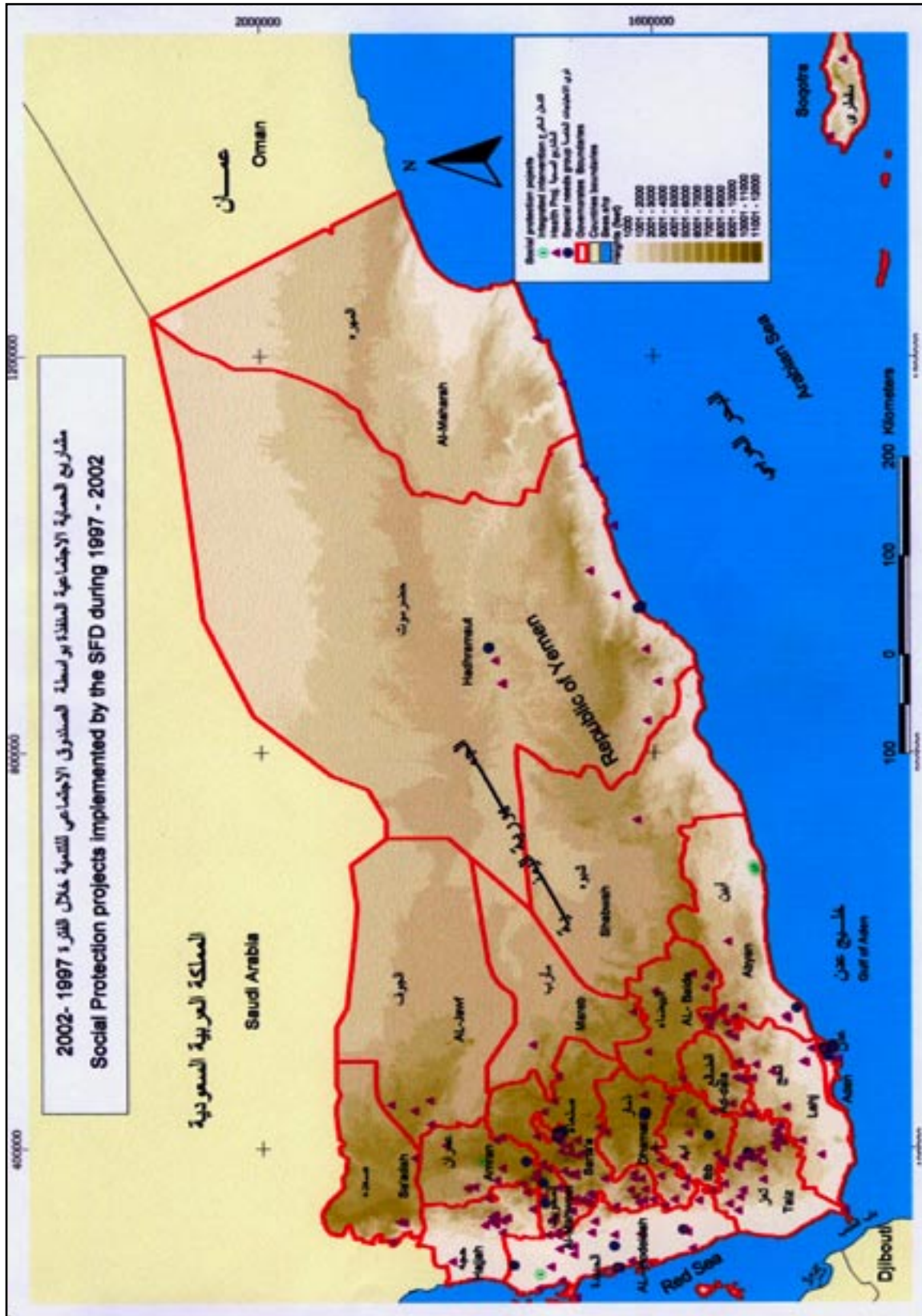
Temporary jobs created by SFD projects, 1997-2002 (person-day)

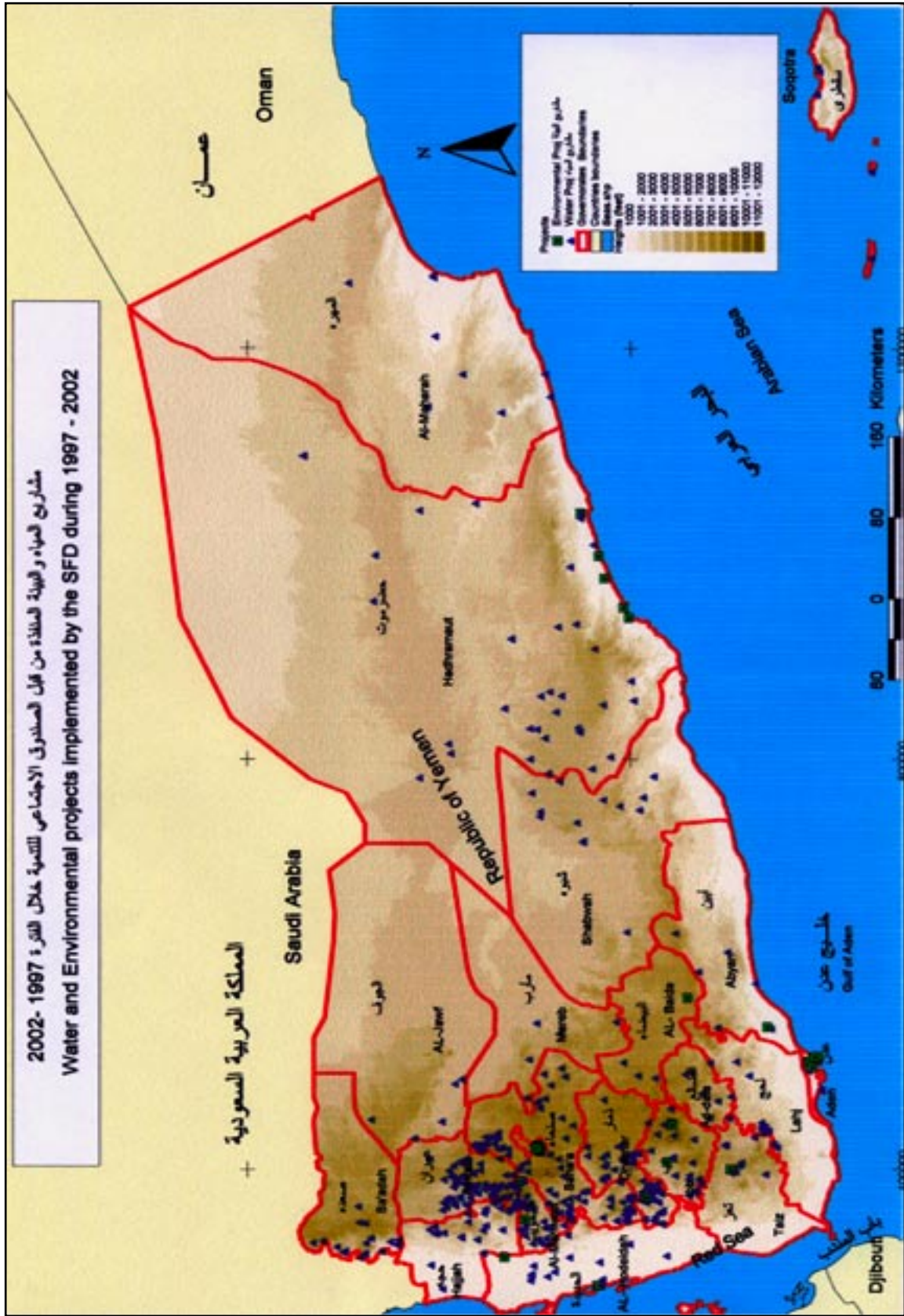


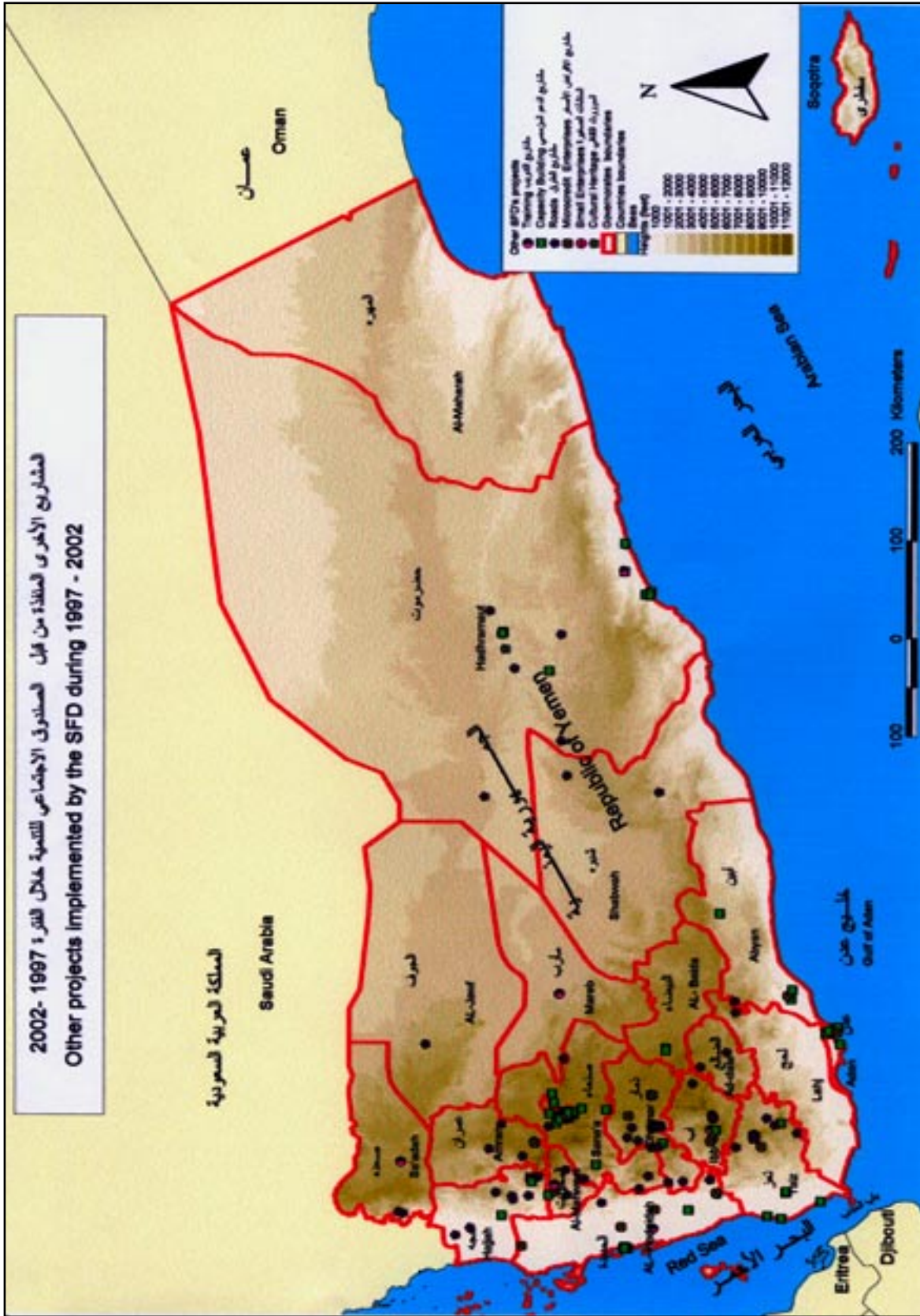
