SOCIAL FUND FOR DEVELOPMENT

REPUBLIC OF YEMEN

INSTITUTIONAL EVALUATION
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Prepared by Mary Jennings
Consultant

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This report was prepared by Mary Jennings, Consultant
mjennings@eircom.net

Law No. (10) of 1997
Concerning the Establishment of the Social Fund for Development

Article (5)
Objectives: The Fund aims at contributing effectively in the implementation of the State's plan both in the social and economic fields through enabling individuals, households, micro-enterprises and poor & low-income groups to get access to employment & production by providing services, facilities and lawful credits for embarking on service & productive projects. The ultimate objective shall be the contribution to the reduction of unemployment, alleviation of poverty, and handling the impact of the Economic Reform Programme and lessening the burden of its procedures affecting limited-income people.

Article (6)
Tasks:
1. Finance, directly or indirectly, productive & services projects carried out by individuals, households, micro-enterprises, & beneficiary groups & categories under lawful & facilitated conditions
2. Provide the required finance for social development activities, such as health, educational and environmental and other services, according to the Fund's objectives
3. Assist local institutions in developing their capacities and upgrading their efficiency in providing services
4. Generate new employment opportunities for the beneficiaries through private projects or assisting productive projects to improve standards of life of the rural poor and urban inhabitants and to increase their income level
5. Implement high-density employment projects, including roads improvement, water and sanitation, and maintenance for public utilities and foundations directly by the Fund in compliance with Article (5)
6. Support training and rehabilitation centres and enhance skills in relevant vocations.

ABBREVIATIONS

BEDS	Basic Education Development Strategy
CDOs	Community Development Organisations
DAC	Development Assistance Committee
DLDSP	Decentralisation and Local Development Support Programme
GoY	Government of the Republic of Yemen
HHIs	Higher Health Institutes
MF	Micro finance
MFIs	Micro Finance Institutes
MoE	Ministry of Education
MoLA	Ministry for Local Administration
MoPH	Ministry of Public Health
NGOs	Non-governmental Organisations
OECD	Organisation for Economic Cooperation and Development
PLA	Participatory Learning and Action
PRA	Participatory Rural Appraisal
PRS	Poverty Reduction Strategy
SFD	Social Fund for Development

EXECUTIVE SUMMARY

BACKGROUND

1. SFD is currently undergoing an external impact assessment, which takes place every two to three years. Initially this was designed to have two components: a quantitative survey of 6,000 households that will assess impacts on poor households, and a qualitative beneficiary assessment, both of which will commence in Feb 2006. In May 2005, the Joint Supervision Mission of SFD extended the impact assessment to also include an **institutional evaluation** to assess how SFD's support to service delivery is contributing to national level reforms, and to improved organizational capacity in key sectors and at the decentralized level. As the methodology for the institutional evaluation evolved, Yemen's participation in the OECD (DAC) Pilot of Principles of Good International Engagement was gaining momentum[1], and hence it was decided to frame the institutional evaluation within this context and to review how SFD contributes to **state building agendas**, and to learn lessons that can be applied in the design of other Social Funds. The findings of this evaluation are based on a series of workshops, meetings and interviews representing policy makers, service providers and civil society from central, decentralized and community level, a pre-consultation meeting with donors, and a high-level Partners Consultation Workshop at which preliminary findings were presented[2].

2. The definition of State Building used in this evaluation includes not only the building of capacity of a government machinery, but also building capacity at the community level that facilitates it to play a responsible role and demand accountability from government; in other words, **building systems of governance** at both the government and civil society level. Here we differentiate between the capacity of specific organizations of government, and the wider institutional environment within which they operate particularly at the community level[3].

FINDINGS

Institutional Reform: building governance structures

3. SFD has evolved into a successful and "model" organisation in the Yemen context that operates on a nation-wide basis and has broadened participatory development efforts to rural and remote areas. A particular strength is its contribution to **nurturing governance structures at the decentralised and community level** for planning and implementing development initiatives. In

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[1] Through its participation in the OECD (DAC) Learning and Advisory Process on Difficult Partnerships (Fragile States), Yemen has prioritised four of the 12 fragile states principles, namely: state building, alignment, harmonisation, and long-term engagement.

[2] The development of the methodology included a workshop in London in August 2005, a visit to Yemen in Sept 2005 with a subsequent workshop in London, while the evaluation took place between 24th Nov – 6th Dec 2005, and 17th-26th January 2006.

[3] For a discussion of these issues see Graham Teskey, *Capacity Development and State Building: Issues, Evidence and Implications for DFID,* October 2005.

turn, this is strengthening relationships between these two levels, and while at an early state, is contributing to increased trust, respect and accountability. SFD has also provided capacity building support to selected government agencies at the central level that have direct links to its community programmes. As the main supporter of NGOs, it has facilitated the establishment of a well-respected NGO legal framework, and is promoting capacity development and good governance amongst NGOs. Its demand led approach, pro-poor allocation of resources on a nation-wide basis, use of verified data as a basis for decision making, participatory processes, transparency at all levels, and well developed procurement systems, are contributing to the promotion of solid systems of governance that underscore State-building.

Building governance structures at community and civil society level

4. The findings of this evaluation indicate that an undoubted strength, but perhaps insufficiently recognised, is SFD's work at community and decentralised level in fostering responsible and accountable governance structures. A number of key processes that demonstrate *how* SFD works and how this contributes to the development of governance structures at the community level have been identified, and fall into three inter-related categories that are continuously interacting: **building democratic systems**, **building community capacity to manage their own development process**, and **strengthening relationships with government**.

5. The **participatory methodologies** that underpin its community development approach is laying the foundation for communities to become active partners alongside districts and governorates, and encouraging greater transparency, equity in access to services, and increased accountability. Participatory approaches are contributing to putting in place the basis of a democratic system – community consultations over a number of days; elections to community committees with the recent introduction of ballot boxes; separate consultation for women and men; communities determining their own priorities and overseeing, or directly implementing, development projects with separate implementation, procurement and monitoring committees; and the inclusion of peripheral groups. Participatory methods (especially Participatory Rural Appraisal tools) are creating space for the views of all groups to be discussed, thereby enabling facilitation and mediation of potential future conflicts, or domination of powerful interest groups. Facilitating service delivery to previously un-reached communities is helping to reduce tensions between different groups.

6. A combination of the current context where stability is such a critical issue for government, and the enormous challenge faced by sector ministries to deliver services to a very dispersed population, **reaffirms that working at the community level is an important area that should continue to be the central focus** of SFD, and are its areas of comparative advantage. Its community development approach can give life to sector ministries' policies in rural villages e.g. through its projects that foster active community groups:

health committees, water committees, parent councils, micro finance groups, community contracting groups.

7. SFD also has a central role to play in nurturing a dynamic and accountable NGO sector that, as part of civil society, can be a partner with government in both service delivery and in promoting the rights of Yemeni citizens. This will necessitate SFD going beyond building the organisational capacity of individual NGOs to **developing a strategic vision and operational plans** for how it can support the development of a dynamic **sector.**

Building Governance Structures as Decentralised level

8. SFD has gained important experience of working at the decentralised level and it is the one organisation that has provided capacity development training nation-wide to all governorates and districts. Its work in training district councils and governorates in development, planning and finance, and communication with communities is further strengthening basic governance structures. This training, which is well acknowledged, is assisting local councillors to understand their roles and responsibilities and equip them with skills to negotiate with the central level. Based on its experience to date, it is well positioned to develop a **medium term vision and strategy for supporting decentralisation** and to clarify its objectives and priorities at the governorate and district levels, such that it supports and complements the work of the Ministry of Local Administration.

The Future

Strategic vision

9. The key issue now is for all partners in SFD – GoY, donors and SFD itself – to articulate the **future vision and role of SFD;** it already has a clear legal mandate, now its role needs to be firmly grounded in national policy and budget. SFD is about to embark on a national debate with its stakeholders that will lead to agreement on its **strategic objectives** within the wider context of poverty reduction and state building in Yemen, to be completed by December 2006[4]. Issues that need to be addressed are:
    i.   Developing a shared vision for the role of SFD in the medium and long term
    ii. Defining mechanisms to enhance coherence and coordination between SFD and line ministries and to strengthen partnerships, and enhance long term sustainability of investments.
    iii. Establishing mechanisms for adapting models of success to a larger target population at the central, regional and community levels.
    iv. Supporting state building at different levels.

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[4] The Joint Progress Monitoring Review (Dec 2005) has called for a clarification of SFD's future role and vision to be strategically considered and articulated.

10. This review of SFD's role is timely in that it parallels the near completion of Yemen's 3rd Development Plan for Poverty Reduction (DPPR) (2006-10) which will provide the overarching framework for national policy. Moreover, donor agencies have expressed strong support for SFD and envisage that it will need on-going support over the next 5-10 years at least. SFD's current portfolio is in keeping with the main strategic pillars of the PRS, and SFD is acknowledged to be a key instrument for poverty reduction. Looking to the future, SFD could also play a more strategic role if its objectives were seen to be explicitly aligned to agreed national *priority* **social policy goals** emerging from the DPPR.

