

## Yemen: Social Fund for Development III Project

**Author:** Yasser El-Gammal, Senior Operations Officer, MNSHD, World Bank

### Executive Summary

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building; and microfinance. The program focuses on helping the poor to help themselves through providing income-generating activities and building community infrastructure.

The results framework specifies outcome indicators and results indicators for each component: (i) community development encompassing education subprojects, water and sanitation, health programs, cultural heritage, and rural feeder roads; (ii) microenterprise development; and (iii) capacity building and institutional support. The M&E function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies; (ii) systematizing M&E activities carried out by each of the program units and documenting lessons learned; (iii) capacity building; (iv) conducting participatory M&E for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD's success stories. The latter aspect is especially important, and is often overlooked.

Other donors have joined in supporting the SFD: the European Commission, Arab Fund, Islamic Development Bank, Kuwait Fund, DFID, Saudi Fund, OPEC, and USAID. Thus, it is an important illustration of harmonization at the program/project level. The project was presented to the Conference on 'Scaling-Up of Poverty Reduction,' which was held in Shanghai, Peoples Republic of China, in May 2004.

### Problems/Issues Addressed

#### *How to make poor communities a part of the solution*

The Yemen Social Fund for Development (SFD) is undertaking a participatory outcome-based approach to implement three main programs: community development related to social and economic infrastructure; capacity building, and microfinance. The program focuses on helping the poor to help themselves through providing income-generating activities and building community infrastructure rather than making cash transfers. The SFD's approach also ensures that capacity building of local communities is an integral part of its package of support to local communities. SFD's approach is focused on conducting evaluations at every stage of the project cycle to assess processes and outcomes and to take timely and effective corrective measures. Also, the SFD undertakes ex post impact evaluations to generate lessons of experience.

Over the past six years, the SFD programs have benefited about 7 million people, of which 49 percent are female, and generated 8,000 permanent jobs. A new IDA Credit (\$60 million) was approved by the World Bank's Board on February 26, 2004.

Yemen's per capita income is \$450 and 42 percent of the population lives below the poverty line. It remains one of the least developed countries, based upon human development indicators. The infant mortality rate is 79 per 1,000. The under-five mortality rate is 97 per 1,000 and almost 50 percent of this cohort is affected by malnutrition. The total fertility rate is 5.9 births per woman and the population growth rate is close to 2.7 percent. Life expectancy is 56 years. The overall quality of education is poor and indicators are well below the regional average: only 45 percent of Yemeni adults are literate, and the gross enrollment ratio for basic education is 70 percent. In all sectors, the gender gap is extreme. The child mortality rate is 15 percent higher for females. Less than a quarter of the girls living in rural areas and of primary school age attend school, and less than half of all girls of primary school age attend school.

Ninety percent of the population of 17.5 million has less than minimum standards of domestic water supply, and only 40 percent have access to safe drinking water and sanitation. Electricity reaches about 35 percent of the population, and generating capacity is falling behind demand. Being largely mountainous, the country's topography precludes easy access to the market economy – this restricts the ability to provide public services to much of the rural population. Only 10 percent of the road network is paved.



### What is a Social Investment Fund?

Social Investment Funds (SIFs) have become important instruments in reaching out to beneficiaries in communities, towns, and villages. The modality usually involves passing on grant funds to beneficiaries that can be used for a range of subprojects in infrastructure and social services. SIFs differ from traditional approaches to infrastructure lending; they are often designed without cost recovery, unlike water projects that are implemented by public utilities. Thus, sustainability of the SIFs has been a problem in getting results over time. The Yemen SIF is in its third generation of support from IDA and other donors, so there is much useful material to study in this illustration.

The effective, efficient, and equitable delivery of social services is severely insufficient, and the overall capacity of the government is lacking. Public sector delivery of programs and projects is generally weak. Moreover, civil society organizations lack capacity but are closer to the communities and more familiar with the problems than is the government.