Direct beneficiaries of SFD projects, 1997-2002



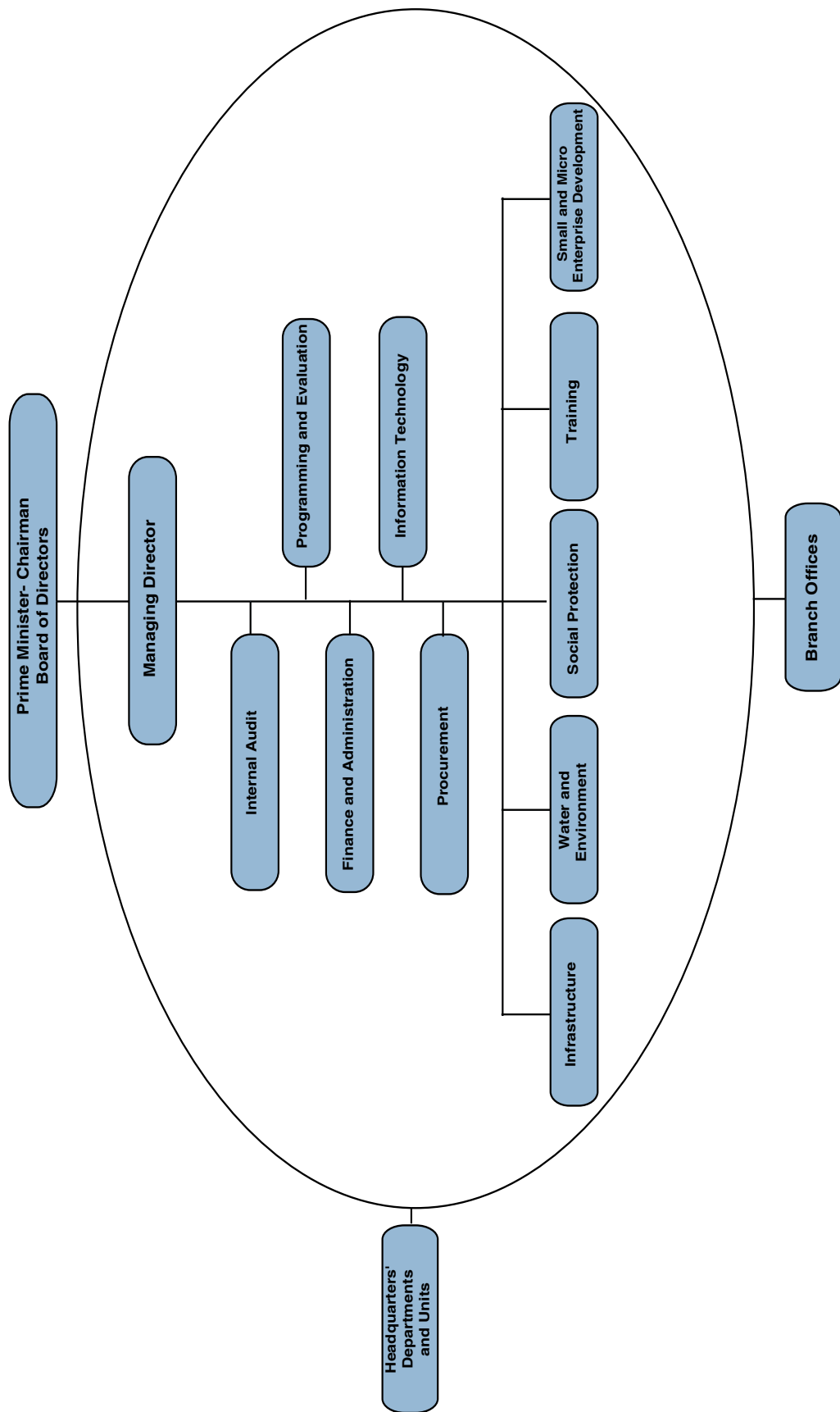