11. These goals would transcend the social sectors and would facilitate a shared understanding of the real and pressing needs for **social development outcomes** in Yemen among the various stakeholders – government, SFD, NGOs, civil society. These national social development outcomes would provide the architecture for SFD (and other stakeholders) to establish its priorities, set indicators and timeframes for progress, and define its role in relation to direct service delivery, capacity development and contribution to state building[5]. Such a framework would enable SFD to clearly articulate its intended contribution to the achievement of these goals as a partner along side the efforts of other government and non-governmental agencies, and avoid being drawn into isolated, or expensive projects that are not directly related to its core mandate, or which would be best undertaken by a line ministry. In line with the mandate of the Aid Harmonisation Unit in the Ministry of Planning and International Cooperation, it would promote donors aligning their funding behind agreed strategic objectives and targets, and to go beyond seeing SFD as a "safe" channel for funding.

A programmatic approach

12. Up to now SFD has primarily focused on funding individual projects – some 949 projects in 2005 with an estimated cost of $87.2 million. An important issue is to consider whether funding projects on such a large scale is the most effective way of promoting development, and whether it risks fragmentation of approach and unsustainable projects. An alternative would be that SFD establishes strategic objectives and priorities and moves towards a **programmatic approach** working at different levels, with different partners and strategies to **attain specified objectives.**

Strengthening alignment and coordination with line ministries

13. Whatever the level of engagement, an integral part of clarifying SFD's role is the need to tackle the issue of **coherence and coordination** with line ministries, which is currently giving rise to underlying tension in relationships.

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[5] For example, the Jamaican government has set out seven social policy goals: human security, governance, environment, social integration, secure and sustainable livelihoods, education and skills; see www.jaspev.org

On the part of ministries, difficulties around coordination relate to differences in capabilities in planning, implementation, and delivery methodologies; access to information to facilitate decision making; ministries not being adequately equipped to be demand driven; and not receiving adequate or timely budgets. These factors have combined to make it difficult for government agencies to react to needs in a timely fashion.

14. On the other hand, SFD is constantly under review and is regularly monitored by its donors who require constant evaluation and assessment. The increasing tendency by donors to earmark funding, promote particular approaches and timeframes for specific sectors/sub-sectoral areas, at times, confines SFD's ability to operate with flexibility, especially in matters relating to **coordination with ministries**. Not all donors follow similar criteria or implementation procedures[6], an issue that risks undermining alignment (one of four Fragile States principles prioritized by Yemen[7]) These conditions, which are not faced by ministries, complicate reconciliation between the modus operandi employed by SFD and that of ministries. However, there is **need to develop a true partnership to mitigating measures for resolving this coordination issue**; working to agreed social development outcomes as recommended above would provide a start in terms of agreeing roles and responsibilities.

Up-scaling

15. There is need to consolidate SFD's experience, promote its approaches and learning both across the SFD different work streams and among government ministries and other service providers. Crucially now, is the need to **upscale** its proven systems and processes, and to jointly identify with ministries the mechanisms that can be pursued to actively promote these methods, and incorporate their strengths into mainstream government systems and programmes. These relate to both **management systems and programming**. At the management level, examples include application of development concepts and best practice in different environments, management tools including management information systems, operational manuals, transparent systems for procurement, targeting mechanisms and monitoring and evaluation. At a programming level there are important lessons to be learnt from pilot projects such as the quality of education, promoting girls' education, developing integrated approaches to district planning and community development, and the development of micro finance. Taking a lead role and up-scaling its **procurement processes** is also an important area for consideration.

16. As currently structured, SFD's work centres on three pillars: community development, capacity building, and small and micro-enterprise, which are implemented by six different executive units. An important issue for the future

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[6] Despite an agreement by donors to participate in Joint Monitoring Missions.
[7] See *Aid Harmonisation and Alignment Unit,* Ministry of Planning and International Cooperation, Republic of Yemen.

is **how to maximise the synergies** between these different work streams and promote coherent, strategic objectives, and avoid vertical programming. An example is whether the strengthening of decentralised levels of government should prioritise those governorates and districts where SFD has made the greatest investments – those with the highest poverty indicators - or where SFD faces particular difficulties in promoting service delivery such as the health sector. SFD could also promote the model of parent councils in all communities where it builds classrooms as well as in the MoE.

Donor support

17. Donors have confirmed their strong support for SFD, and given the pace of reform in the sector ministries, envisage that such support will be required for the next 5-10 years at least. However, donors need to practice greater **consistency of approach on the role of** SFD and clarify their strategic objectives for engagement with SFD, and reflect this in their country plans/strategies[8]. At a strategic level, **donors need to go beyond supporting service delivery and recognise and support SFD's role in strengthening the wider institutional environment which underpins State Building**. At a programming level, donors need to demonstrate coherence of approach between the assistance provided to line ministries and the sectoral funds provided to SFD. There is also a role for donors to encourage synergies and to promote entry points and coordination between line ministries and SFD. The establishment of an informal donor group would facilitate coordination and alignment of donor approach.

18. There appears to be an an (increasing) tendency for donors to use SFD as a "safe" and accountable channel for funds, and in particular, to channel additional unspent funds through SFD at the end of the financial year. While the funds are welcome and needed, to facilitate SFD planning and programming, donors should make efforts to plan for such disbursements and to ensure that their allocation is within the overall strategic framework. There is a risk that the current system encourages the earmarking of funds for specific projects while other areas may be under-resourced, hampers SFD's programming flexibility, or makes it difficult for SFD to coordinate with line ministries. There is also need for the donors to agree with SFD a financial disbursement portfolio to facilitate a smoother flow of funds than currently exists.

Communication Strategy

19. Finally, the role, breadth and depth of SFD activities are not sufficiently understood by all stakeholders, representing a barrier to informed decision making; in this regard SFD should consider the development of a communication strategy. This would include the formation of informal groups whose aim would be to synchronise and help promote coherence.

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[8] Several of the donors are in a planning phase and are developing their country plans for Yemen.

INTRODUCTION

Context

20. The Social Fund for Development (SFD) was established as an autonomous organisation in 1997 under Law 10; its Board of Directors resembles a sub-Committee of Cabinet - chaired by the Prime Minister and its membership includes five other ministers[9].   Phase III of SFD extends from 2004-008 and is estimated to cost $400 million[10].

21. Since independence in the early sixties, Yemen has been in a constant cycle of instability which has weakened the State and eroded social structures.   The unification was a divisive process, and today the Government constantly grapples with insecurity issues, which deflects resources away from the proper establishment of government and systems of governance.   Systemic constraints limit the capacity for development of policies and programmes, decentralisation is at an embryonic stage, and the scattered population (137,000 settlements) exacerbates the problems of service delivery to rural communities.

22. Traditionally, Yemen had a well-developed form of social capital whereby communities[11] worked together to build terraces, dams, and undertook collective initiatives.   There was a strong sense of self-help with communities building schools, roads, and traditional water harvesting systems.   There were also strong values and procedures for resource distribution e.g. manuals on water distribution.   Social norms and rules were well-established as were sanctions for social misbehaviour.   On the other hand, tribalism and feudalism dominated.

23. Over the last few decades, a combination of constant conflicts, and migration to Saudi Arabia, has weakened community structures. The expulsion from the Gulf States of the Yemeni workforce, following the Gulf War in 1991, had a negative effect on the economy which was unable to reabsorb these men into the urban workforce while socially they were not prepared to return to their farming origins; this has resulted in significant numbers of female heads of households in some areas.

24. Today, many communities are divided along political party lines and tribalism; these divisions are strong such that sometimes communities cannot come together to agree on services or their location.   The shadow of the North/South divide remains: even from a development perspective, SFD finds that many communities in the South expect that the government will deliver services and this attitude acts a

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[9] Board members are the Prime Minister (Chair) and Deputy Prime Ministers (Minister of Finance and Minister of Planning and International Cooperation), Ministers of Education, Technical Education and Vocational Training, 2 NGO representatives, 2 experts, 3 representatives of the private sector, 1 member of the banking community, and SFD Managing Director (also Minister of Social Affairs and Labour). It is understood that the Board plays no role in the day-to-day management of SFD.

[10] There is a current deficit in financial commitments to Phase III; GoY's contribution has increased from a very low level and is now at about 7%.

[11] It is difficult to define a community in Yemen: in practice it can mean a village, a clan, a family, 4-5 villages. Community identity is less strong in urban areas.

disincentive for communities to engage in community development. By contrast, some conservative tribal areas in the North are more progressive, even in relation to participation.

25. The last 10 years have seen the beginnings of democracy, with a second round of elections of local councillors at the decentralised level expected in 2006. While there is a long way to go, attention is drawn to increased involvement of civil society, for example increased numbers of newspapers and the registration of almost 5000 NGOs with the Ministry of Social Affairs. On the other hand, lack of good governance and widespread corruption adds significantly to costs and to inefficiencies; and is a substantial barrier to people accessing services and their rights.

Evaluation Methodology
26. The focus of the institutional evaluation reflects the tensions that may be created between two sets of priorities:
i.   *Stability effects*: the role that SFD plays in service delivery and how this contributes to stability in the short term, and
ii.   *Systems of governance*: the contribution of SFD in promoting state-building and institutional capacity development in the medium term, in terms of the development of sustainable, functioning, and transparent organs of the state, and facilitating structures at the community and civil society levels to interface with government.