The Poverty Reduction Strategy Paper (PRSP) identifies three basic goals – achieving economic growth, enhancing the capacities of the poor, and reducing their suffering and vulnerability – and four main pillars of intervention. To successfully achieve these goals, improved governance is an essential precondition to the four main pillars of intervention, which in the Yemeni case were defined as:

- achieving economic growth that is stable, diversified, and that reduces income disparities;
- developing human resources by emphasizing population programs, improved health conditions, education, and training;
- improving infrastructure, particularly water and drainage, roads, and electricity; and
- protecting the poor and vulnerable through comprehensive social safety net schemes.

### Objectives Pursued

The goals and directions of the Second Five-Year Plan guide the implementation of the Poverty Reduction Strategy Paper (PRSP) regarding poverty reduction efforts, and execution occurs mainly through investment programs and projects, either ongoing or new, across all sectors. The Social Fund for Development (SFD) is a vital element of Yemen's social safety net, as well as a main tool in building capacities in the country. In view of its cost effectiveness, the SFD is a critical instrument in assisting social and economic development, especially for the poorer segments of the society, by investing in sectors that are key to

Yemen's social and economic success – education, health, water, roads, etc. – underscored by community mobilization and development, while supporting the decentralization process. The SFD also has an important demonstration impact on the public sector service delivery in the country, as well as a contribution to building up the human and social capital.

Thus, the project, supports the government's approach to: (i) improving governance through better budgeting, expenditure, fiduciary controls, policy formulation, and building capacity for effective decentralization; (ii) improving human capital through expanding basic education, closing the gender gap in basic and secondary education, and improving access to health care; and (iii) ensuring environmental sustainability through policy formulation and investment in water sustainability, soil conservation, and sustainable fish stocks.

### Design and Implementation

In designing the programs, the SFD has been giving close attention to how one defines outcomes, and how one manages and measures results. While the number of projects supported was being monitored consistently, the focus has always been on the impacts of these projects and their economic efficiency. The Yemen Social Fund III Project is the third in a series of social investment fund operations that provide infrastructure and social services to the country's poorer groups. As such, it is able to draw on the results of the previous two operations. The approach is to build an effective, efficient, and sustainable institutional mechanism for providing social services throughout the country by: (i) refining social service delivery approaches and (ii) empowering local communities and councils to take charge of their local development.

### Results Indicators

The SFD supports activities that directly relate to improving access of the poor and the vulnerable groups to basic services, and enhancing their potential for generating income through increased access to economic infrastructure, business services, and credit. The SFD supports innovations in school programs, water service delivery, rehabilitation of traditional water systems, devising alternative mechanisms to health services delivery, supporting rural roads, and mounting outreach programs to special needs groups. At least 40 percent of SFD resources go to the lowest three income deciles, and the SFD's operating cost does not exceed 7 percent of the investment costs.

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jects, water and sanitation, health programs, cultural heritage, and rural feeder roads; (ii) microenterprise development; and (iii) capacity building and institutional support,

The project development outcomes for the first component include:

- 300,000 children to be enrolled in SFD-built schools over the four years, 2004–2007
- 70–80 percent of SFD-supported health facilities and institutions are utilized by targeted communities
- 240,000 beneficiaries to have access to water, 760,000 to use feeder roads supported by the SFD
- 70–80 percent of targeted children to benefit from SFD-supported programs.

On the second component, the indicators will measure whether the client/beneficiaries are provided with different financial services (savings, credit, or other services) and the extent of microenterprise development that is achieved under the program.

On the third component, the result of work by NGOs, cooperatives, local councils, consultants and contractors supported under the program (whether by training or financing personnel during a subproject implementation) is being monitored and evaluated using specific criteria. For local councils, the criteria used include the development of area development plans, enhanced capacity for needs identification and development projects implementation. For NGOs and CBOs, specific efficiency indicators are used to monitor enhanced capacity.