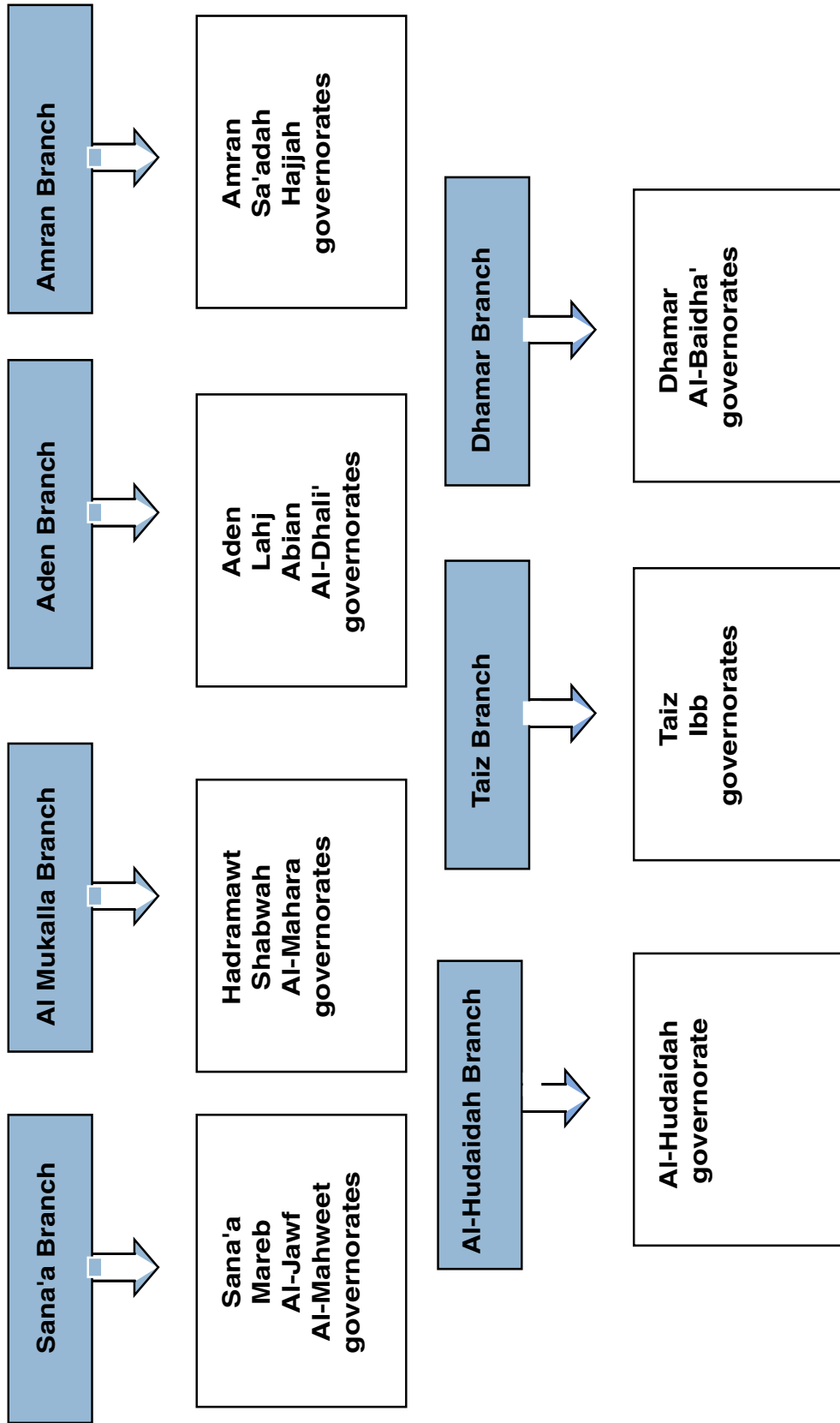




Social Fund Organizational Structure



Social Fund Branches



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