27. SFD is recognized by donors as innovative, effective and efficient in contributing to the delivery of well-targeted basic services in a difficult environment[12]. It has a pro-poor distribution of resources and is deemed a model of good practice in terms of transparency, accountability, efficiency, and effort to be poverty focused. Looking to the future, the third Joint Supervision Mission (May 2005) it indicated that more attention is required **from all stakeholders** – including donors and GoY – on *how* to translate good models that have been developed by SFD into longer-term change. Accordingly, it was agreed to extend the scheduled Impact Assessment to have three components, including an institutional evaluation:
> (i) a quantitative survey of 6000 households will assess impact at the individual/household level and will be carried out in February 2006;
> (ii) an institutional evaluation that reviews the *processes* that are used by SFD, in other words, *how* it does business rather than *what* it does; and
> (iii) a qualitative beneficiary assessment that will validate both the household survey and the institutional evaluation.

This paper presents the findings of the institutional evaluation that was carried out between November 2005 and January 2006.

28. As the **methodology** evolved, Yemen's participation in the OECD (DAC) Pilot of Principles of Good International Engagement was gaining momentum, and there

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[12] SFD Joint Supervision Mission, May 2005; SFD Joint Progress Monitoring Report, Dec 2005; SFD II projects completion report, Dec 2005; personal interviews with KfW & the Royal Netherlands Embassy.
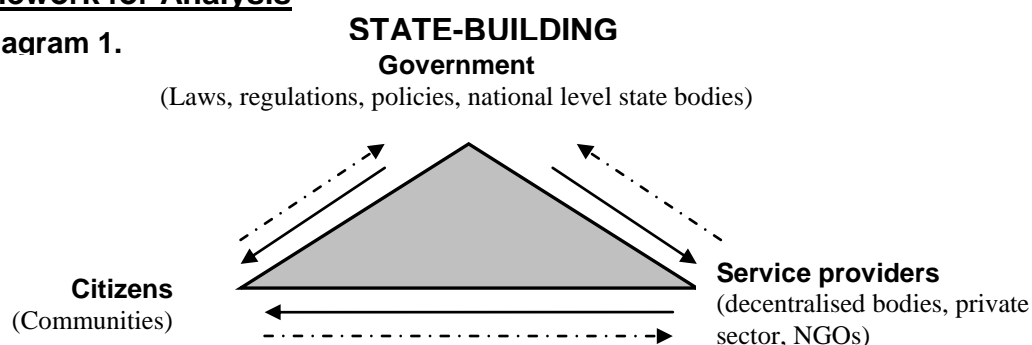
was a desire to link the institutional evaluation with a review of how SFD contributes to state building agendas, and to learn lessons that can be applied in the design of other Social Funds[13].

The **objective** of the institutional evaluation is, in the context of State Building,

> *to assess, identify, document and make recommendations to strengthen SFD's contribution to **Government capacities**, **strategies and reform**, to **scaling-up** and **mainstreaming** of innovative approaches, and to **sustainable participation** and **addressing exclusion**.*

29. The definition of State Building used in this evaluation includes not only building the capacity of government machinery but also systems of governance at civil society level.   This is depicted in diagram 1, which adapts the World Bank Development Report 2004 framework and uses the three-way process between the centre, decentralised and community levels as the framework for analysis.

Framework for Analysis

Diagram 1.   **STATE-BUILDING**
Government
(Laws, regulations, policies, national level state bodies)

Citizens   **Service providers**
(Communities)   (decentralised bodies, private sector, NGOs)

(The solid lines represent the typical flow of authority from the centre to community level; SFD, by working with partners at the community and decentralized level, is strengthening a three-way flow through greater participation and transparency, as represented by the broken lines).

30. SFD's portfolio of work is structured around three main pillars: community development, capacity building and micro-credit, which are overseen by six executing units[14]. In 2004, SFD provided support to some twelve sectors, in addition to developing a number of internal institutional processes. Table 1 provides the breakdown of financial support.

Table 1. SFD's Commitments in 2004

Sector	% Funding	Sector	% Funding
Education	52	Cultural Heritage	5
Water	15	Organisational support	4
Health	5	Micro enterp	2

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[13] Through its participation in the OECD (DAC) Learning and Advisory Process on Difficult Partnerships (Fragile States), Yemen has prioritised three of the 12 fragile states principles, namely: state building, harmonisation, and long-term engagement.

[14] These units are: education, health and social protection, training and organizational support, small and micro-enterprise development, cultural heritage and rural roads, and water and the environment.

		development	
Environment	5	Training	2
Rural Roads	5	Small enterprise	1
Special needs group	5	Integrated interventions	1

Source: SFD Annual Report, 2004

31. Instead of taking a sectoral approach (the focus of the quantitative and qualitative elements of the Impact Assessment), the institutional evaluation focuses on the central thematic issue of **SFD's contribution to building governance structures at various levels** through service delivery and organisational capacity development programmes. A number of innovative approaches have been selected for particular analysis including the pilot programmes on quality of education, girls education, and school mapping; community health; support to building governance structures at decentralised and community levels, and building the capacity of NGOs[15]. A pre-Consultation meeting was held with donors and the findings of the evaluation were presented to stakeholders at a Partners' Consultation Workshop[16].

2. SFD'S CONTRIBUTION TO STATE-BUILDING

32. Overall, SFD was found to be a trusted partner, is seen to deliver, and the systems, processes and methodologies that it employs are widely appreciated, have served communities and local authorities well, and are contributing to a sense of stability and the development of a system of governance at the community and decentralised levels. Central to this are the transparent, pro-poor participatory mechanisms that are consistently in place to ensure equity in access to services by poor communities, are intrinsic to its way of working, and help to reduce the capture of resources by powerful interest groups**.** These processes are re-invigorating traditions of self-help, and contributing to the strengthening of social cohesion within communities.

33. At the commencement of each Phase, SFD allocates funding on a pro-poor basis to each of the 21 governorates and 333 districts (based on the number of poor households in each district using the national poverty survey and the 1998 household budget survey); areas of higher poverty receive higher allocations. It has well-developed systems for targeting, supported by a geographic information system.

34. Moreover, fair distribution of resources and services, and transparent targeting mechanisms, are deemed to contribute towards the reduction in tensions between communities. By working in poor areas, often remote rural areas (the level at which

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[15] The consultant visited Yemen between 11th-21st September 2005 to develop the methodology and met with a wide range of stakeholders at national, governorate and civil society level, and with donors. Consultation workshops on each of the above programmes were held end Nov/early Dec 2005 with stakeholders from community, district and governorate level and central level, as well as focus group discussions and interviews with selected individuals; separate reports from each of these workshops are available from SFD.

[16] This was a high-level meeting held in Sana'a on 25th January 2006 and was attended by some 100 participants from ministries donor agencies and civil society; and attained wide media coverage.

government has most difficulty in reaching) not only supports the delivery of services such as health and education, but contributes to building governance structures at the community level such that community members become more active in determining their own priorities and dialogue with government organs leading to greater accountability. The uptake of participatory processes by some decentralised levels of government represents the beginning of a shift in how government does its business and (grounded in the Decentralisation Law) give meaning to a new approach to how government can work with communities.

Contribution to building governance structures at community level
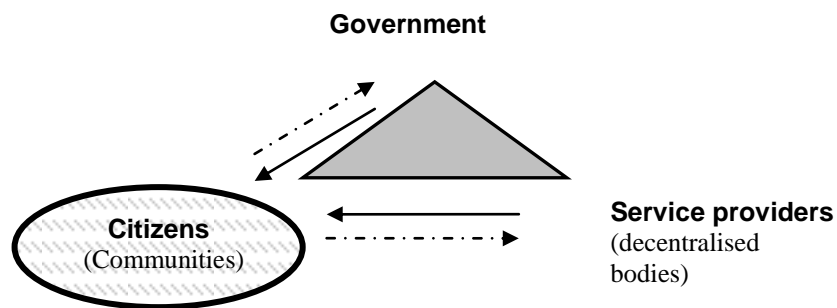
Establishing Community Structures

35. A community committee is established in every community where SFD has funded projects (some 4000 since it was established; in 2005 projects are estimated to cost $87.2 million); this scale inevitably means that SFD has potential to make (or not) a significant impact. Local consultants have been trained to lead the mobilisation, usually a team of one male/one female consultant. Some five different models of community participation are practiced; their particular nature being determined by the projects' objectives and the work to be undertaken. The models show progression: from facilitating and overseeing external contractors (accounting for some 90% of projects), to direct implementation by the community (e.g. roads or water harvesting projects, community contracting), to supporting institutional structures (e.g. parent councils), to taking on wider development initiatives beyond SFD projects e.g. health committees, to becoming Community Development Organisations (CDOs).

36. SFD has found that unless consultants have the right skills they can contribute to conflict; as a result, it has invested in the development of the capacity of a large number of national consultants for community mobilisation work. With regard to the development of CDOs, some important lessons have been learnt, not least, that the establishment processes needs support over a sustained period of time (consultations, identify problems, set priorities, establish their own rules and regulation, and type of organisation (association or cooperative with shareholders). It has also resisted the tendency by some projects to over-resource local organisations (with offices, vehicles, staff etc) to the extent that they risk becoming self-serving entities.