The monitoring and evaluation function consists of six principal activities that are important from a results perspective: (i) conducting evaluation surveys and impact studies of all SFD programs by the Programming Unit; (ii) systematizing monitoring and evaluation activities carried out by each of the program units, and documenting lessons learned to feed into the SFD operations; (iii) capacity building in monitoring and evaluation for the Programming Unit, the program units, and respective branch offices; (iv) participatory monitoring and evaluation for selected activities; (v) periodic external evaluations by sector specialists; and (vi) communications/marketing of SFD's success stories.

Most of the results data are maintained at the subproject level. Data on subproject outcomes and results are generated from different sources:

- annual facility/project quantitative survey of randomly selected projects and beneficiary impact assessment surveys;

- regular follow-up of projects during and after implementation;
- periodic evaluations by external consultants of the SFD's innovative programs; and
- impact evaluations to be conducted every three years.

The state-of-the-art Management Information System (MIS), which the SFD has developed, has ensured that the full project cycle is automated with online access by all SFD staff at the central and branch office levels. The MIS provides the flexibility to generate different reporting requirements and satisfy government and donors' requests. It is a powerful monitoring tool that helps identify problems at early stages.

### Problems Encountered

The main risk from a sociocultural and political context is that the SFD can be subject to elite capture (in poor rural areas, the neediest may not be the ones submitting subproject proposals) and that the poorest communities, which may be less organized and have fewer resources, may not submit their demands. The civil service is weak and has impeded progress on governance issues and support for reform. The execution of investment programs across all sectors and the achievement of PRSP objectives has been slowed down by these entrenched forces.

Such problems arise from five core constraints: (i) the lack of public sector governance; (ii) lack of coordination among sectors, and inadequate poverty data for resource allocations; (iii) problematic service delivery in remote areas; (iv) top-down service delivery; and (v) the absence of a government or nongovernment body that focuses on building the capacity of civil society institutions.

One of the main problems encountered is the political and social pressure to direct investments to certain areas in a way that does not comply with the transparent system of targeting the areas with the highest poverty indicators. Some tribal leaders, MPs and politicians sometimes try to benefit from the resources available in a manner that is not consistent with the overall approach.

The existence of a large number of donors and the government resulted in different requirements, burdens on the SFD structure, and sometimes conflicting messages concerning the approaches used and mechanisms adopted.



### Adaptations Made in Implementation

The third SIF reflects the lessons and adaptations stemming from the previous operations. Changes have been introduced at both the institutional and operational level of the SFD. At the institutional level, the SFD continues to adopt a dynamic organizational structure that is able to quickly change with the changing environment and to respond to feedback from the field. More decentralization to the regional offices has empowered the front line staff to take decisions, given their closeness to communities. Mainstreaming the lessons learned in the SFD structure ensures that enhancements continue to be introduced at all levels. More and deeper coordination with line ministries, especially at the regional level, ensure effectiveness on the ground.

At the operational level, emphasis is being given to the build-up of social capital at the communities' level to ensure that they take charge of their own development in the future. Community participation in all sectors is being strengthened to ensure ownership and maximize the benefits from the SFD resources. More focus is placed on operation and maintenance arrangements to ensure future sustainability of investments. Interventions are focused on activities that have development objectives in both the short- and medium-term horizons. More refined approaches are used to target poor communities and, at the same time, measures are devised to ensure that communities with low capacity and demand are stimulated to benefit from the SFD resources. New approaches are being used to address sectors whose interventions had partial successes in the first and second phases, such as the health sector. Finally, strong focus is being placed on monitoring and evaluation to: (i) ensure the effectiveness of the interventions, (ii) ensure that future investment decisions are made on a scientific basis, and (iii) at the national level, the impact and role of the SFD is accurately perceived for overall poverty reduction strategies.

### Factors for Success

- Institutional autonomy, which permits fast response to communities and payments to contractors.
- The adoption of a transparent approach where all the rules and regulations governing the functioning of the SFD are recorded in the operational manual, and every project officer complies with this manual. The manual is also shared with external parties, and all applications coming to the SFD are screened against the criteria in the manual.

- The flexible institutional arrangement at the SFD level, which permits the management of the SFD to hire and fire according to performance.
- The competitive salary scale of the SFD structure.
- The government's commitment to have a Social Fund for Development that operates free from political pressures explains much of the success of the previous programs.
- The ability to have professional management and well-trained staff.

### Independent Ex Post Reviews

The independent impact evaluation study which was conducted on the SFD activities noted the following important results:

- A significant proportion of resources from the project benefited the poorest: 17 percent went to the poorest decile.
- The education subprojects increased student enrollment from 60 to 68 percent between 1999 and 2003; female students enrolled increased from 42 percent in 1999 to 56 percent in 2003, and male student enrollment increased from 76 to 78 percent over the same period.
- The proportion of households with tap water in their dwellings increased by 23 percent. There was also an increase in the per capita consumption of water, improvement in the frequency of supply and reduction in time and effort for those who fetched water from outside; feeder roads benefited about 300,000 people and helped reduce travel time and cost on average by 40 percent.
- The project helped to establish the foundation of an emerging microfinance industry and created awareness among policy makers on issues such as interest rates.

The study also cited some shortcomings:

- The small enterprise component had to be eventually canceled because of poor quality at entry. As a result, income generation through creation of permanent employment was much lower than envisaged.
- Difficulties in the microcredit program: The saving and credit program in Aden failed because of basic design flaws; the Hodeidah program, which was a credit only program, was affected by fraud in 2001 because of lack of development of an appropriate auditing and MIS system.
- Concerns about the quality of the infrastructure built in some communities.



- Concerns about the quality of community participation in implementation: Despite the project concept that the communities would contribute to the operation and maintenance (O&M) of education subprojects, this turned out to be quite limited.

The Social Fund Development III Project has taken these issues into account and introduced changes in its approach to deal with the identified shortcomings

### Results Achieved

Over the last eight years, the SFD supported a large array of development projects and activities that extended benefits to many rural and urban communities across the country. Over this period the SFD financed over 4000 subprojects in different sectors across Yemen<sup>51</sup> with an overall finance of over US\$220 million. These projects benefited over nine million beneficiaries and provided temporary employment opportunities to more than eleven million persons. These benefits were enjoyed equally by both genders since around 49 percent of the SFD's beneficiaries are female.

### Lessons Learned

**Learning and experimentation:** From the start, the SFD management has benefited from the experience of other social funds, especially the Egypt Social Fund (ESF). An experienced staff member of the ESF helped design the SFD organization and operations, and, at the start of its operation, the SFD signed an agreement with the ESF on the provision of technical assistance. Throughout implementation, the SFD has been open to advice, and has aimed at best practices. A variety of beneficiary assessments and impact evaluations has taken place, and has led the SFD management to adjust its organization and operational policies and practices in line with those studies' recommendations.

**Institutional innovation:** The SFD introduced a host of innovations, including: a demand-driven approach, contracting of well-paid staff on fixed appointments, the use of a variety of intermediaries, and the involvement of all stakeholders in its policy and operational decisions. In addition, it has been providing ample support to those stakeholders to build their capacity, including community user committees, NGOs, contractors, and government agencies. More detailed information was discussed earlier.

**Government agency cooperation:** The success of support provided by the SFD to central government agencies and officials depends primarily on their interest and cooperation (provision of incentives). It worked reasonably well with the Ministry of Education and was virtually nonexistent in the case of the Ministry of Health.

**Unit and subproject costs:** The introduction of proper technical design and procurement requirements by the SFD led to increasing competition among contractors and lower unit costs for basic infrastructure, such as school construction. At the same time, the average project cost was about three times the cost estimated at appraisal, due to a decision to go for larger facilities of longer-term quality.

**External catalysts:** Since the beginning of the SFD, donor support, both funding and technical assistance, has been of crucial importance. Japan and IDA provided assistance with project preparation, and the Arab Fund for Economic and Social Development and IDA have assisted in implementation since 1997. The Netherlands, the OPEC Fund for International Development, and USAID joined in 1998. The Islamic Development Bank joined more recently. Donor support is well coordinated, and facilitated through conferences and study tours.