37. SFD is one of the first agencies to consult communities on a national basis and to follow through on implementation. By establishing community groups, and promoting awareness of the importance of electing representatives that will serve the whole community, SFD is contributing to reviving the traditional systems of social capital and people helping themselves, which has been in decline since 1970's. By promoting elections and voting, SFD is reinforcing core elements which underpin democratic governance. By signing tripartite agreements with local authorities and communities that set out arrangements for the operation, maintenance and sustainability of facilities (e.g. staffing and financial procedures for local investment), a basis is laid for improved collaboration between local authorities and communities. Such agreements provide legitimacy to the elected community group, and prompts commitment of support and sustainability by the concerned local authority. This process represents the strengthening of a partnership between government and communities which is slowly contributing to increased understanding and respect and reflects the beginning of a move away from top down approaches, and often adversarial relationships.

38. As referred to earlier, this evaluation focuses on *how* SFD conducts its business that will lead to development outcomes. A number of key processes that demonstrate *how* SFD works and how this contributes to the development of governance structures at the community level have been identified, and fall into three inter-related categories that are continuously interacting: **building democratic systems, building community capacity to manage their own development process, and strengthening relationships with government**.

39. **Building democratic systems**
Broadening participation and reducing conflicts: The use of participatory methodologies such as Participatory Rural Appraisal are *key tools* not only to define community needs, but are central to mediating conflicts in communities. By creating space for diverse views of different interest groups to be articulated, conflicts of interests (often over the citing of a project) can be identified, and solutions negotiated from the outset. Trouble shooting, and SFD's ability to be flexible, are other important elements in conflict resolution e.g. on rare occasions where revenge killings have taken place, SFD has the flexibility to build separate schools. The Fund is currently adapting a PRA and PLA manual for use in Yemen, and this should be reviewed to ensure that there is an adequate focus on conflict resolution.

Developing democratic processes: As incorporated into the Decentralisation Law (Chapter 9), communities are introduced to democratic processes: participatory consultations, ensuring that the project represents community needs rather than individual interest, and forming committees with responsibility for project oversight, implementation, procurement and monitoring. Since 2005, SFD has strengthened its participatory consultation approach (separately with men and women), the holding of elections, and voting to form community committees, on a larger scale.

Inclusion of marginalised groups is an explicit element of the SFD approach; on occasions this has helped to reduce tensions e.g. inclusion of Al-Akhdam group in

schools, or building schools were the majority of children are from the Al-Akhdam group; SFD is pro-active in promoting inclusion of special needs groups.

Promoting women's involvement   SFD has a number of projects to promote women and girls participation e.g. girls education, community midwife training, literacy classes, and through training of selected women to mobilise other women and girls. Male and female mobilisers are trained to work with communities and separate meetings are held for women as well as men.   SFD's role in supporting the development and expansion of micro-finance primarily targeted at women offers potential for their empowerment[17].

Transparent procurement SFD implements a strict procurement process based on a transparent and fair competitive bidding process.   Where communities are implementing projects themselves (e.g. roads, water harvesting, community contracting) separate committees are formed for project implementation, procurement and monitoring and are supported by on-going training, illustrating how checks and balances are built in to the process. Contractors vie for SFD contracts because there are no hidden costs[18].   Communities sign off on the contractors' work giving them control over the process, though there is need to guard against the risk of exploitation to ensure that it does not undermine the achievements in good governance.

Building community capacity
40. Based on an allocation for each district in the country, communities make application for funding based on their own development needs and priorities; applications are validated through a community consultation process. This reflects a bottom-up approach with communities' setting out their greatest development priority.   Community contributions to projects (in-cash or kind) are deemed to promote involvement of all members of the community, and ownership of the resource.   The implementation process, where communities oversee contracts, is treating communities as a partner rather than a recipient.   These elements, along with the formation and training of community groups to oversee *all* projects, is putting communities in charge rather than passively waiting for development projects to be allocated by local authorities.

Examples from Education Sector
41. While SFD has numerous examples of community projects, two pilot projects were reviewed during the evaluation - Quality of Education (urban based in 17 schools) and Girls' Education[19] (in five conservative, remote, rural environments) - also key concerns of the MoE.   The Quality of Education programme is designed to support the "national educational effort…so that a transformation is achieved that

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[17] SFD seems to adopt a Women in Development (WID) approach rather than a Gender and Development approach. This is an area where the Joint Monitoring Mission has proposed that SFD take forward in 2006.

[18] Source: Meeting with contractors, SFD, 27th Nov, 2005

[19] See *Rural Girls Education, Better Life Options and Opportunities Model (BLOOM),* SFD (undated).

shifts the focus from teaching to learning, from quantity to quality, and from learning by heart to thinking, consideration, imagination and creativity"[20]. The Girls' Education pilot project is located in 5 sub-districts where the gap between male and female enrolment is higher than 90%. A key element of both projects is identifying the barriers to access and developing incentives for all the stakeholders – teachers, administrators, parents and students – to become active partners in the project. Improvement in staff performance, making the school an attractive environment in which students learn, and improved cooperation between the school and the local society, are all key components.

42. Participatory processes have been integral to the success of these two projects. The process of developing and sustaining elected parent and students councils has **transformed the relationship between parents and schools** and is an important example of how collaboration between communities and state organs can be strengthened.   The parent council process is seen to be a democratic one that gives parents a sense of participation and empowerment, they can facilitate relationships between teachers and the community and individuals, and can assist in overcoming problems that lead to dropout and discontent. The Girls' Education project, which as been implemented in five conservative rural sub-districts, has led to increased enrolment of girls and women have become particularly active in promoting girls' education on a house to house basis, at festivals, and while through channels that women use daily e.g. while fetching water. A positive indicator is that women are demanding literacy classes, raising the issue as to whether functional literacy as promoted by SFD or the more formal literacy programme of the MoE is most relevant.

43. In terms of promoting stability, an unanticipated outcome is that parents and teachers consider that education is a **shared responsibility** between the community and the MoE with the family being the driving force. In this latter sense, participatory processes are key to the community taking **ownership** and on how parent councils can play a central role in taking education beyond the classroom and into the local community.   A further unexpected outcome is that teachers say their attitudes, commitment and behaviour has changed; this achievement should not be underestimated as it is an essential element of, but often most difficult to achieve, in any sector reform.

44. The challenge is for the MoE and SFD **to jointly identify how** the benefits of these two pilots can enhance the work of the MoE and **be adapted for take-up on a nation-wide basis**, and to establish mechanisms for doing so. Because education accounts for such a high proportion of SFD funds, it needs to demonstrate that its approaches have wide application. Current constraints to scaling up the Quality of Education pilot include the need to gain acceptance for the approach to avoid the current conflict with school inspectors who are only familiar with traditional methods of teaching; some technical aspects of the curriculum need to be reviewed in the light of interactive learning; the physical space required for interactive activities

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[20] The approach is documented in *The Education Quality Program, a Pilot program 2004-2008,* SFD Education Unit, (undated).

prompt the need for some redesign of classrooms where there are large classroom sizes (up to 90). The fact that the current model is an urban one also needs consideration, there are concerns whether it can be replicated in rural areas because of the costs involved. The MoE has asked SFD to develop manual on quality of education and this is underway, and a future focus of SFD is to help MoE to develop its community participation approach – provided for in the Basic Education Development Strategy (BEDS). SFD also participates on the technical team under BEDS, as well as at the donors' monthly meeting.

45. The pilot project on Girls' Education is highlighting systemic constraints that need to be addressed by BEDS/MoE. Key issues relate to human resources: the need for increased allocation of female teachers to rural areas; the slow progression of women teachers within the Ministry compared with men; as well as the lower education standard of female teachers at secondary level[21]. Moreover, while school fees are set at a low rate - R150 per year - and there is a fee exemption of R600 per year for those on cash transfers from the Social Welfare Fund, actual costs is are deemed to be about R3-4,000 (examinations, uniform, school cleaning, arts and crafts; while books are free, transport to the village must be paid).

Example from the Health Sector
46. A further example of community partnership is where communities select young women and men from their own communities as potential candidates for training as community health workers including a two-year training of midwives (for women), on the basis that they will return to serve their remote communities. This, along with infrastructure, and a partnership with Higher Health Institutes (strategic planning and capacity development support) has resulted in the training of some 740 midwives. The issue of sustainability is discussed in *Strengthening Governance Structures at National level* below but broadly relate to how the community midwife programme can complement the community health approach of the MoPH, how they can be supported by communities, and in particular *how* support and supervision can be provided to these midwives and standards maintained.

Example from micro credit
47. SFD has developed the Small and Micro Enterprise National Strategy. Micro finance is one element of the Strategy and SFD is supporting 12 micro finance institutions that operate a group lending system (see below). The groups which vary in size from 5-15, are reasonably autonomous decision-making entities. They operate best practice in good governance – similar to that which underpins any business: they establish an internal constitution which sets out the roles of the group and this is submitted to the Micro Finance Institution for approval; peers assess the credibility of the borrower and feasibility of her/his project, and agree/ disagree to guarantee it; they elect a leader, secretary and treasurer. This good governance is furthered by supporting MF groups and encouraging individuals to make timely repayments, through close monitoring and requiring annual reports and certified accounts. Loans are also provided to individuals who develop credit worthiness.