**Community participation and contracting:** Community participation in all phases of the project cycle was a major element of the initial SFD design, but implementation by the communities and training by SFD-funded NGOs proved more difficult than expected. Community training started late, and is still not always comprehensive. As a result, full implementation by the community is still limited to select cases with major support and supervision. Still, it has been shown that full community participation is leading to better project quality and lower costs, and that the prospects for proper maintenance of completed works are better too.

**Progressiveness and flexibility:** The SFD management's willingness to pursue the latest local and international knowledge on social fund policies and practices helped establish a progressive and flexible mechanism.

**Bank staff resources:** The Bank assigned staff to its field office, which provided the SFD with quick and ongoing access to Bank supervision and technical assistance.

**Technical assistance:** The availability of Bank-managed technical assistance, funded by Trust Funds from the Dutch and OPEC, allowed for easy and fast access when and where needed.

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<sup>51</sup> These include subprojects that disbursed in full and others that are still under implementation.



**Gender sensitization:** The initial consideration of a separate gender office in SFD was rejected in favor of mainstreaming the gender issue. A gender sensitization workshop for the SFD was conducted by an international consultant, a substantial number of female managers were appointed, and a specialist was assigned in the SFD to screen all subproject proposals on this issue. In addition, each regional office had to recruit female staff to ensure that this aspect was taken care of. Still, at the regional offices and at the community level, this subject could have benefited from some more systematic and intensive attention.

### Summary: How the MfDR Principles were applied to the Yemen Social Fund

*1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.*

- Comprehensive involvement of stakeholders – including the government, hundreds of communities, and a half dozen donors in support of financing infrastructure and social sector investments (schools and health clinics) throughout Yemen.

*2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.*

- The evaluations done on the first and second Social Fund operations have been used in the design of the framework and monitoring indicators for the third operation now under way.

*3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*

- The indicators track progress at the subproject level for roads, schools, health clinics, etc. and assist local governments and district communities to grapple with their pressing problems.

*4. Manage for, not by, results, by arranging resources to achieve outcomes.*

- The managers of the Social Fund look at results in deciding which subprojects merit support. They have a clear set of goals in mind as regards reducing poverty, helping to generate employment, and building local capacity. The managers are able to draw on the experience of a range of completed subprojects over the past eight years.

*5. Use results information for management learning and decision making, as well as for reporting and accountability.*

- The Yemen SFD is a good illustration of results information being used for both learning and decision making.

### Update on Implementation of the Results Framework – Anush Bezhanyan, World Bank, November 2005

The new results-based M&E system that the SFD started to operate in its 3rd phase has continued to be refined in 2005. Certain modules have been added and further modified to cover emerging needs for monitoring results and outcomes. The management information system, and software that supports it, collect and analyze information that cover a large range of subprojects in different sectors – community infrastructure, schools, and health facilities. The MIS produces reports that provide results-focused information covering different sources of funding. The MIS provides robust data to a large number of donors supporting the SFD. The results assessed so far have shown that the SFD continues to make good progress in terms of the number of communities it is reaching.

Some aspects of quality need to be improved, especially in water and education sectors. In 2005 the SFD took the lead in developing standard school designs to address the issue of quality of school construction and the standard designs are now approved by the Ministry of Education. Work in the water sector is ongoing. The M&E system allowed the SFD to detect problems and develop strategies and measures to rectify them in good time. As part of the M&E, a comprehensive impact evaluation study is being undertaken, which will help the SFD to assess how well it is reaching the objective of targeting the poor communities.

### For more information

**Contact:** Yasser El-Gammal, Sr. Operations Officer, MNSHD, World Bank

**E-mail:** [Yelgammal@worldbank.org](mailto:Yelgammal@worldbank.org)

**Phone:** 1-202-473-2187