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[21] This is an incentive to get female teachers at the secondary level, but the downside is the lower capacity.

Strengthening relationships with government

48. SFD is helping to strengthen relationships with different levels of government, as follows:

Promoting government's creditibility through service delivery The funding of almost 1000 projects annually to poor and often remote and conflict ridden communities is helping to reduce tensions over scarce resources and gives credibility to the government especially in areas where it is difficult for government to reach[22]. For example, there is a successful girls' education project in Sada'a, an area of on-going conflict where few girls are sent to school.

Building capacity at decentralised level By working to build the capacity of district and governorate levels, promoting the adoption of a community consultation approach by local authorities, and promoting dialogue at the different levels of governance, SFD is contributing to strengthening relationship and accountability between government and communities and minimise capture of resources by powerful interest groups who do not necessarily represent the majority of the community (see section below on Building governance structures at decentralised level).

Grounded in State Law By supporting state laws and by-laws, SFD promotes national laws and policies and thereby reduces interference by powerful groups, e.g. support for the implementation of the Decentralisation Law; the broadening of understanding of the NGO law; basing decisions on the distribution of schools on the Cabinet school mapping decree (these issues are discussed in more detail below).

49. The time and effort invested in gaining widespread acceptance of, and ensuring adherence to these fundamental processes, should not be under-estimated. They are constantly challenged and SFD continuously encounters obstacles posed by those with vested self-interest. Because of an absence of participatory skills in the country, in most instances, SFD has had to invest time and resources in developing the capacity of its staff and the wide range of consultants that it uses to implement participatory processes. **The challenge now is to consolidate these gains and to promote their adoption/adaptation** among a wider range of government ministries and agencies.

Recommendation

50. SFD has gained significant experience of working at the community level and in applying various models of community participation. However, one of the difficulties in assessing the merits of these different models is that they are developed and implemented by different executing units with SFD - Training and Organisational Development, Health and Social Protection, Cultural Heritage and Rural Roads, Water and the Environment, Small and Micro Enterprise Development Units – and heretofore have not systematically been reviewed or documented.   SFD could

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[22] Comments by members of Governorates, and by participants at Institutional Evaluation Workshop on Education projects, Sana'a, 4th Dec 2005.

consider undertaking **a cross cutting review** to **assess the merits and demerits of the different models of community participation in different contexts**, and their strengths in promoting sustainable service delivery on the one hand, and the basis of a governance structure at community level, on the other. This would help to identify which models are most effective, and most efficient – important elements if projects are to be sustainability, but more particularly if the models are to be promoted amongst government ministries and agencies.

Contribution to building governance structures at decentralised level
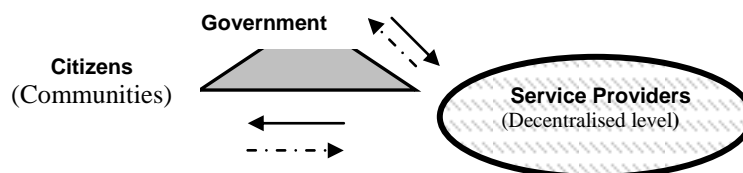
Capacity Development at Governorate and District Level

51. The process of decentralisation in Yemen has all the hallmark constraints of decentralisation processes in other countries: very slow fiscal decentralisation (only 1% of GNP goes to the decentralised level for capital investment (recurrent costs of decentralised level is paid by the centre and decentralised authorities have their own revenue), a lack of clarity on behalf of decentralised structures on their roles and responsibilities, tensions between elected and non-elected officials, tensions between decentralised executive organs that retain loyalty to their parent ministry rather than to the local authority to whom they now accountable, a general lack of capacity and infrastructure to facilitate execute organs, and a lack of organisation at the community level to represent the interests of citizens.

52. The GoY's approach to community-level governance and empowerment of communities to make decisions, along with the roles of the governorate and district levels, is set out in the Decentralisation Law. SFD is the organisation working on a nation-wide basis to assist the governorate and district levels to implement the Decentralisation Law, and especially Chapter 9 on participation[23].

53. The big challenge is seeking to impact on a very old culture of government which is top down, and centralised. By working with both communities and local authorities, SFD is aiming to change attitudes of officials and to empower communities such that they become partners in development rather than recipients of services. It is in this context that SFD has two particular programmes of note:

i. a capacity development training programme, which has been delivered to virtually all 333 districts (some 3500 councillors), based on three main modules: analysis of development concepts; community participation and sustainability; and planning and budgeting, and

ii. a partnership with UNDP to pilot the Decentralisation and Local Development Support Programme (DLDSP) targeted at the district level in four governorates and which seeks to develop long term district (rather than sectoral) development plans, and to create better systems of governance by promoting a change in the budgeting and planning process. Average funding of $100,000 is channelled through the districts.

54. The benefits of these two programmes directly support the building of accountable and responsive governance structures in keeping with the Decentralisation Law; local councillors indicate that they have gained skills in participatory problem identification and analysis, project prioritisation,

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[23] Other programmes provide training to individual governorates and districts such as GTZ in Ibb, but SFD is the only agency providing training on a nation-wide basis.

communicating with communities; planning; working with community groups; awareness of operation and maintenance issues related to sustainability; and documentation of meetings and decisions[24] - all key elements of developing a responsive government. Many of the districts have developed their 2006 plans based on a participatory approach and on data that has been collected from the communities. A number of governorates report improved relationships between the governorate and district level e.g. in Sana'a, Ibb, Taiz and Amran some level of autonomy has been delegated to the districts to prepare investment proposals and oversee their execution (previously control lay at the governorate level

55. The forthcoming elections will see a turnover of some local councillors and thus a need for retraining. SFD does not intend to replicate training on a national basis, but is keen to make available to other parties that are working at the decentralised level the training resources which it has developed.   This is one example of where SFD could be pro-active in sharing its experience and resources.

Recommendation
56. There are systemic constraints to maximising the SFD support: very slow and limited fiscal flow, insufficient or inappropriate human resources, a reluctance to delegate authority to district level, and misplaced loyalties by officials to parent ministries. SFD has gained important experience of working at the decentralised level; looking to the future, it will need to **undertake a review of the sector** and along with the Ministry of Local Administration (MoLA) **clarify its objectives and priorities, and agree on how best it can complement the role of the Ministry.**

57. As part of its discussion, SFD may consider for example:
   o how it can best support the Ministry at this point in time; it is understood that SFD is carrying out a needs assessment of the Training Department in the MoLA.
   o whether it is feasible, or indeed necessary and desirable, that SFD works with all governorates and districts or whether SFD needs to prioritise its engagement while leaving overall responsibility to the Ministry for Local Administration;
   o whether, if SFD is a pro-poor agency investing a majority of its resources in more remote and disadvantaged areas, greater sustainability of its investments could be achieved by prioritising work with governorates and districts from these areas;
   o how it can promote and garner greater support for governorates and districts to be able to implement their plans.
   o review the strengths and weaknesses of its participation in the DLDSP, and how it can be scaled up.

 Strengthening relationships at the decentralised level

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[24] Participants at a Institutional Evaluation Workshop on Decentralization held in Sana'a 29th November,2005

58. The process of training both governorate and district officials together has promoted teamwork between the different levels, has assisted in aligning objectives and reducing conflicts and overlaps, created greater understanding of constraints, and increased the implementation of projects. Training between communities and district officials are found to have similar effects. The development of the district planning process has contributed to more realistic budgeting and thereby assisted greater efficiency in the implementation of decentralised finances. Their increased understanding of the law has equipped officials with better communication skills for working with executive organs. Through creating awareness on Chapter 9 of the Decentralisation Law, the relationship between government structures and communities is enhanced, and a process of bottom up identification of needs for discussion with government is embedded. In terms of promoting relationships, the participatory process has contributed to a greater sense of trust between communities and local authorities, projects are seen to be developed in a more systematic way, and plans and interventions are based on objective criteria. The extension of the training to council members (many of whom are farmers from the rural areas) has helped to strengthen communication with communities. Regarding relationships at the centralised levels, officials consider that they have gained skills in negotiation which has assisted them in reducing the influence of the centre on plans and their execution.

59. The issue of **coordination** with local authorities is an on-going challenge, and is a point of friction between local authority officials and SFD. While coordination between SFD and local communities is both adequate and effective, the status of coordination between the Fund and the decentralized levels is ambiguous despite SFD's annual plans being submitted and agreed. This may be due to the lack of an internal communication system between the various sections within governorates and districts, but there is also a sense that SFD, in responding to community demands, is not adequately coordinating with governorates and districts. For its part, SFD considers that good coordination should include a commitment by local authorities to honour their operational and maintenance commitments.

60. Developing a true partnership, where SFD sees its role as supporting government organs to deliver on government policy, is central to resolving this coordination issue. Recent progress on coordination has been made with the MoE whereby a Memorandum of Coordination has been signed. It provides for a 6-monthly meeting with deputy ministers at central level and directors of education officers at governorate level; the submission by SFD of its annual plan for approval by the MoE; at governorate level, SFD and the Director of Education can agree projects to be funded and he is responsible for informing all levels about the project; and SFD will assign a consultant to discuss the plan at governorate level (where SFD has no office) to identify difficulties which will then be discussed with the local branch and a meeting with MoE at central and governorate level. This process should be monitored, and perhaps used as a basis for strengthening coordination with other ministries and governorates.

Best Practice in Procurement

61. SFD is widely acknowledged to be a transparent organisation that has good procurement systems and processes, and **procurement and contracting** is an area where some local authorities have asked for training. Typically, the bidding process and bills' disbursements to contractors take a very lengthy time (sometimes more than a year), and contractors are consistently late in delivering projects. The committee which evaluates tenders is headed by the governor, while the members are elected people with no experience of tendering. In many governorates, there are no engineers to provide advice to the committee; there are no standard designs, and if found, they are rigid designs that are not tailored to environment. Record keeping is poor and there is no archiving of projects. There is no system at governorate or district level for assessing projects (feasibility studies) before it goes onto a plan, decisions are arbitrary and planning processes are weak. All of this creates concerns about transparency, accountability and legitimacy of governorates, and are areas around which there are many complaints from communities. Because of its comparative advantage in development of designs and procurement processes under its education work, SFD is well placed to **spearhead the building of similar processes** at governorate level, the outcome of which would contribute significantly to good governance.

62. Table 1 provides a comparison of the hidden costs faced by contractors based on a number of donor projects and ministries. These figures were supplied by a sample of contractors only, not all of whom have worked with each project/ministry. Thus, they *are indicative only* and should not be taken as representative, though they do provide a flavour of the reality.

Table 1. Contractors were asked: If the price that you offer for the SFD was 100 in a specific item, what will be the pricing for the following?

Public Works Project	Fast Track	Ministry of Public Works	Ministry of Education	Ministry of Agriculture
		110	140	
110		145	140	160
115			150	180
100	125		130	140
100	130	150	130	150
100		200	150	220

63. SFD plans to support ten governorates in developing an electronic record and archiving system to enable them to respond to districts and to track progress. Because it is a trusted partner, the context offers a good opportunity to build a transparent procurement process both through formal training, and on-the-job training. One possibility is that SFD and the local authorities have reciprocal representation on tendering committees.

Contribution to building governance structures at civil society service provider level
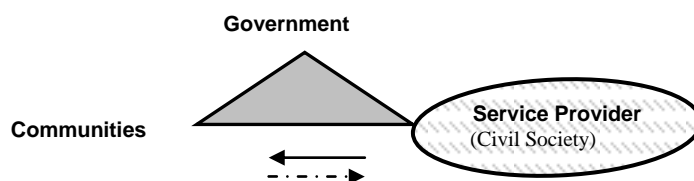
Support to NGOs

64. An active civil society is an essential partner to State Building. While there are some 5000 NGOs registered with the Ministry of Labour and Social Affairs, a majority are welfare in orientation and are service delivery driven. The challenge to SFD is how to facilitate NGOs to adopt an empowerment rather than a welfare approach, and thereby play a more pro-active role in State-Building. There may also be a rationale for building the capacity of some NGOs to participate in national policy and programme dialogue.

65. In the original design of SFD Phase I, there were assumptions about the existence of NGOs and cooperatives that were to be the main implementing partners for SFD. The reality was that in the post-conflict period such structures did not exist, and those that did, were weak. Today, many of the NGOs in Yemen are seen to be temporary and have difficulty in operation; they are dependent on private donations, are very committed but welfare in orientation and the sustainability of many is in doubt. SFD has had to invest in encouraging the establishment of NGOs and to develop their capacity. While most are focused on service delivery, SFD has been able to develop partnerships with a smaller group of NGOs who provide support and training to other service providers.

66. SFD support to NGOs has evolved incrementally, and currently three different units within SFD have **vertical** programmes that provide a package of support to three broad groups of NGOs:
    (i)   those that provide services to special needs groups are supported by the SFD Social Protection programme;
    (ii)   civil society groups such as the Consumers Association and the Fishery Cooperative Union which are supported by the Training and Organisational Development Unit; and
    (iii)   NGOs involved in micro-finance.

67. While the approach developed for each of these categories of NGOs is broad-ranging, currently within SFD these are designed and run as parallel programmes that have little inter-linkage. However, with the experience now gained, there is a great opportunity for **horizontal learning** across the three programmes and for SFD to **rigorously assess the strengths and weaknesses of the different types of NGOs** and their potential for impact and sustainability, and their potential to engage as a partner with government not only in service delivery but also in policy dialogue.

68. NGOs are largely urban based, work in isolation from each other and in a fragmented manner, often duplicating or providing overlapping services, and have no coordination[25]. While there are some fora for selected interest groups of NGOs (e.g. women's organisations), there is no overall forum at national nor decentralised level for NGOs to meet and exchange experiences and learn from each other, nor to dialogue with government.

69. A majority, of mainly local "charitable" organisations, are welfare in orientation and are dependent on philanthropic donations. Their client group are people with mobility, speech, hearing and sight impediments, and children at risk, Most of these NGOs are urban and institutionally based typically offering educational services in a classroom context because they lack the capacity to extend to rural areas, though a more limited number are developing outreach services to rural communities. For many, SFD is the only supporter apart from private donations, thereby placing a greater onus on SFD to build their capacity, and promote a more developmental approach such that the rights of their client groups becomes the central focus rather than basic service provision, and that clients are empowered to advocate for their rights. A smaller group of NGOs are providing similar services but are also operating on a wider (sub) national level and lobbying for change e.g. SFD is the sole supporter of the National Association of Physically Disadvantaged persons, an organisation that is led and managed by people with physical impairments.

70. Another group of NGOs supported by the Training Unit in SFD are those that offer literacy training and income generating skills to poor women especially those receiving cash transfers from the Social Welfare Fund. This provides an example of partnership between the responsible ministry, the NGOs and SFD whereby the Social Welfare Fund, administered by the Ministry of Social Affairs, requires that recipients attend some form of skills training. However, the evaluation observed a significant difference in the capacity of some NGOs and is concerned about the sustainability of the services which they offer. Of particular concern is whether the skills training (mainly low level handcrafts) provided to illiterate women has the potential to become commercially viable or whether they risk reinforcing the low status and low pay of women. It is suggested that SFD **commissions a review of such projects** identifying their strengths and limitations, and to provide guidance on whether they have the potential to be viable entities (some will not and this should be recognised), what additional technical support is needed over a sustained

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[25] Source: Representatives of NGOs, who participated in an Institutional Evaluation Workshop for NGOs, 2nd Dec, 2005.

timeframe to encourage those that have potential. One of the obvious strengths is the fact that they have access to local women outside their homes; ways of increasing women's empowerment should be part of the review.

Recommendations

71. These findings point to the need for SFD to assess its collective experience of working with NGOs, and **to set out its objectives for development of the NGO sector** such that it takes its place along side other partners in the State Building process. This would necessitate (at least some) NGOs engaging in analysis and advocacy work, and investing in participation in national fora and platforms. The absence of a framework for working with NGOs risks a fragmented development of the sector and the services provided by NGOs. With the experience now gained, there is a great opportunity for horizontal learning across the three SFD programmes and to rigorously assess the strengths and weaknesses of the different types of NGOs and their potential for growth, participation, impact and sustainability. Moreover, given its engagement at all three levels – service delivery, capacity development, and the legal and regulatory framework (see below) - combined with its participatory processes, SFD is now well positioned to **formulate a vision of how it can best assist the development of a dynamic NGO sector** that can play a **strategic** and **sustainable** role in Yemen.

72. The scale of support provided to NGOs/special needs groups (some 113 in 2004) illustrates the potential impact, but also the need for a clear strategy for the NGO sector to avoid a series of isolated projects. Given that many NGOs are still at an embryonic stage of development, in the first instance, SFD could consider holding internal consultations to assess the extent to which it is able and willing to make a **long-term commitment** to nascent NGOs, and then to develop a **strategy** for the development of the NGO sector. As part of this process, SFD could **consider conducting an assessment of the weaker NGOs to determine common strengths and difficulties**. Partnerships could be developed with stronger national NGOs and international organisations that have a commitment to strengthening local NGOs.

73. NGOs will need support in the following key areas: coordination of work; trouble shooting; relationships with government organisations such as the Ministry for Social Affairs; compliance with the NGO law; building internal governance systems and procedures - management, transparency and accountability; advocacy; monitoring and evaluation, and learning and sharing lessons (both within Yemen and regionally). The strategy will need to consider how best to address the following:
    o Better communication and cooperation among stakeholders in the interests of more effective service delivery
    o Coordination (and maybe rationalisation) of respective roles and responsibilities between NGOs, perhaps working towards the development of joint funding proposals
    o Better coordination between NGOs and government in the interests of both service delivery and **the rights** of groups represented by NGOs. Regular consultations to be institutionalised, especially among those that are service providers on behalf of the State

- Encouragement of transparency and good governance in the management of their organisations
- Undertaking of joint reviews and evaluations to learn lessons, and to identify successes and issues of common concern.

74. SFD could consider options such as further funding partnerships between strong and weak NGOs; involvement of international NGOs that have a comparative advantage in capacity development; engaging technical expertise from the region to provide support over a period of time.

75. The evaluation endorses the Training and Organisational Unit's plan for 2006 to work with clustered groups of NGOs working in the same region; it would be important that this is closely coordinated with the Social Protection Unit. The opportunity exists to develop networks of NGOs to promote **greater coordination of service provision** so that services can be expanded to under-served groups, development of organisational and fund raising capacity through peer support, and to explore options for joint initiatives, including joint plans and strategies. There may also be a case for small NGOs to amalgamate as has happened amongst some of the micro financing NGOs.

76. As proposed in the evaluation of SFD's support to special needs groups, this evaluation endorses the recommendation to **encourage NGOs to extend outreach to the special needs groups in rural communities.** Apart from the prime focus of supporting special needs groups in their own communities, the move away from institutionalised responses would contribute to making NGOs more sustainable – currently the cost of sustaining infrastructure and recurrent costs is a major challenge to many of the NGOs.

77. **Financial sustainability is a challenge** for any NGO, but in Yemen many have not even got the basics in fund raising and are anxious to learn from stronger NGOs; expertise could be sourced either nationally or regionally to support this complicated but essential area e.g. Bangladesh.

78. SFD may wish to consider facilitating a process that would promote greater understanding on the part of both the Ministry and NGOs on their respective roles, responsibilities and limitations, and that over time would enable a sense of partnership to evolve. The absence of such an understanding undermines State Building and can result in adversarial relationships rather than partnerships which contribute to the strengthening of the wider institutional environment. Emerging from the process could be an action plan that has clear objectives, activities and timescales, and a review process. A national forum could be established that meets once or twice a year to discuss issues of common interest. Good facilitation will be key to the success of these meetings.

79. The Ministry of Social Affairs is responsible for monitoring and evaluation of NGOs but does not have the capacity to do so. Thus there is an opportunity for SFD to strengthen its technical M&E capacity: in addition to formal training, SFD may wish to consider piloting a series of joint reviews and evaluations with the NGOs.

Engagement of the Department in the evaluation of NGOs would provide be a useful entry point for exposing the Department to the different strengths and challenges faced by different levels of NGOs.

Contribution to building governance structures at national level
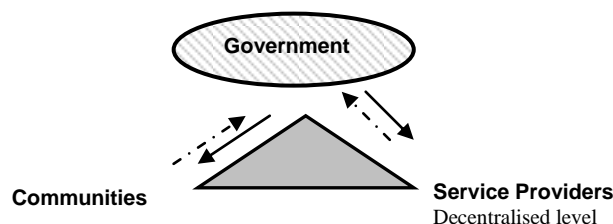
80. Given that SFD's focus has been on service delivery at the community level, and capacity development at decentralised level, these are its main strength areas. However, it has provided support to a range of government organisations at the central level. For example, in support of its community based programmes, it has provided support in the areas of strategic planning, curriculum development, staff training and physical infrastructure and equipment to Higher Health Institutes to strengthen its programmes for health service providers including the community midwives programme. SFD has been a strong advocate of inclusion of special needs groups in mainstream education, and has played a lead role in facilitating the development of a Disability and Youth and Children National Strategy. It also assisted the Ministry for Labour and Social Affairs to establishment a register of some 5000 NGOs which will be available in 5 libraries in 2006. In this section, a number of such examples are described.

A focus on Laws
81. SFD has worked closely with the General Department of Associations and Federations in the Ministry of Labour and Social Affairs which is responsible for supervision and monitoring the implementation of the NGO Law 1 enacted in 2001. After two years of existence, the law was found to be ambiguous, and there was little understanding of the law or its supervision. SFD initiated a national level participatory approach to the development of by-laws, the outcome of which clarified the role for government vis-a-vis civil society: disputes must be resolved through the justice system and decided in the courts i.e. the Ministry can no longer close NGOs or their bank accounts. Once these statutes were approved by the Council of Ministers in May 2004, SFD embarked on a process of rolling-out national understanding of the law. This included training of NGOs, lawyers and researchers, supported by three law libraries which are open to the general public, NGOs, lawyers, judges and researchers. Facilitators held training with selected NGOs, who

in turn were funded to conducted workshops for other NGOs to explain the law and its ramifications e.g. one such NGO provided training to 70 NGOs.

Support to the Education Sector

Capacity building for transparent resource allocation
82. SFD's school mapping project enhances State-building at several levels. Support was provided to the MoE to improve its existing system of school mapping, the objective of which is to provide accurate and verified data as a basis for decision making, and to improve transparency in resource allocation. The project included facilitating a national consultation process that resulted in agreed national standards which are enshrined in a Cabinet decree obliging all stakeholders to use the school mapping data; the development of a GIS; building of staff capacity; and piloting in two governorates. The data generated has been independently verified by the Basic Education Development Strategy (BEDS) initiative, and the MoE is now expanding the project to six other governorates using its own resources. The project has given visibility to underserved communities (e.g. remote, voiceless, Al Akhdam), it assists in greater equity is distribution of schools (some are over-served), has meant that communities should not need to come to Sana'a to lobby for a school, promotes a greater urban/rural balance, and being based on objective data facilitates officials in resisting pressure from powerful interest groups[26]. BEDS as the main user of the service will fund the rolling out of the project to all other governorates (except the newest governorate).

Support for infrastructure delivery
83 A key issue that has emerged and that needs to be debated by stakeholders is the complementary roles of SFD and the Ministry of Education now that a national strategy (BEDS) has been formulated by the Ministry and funded by donors – many of whom also fund SFD.   Tensions exist on whether SFD should be delivering infrastructure and equipment only or whether it should have a role in achieving education outcomes, and addressing long term capacity and sustainability of service delivery. SFD believes that the MoE should concentrate on key policy making and operational issues such as teacher quality, improved school management and deployment. SFD's role is to support the implementation of BEDS through building infrastructure, but also in terms of piloting approaches that feed in to the Ministry's objectives for improved quality for education and for increases in girls' participation (described above).

84. With regard to its role in infrastructure, the Basic Education Strategy estimates that 18,000 classrooms need to be built per year up to 2015 (40 students per classroom). At the current rate of building, this target will not be reached until 2036. Thus, SFD argues that the need is greater than a response of any one agency, and that it has a comparative advantage in building – it has developed a stream-lined method of design, procurement, and establishment of community groups to facilitate contractors. In 2005, SFD was the biggest player in terms of construction of schools

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[26] Source: Participants at the Institutional Evaluation Workshop, 4th Dec, 2005

building 389 schools (2511 classrooms) and rehabilitated a further 70 schools. Its' lead role in seeking to establish standard designs and improve transparent procurement methods are resulting in reduced costs and are feeding into national level design and procurement processes within the MoE[27].

85. SFD is concerned about the sustainability of its investments unless the MoE is able to support the infrastructure provided in terms of quality teachers and other support services. Deployment of qualified teachers to rural areas is a central issue and is to be taken up by BEDS. SFD is pro-active in lobbying for change, and is participating on BEDS technical team committees. Donors could also be pro-active in encouraging synergies between BEDS and SFD, thereby securing sustainability of their investments in education.

Capacity building to supporting Health Care Delivery

86. In 2004, SFD's expenditure on the health sector accounted for $8 million, 90% of which was spent on primary health care; 2005 sees a significant shift in resources whereby about 50% will be spent on Emergency Obstetric Care (EOC) in 16 district and governorate referral hospitals. While provision for EOC for urban areas is provided for in Phase III, the extent of the shift of resources from primary to secondary health care reflects the need for SFD to have a clear strategy for the health sector. This shift of resources seems to be based on a combination of donor priority to support reproductive health, along with a frustration with the limitations of the district health system. During Phase I and II, SFD focused primarily on *access* by building and equipping infrastructure - mainly rural health centres[28]. However, a shortage of service providers and poor *quality,* underpinned by systemic constraints within the MoPH, resulted in a redesign of Phase III to training of service providers, improving Health Management Institutes' quality and coverage capacity, strengthening community and local authority partnerships, and addressing reproductive health care and neonatal care[29].

87. A core element of this is the partnership with the Higher Health Institutes which are autonomous organisations that function as service providers to the MoPH. This autonomy has been central to HHI ownership of the project, and to the rapid progress made in implementation, and in putting in place mechanisms for sustainability. The strategy is to build the system through training community midwives, (740 midwives are now undergoing in a 2 year training programme); they are chosen by their communities, and will return to work in their communities. In addition, 40 health facilities are receiving a full package of support (building and

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[27] It is unfortunate that the MoE decided not to participate in the half-day workshop between SFD and the MoE planned by the evaluation to discuss up-scaling of standard designs and low cost design issues; the MoE considered that the workshop might pre-empt the work of a new committee that it has established to review such issues.

[28] This reflects the experience in many LICUS countries where there was too much focus on construction and hardware, while insufficient attention was given to sustainability.

[29] World Bank Project Appraisal Document, Feb 2004

equipment) but support is only provided where a health unit exists and staff/system is in place.

88. The key issue that now faces SFD relates to the **sustainability** of the community midwife approach, how it can complement the community health approach of the MoPH, and in particular *how* support and supervision can be provided to these midwives and standards maintained so that their skills can be maximised to the benefit of their communities. While there are issues concerning the long term sustainability of the approach, there is an implicit acceptance that in a context where it is unlikely that the MoPH will be able to provide a health services to 137,000 dispersed settlements, the option to train as many community midwives as possible to impact on maternal and child mortality indicators, is the only practical option at this point. However, there is a growing awareness that they need to be linked to an institutional structure that provides basic equipment, supervision and support, and that they need the support of active health committees in the villages who can advocate with the local authorities for improved health services. One constraint is that there are administrative barriers to linking community midwives (and TBAs) with health centres – because they are non paid staff.

89. SFD is looking at all options to improve sustainability and the Sana'a HHI has established a distance learning unit and is going to pilot the provision of support to community midwives. Another option could be that supervision is provided by NGOs. Alternatively, SFD could prioritise its interventions to working only with those governorates and districts that have potential for sustainability and where health indicators are low, while also working with non-state providers to deliver services to more difficult contexts e.g. NGOs, private sector.

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

Support for Special Needs
91. A practical example of how SFD has supported work at the national level is the development of a vocabulary and dictionary for sign language. The original dictionary, funded by Oxfam, was limited to 800 words and did not include many words required to teach the school curriculum e.g. in physics, or to cover sport. The new dictionary contains 2,400 words; through participatory workshops in 11 governorates over 1200 people were involved in its development to reach agreement on the words (each governorate has its own dialect). The NGOs are now in the process of disseminating it nationally, and acknowledge the important contribution of this dictionary to the integration of those with speech impairments into society. SFD funded all the expenses related its development.

Support to the establishment of Microfinance

92. The law under which SFD is established gives SFD a mandate to support and finance small and micro enterprise programmes, and in response to a government request SFD prepared a national strategy for small and micro enterprise for presentation at the G-8 Summit in Sea Island, Georgia. During the early years of setting up microfinance (MF), SFD has been advised by ASHA, Bangladesh and several consultants. Today, SFD is actively involved with many concerned organizations such as CGAP[30]. Today, approximately 95% of SFD borrowers are in micro-enterprises, while small enterprises account for 4-5% of borrowers, though 50% of the loan portfolio. Unlike small enterprises, which are funded by the Small Enterprise Development Fund and lends to individuals, micro-finance is based on group lending. The growth of microfinance has made very rapid progress, and SFD is working with twelve micro finance institutions (MFIs), two of which are foundations, one is a registered company, while the remainder still function under the auspices of NGOs. Of these, five are urban based, four are urban based with some rural outreach, while three operate in rural areas only.

93. Their varying capacity is a challenge to SFD which ultimately aims to consolidate the MF industry by promoting the transformation of MFIs from projects that are run by NGOs to foundations with other similar bodies (e.g. 3 organisations have come together to form a foundation in Aden and as a result have been able to expand rapidly), to developing regional networks and branches, and to merge MF programmes (e.g. along the Red Sea). This reflects a vision that sees MF shifting from being project-based and thereby temporary in nature, towards a more permanent framework e.g. operating within a foundation framework.

94. The challenges that face SFD as it moves forward with microfinance are the need to engage with the range of stakeholders that are operating in microfinance, and furthering its approach. It is already investigating the separation of capital and technical assistance activities, with the idea of setting up an apex institution to provide capital, so that it can focus on TA activities. At the same time, SFD is giving support to microfinance organisations to set up a microfinance network that would share best practices and be able to bring in TA other than through SFD. This would lead to a reduced need for SFD to support microfinance in the longer term.

95. In some of the SFD documentation the impression given is that microfinance is somehow aimed at achieving economic as opposed to social objectives. There is a strong focus on the contribution of microfinance to building sustainable livelihoods through encouraging small and micro entrepreneurs. This evaluation encourages SFD to strengthen its microfinance approach in the interests of the poorest by further promoting a broad set of financial services, including savings, insurance, transfer services and other financial products targeted at low income clients. While insurance played a first

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[30] For example, CGAP conducted a Multi-Donor Mission on Microfinance in Yemen in June 2005, and will participate in a conference on microfinance in Sana'a at end Feb 2006.

round of protection during the Rift Valley epidemic (subsequently SFD provided guarantees when the insurance ran out), discussions with MFIs indicated that insurance is not necessarily the norm. Similarly, while MFIs "allow" savings mobilisation strategies whereby members save more than what is required, this is seen as a personal issue between the MF group members rather than being encouraged as an active strategy that encourages microsavings that allow people to meet unexpected shocks or expenses and plan for the future investments, such as for education or old age, funeral expenses.

96. The SFD promotes sustainable microfinance which is internationally recognised as the only way of achieving deep and wide access to finance. However, there should also be an acceptable balance between the goals of financial sustainability on the one hand, and the urgent need to improve the lives of poorest[31]. One such example is BRAC Bangladesh that has developed programmes targeted specifically at the "ultra poor"[32]. Its 'Income Generation for Vulnerable Group Development Programme' provides food and grain assistance and savings and credit services to nearly 1 million participants, over a 10 year period. Two thirds of women 'graduated' from absolute poverty to become microfinance clients and have not slipped back into poverty. BRAC structured its programme in a way that effectively separated social services and business advice (e.g. training) from the provision of financial services. Whilst the food assistance and training costs were covered by the government and WFP, savings and credit services were provided by standard MFI programmes. This is an example of how 'social' and 'economic' objectives can be jointly met through synergies between different types of interventions, whilst still adhering to 'sustainable microfinance' principles.

97. In discussions with microfinance managers, they confirmed that some of the main constraints to its' expansion include a) lack of demand for end products, b) poor infrastructure to link with markets, c) poor quality products which could not compete with cheaper imports, d) lack of marketing know-how. This suggests that in many contexts in Yemen, as set out in the national strategy on micro finance, microfinance needs to be accompanied by building infrastructure, opening up new markets for the produce of the poor, providing business development services. Looking to the future, SFD will need to consider how it can support the right combination of interventions to create the conditions and opportunities for microfinance to work. There are ample opportunities for greater synergies with other programmes SFD programmes such as water harvesting, rural roads, and the new Rainfed Farming project which will interventions such as building markets and watershed management.

98. A further issue for discussion in SFD is whether there are ways that it can overcome the current practice whereby some MFIs female borrowers are required to have their husband's approval to get a loan. This issue is not

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[31] On this issue, there appears to be a difference in the international advice being provided to SFD, and is an issue that will need to be taken up in the future.
[32] See BRAC www.BRAC.com

unique to Yemen, but raises both the issue of SFD's role in promoting women's empowerment, and operationally whether women can really develop enterprises if they cannot enter into a contract or gain access to credit without their husband's permission[33].   This perhaps is an area where greater synergies with the experience of its other programmes could be beneficial e.g. given SFD's standing in communities, its track record, and its well-developed community development methodologies, a process of community awareness could be developed that would discuss the objectives of micro finance and would gain acceptance for the group guarantee, rather an male approval, as the basis for lending.

99. Looking to the future, different services will be appropriate in different contexts and thus SFD may wish to consider the following issues:
- o Is SFD deliberately targeting the "poorest" as well as the 'not so poor'? Is there a risk that the poorest may be excluded from access to credit?
- o Should SFD consider targeting financial services to those who may have less scope to undertake 'productive activities' through micro entrepreneurial activity, but who would nonetheless benefit from greater access to financial services ?
- o Has sufficient and on-going attention been given to micro saving and insurance? Is the emphasis on microcredit premature for some groups?
- o How can SFD promote synergies between microfinance and other programmes to ensure maximum synergies?
- o As women are its main client group, how it can promote women's empowerment within the context of micro finance.

Promoting transparent procurement processes
100. Reducing the cost of building infrastructure, and **implementing transparent procurement systems and procedures**, are areas where SFD has particular comparative advantage. Over the years, and with the MoE, it has spearheaded development of a number of standard designs for schools, and has well-established systems of procurement and contracting, which cumulatively have made a significant contribution to driving costs down. A sub-committee within the MoE is now leading a further process of gaining efficiencies while not reducing the quality. Recognition at national level of the progress SFD has made in procurement is evidenced by both its selection to participate in the National Higher Committee for Procurement Tenders, and the nomination of a senior SFD officer to chair the National Technical Committee that will adjust contract prices to compensate contractors for recent petrol price increases. Consultations with contractors during this evaluation indicate that hidden costs can vary from 25 to 225% depending on which government agency is the client.   SFD is well placed to respond to requests to build transparent procurement processes at governorate level which currently lacks any technical input, the outcome of which would contribute significantly to good governance.

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[33] The ILO found this to be a problem in many African countries.

THE FUTURE OF SFD

101. Key issues that emerged during the evaluation[34] that will need clarification are the following:

> 1. Developing a shared vision for the role of SFD in the medium and long term.
> 2. Mechanisms to enhance coherence and coordination between SFD and line ministries, promote partnerships, and enhance long term sustainability of investments.
> 3. Mechanisms for adapting models of success to a larger target population at the central, regional and community levels.
> 4. Supporting state building at different levels.

1. National Dialogue and a Shared Vision

102. The overarching issue to be addressed in the next number of months is SFD's future role within the overall government architecture. There is a lack of clarity and consensus on the future role of SFD and underpinning this is how to delineate the complementary role of SFD vis-à-vis relevant ministries. As SFD moves towards completing a decade of operation, there is a general endorsement of its desire to initiate a national dialogue on its vision and future role[35], its nature and scope, its relationship with governmental and non-governmental organizations, and its role at the community level. A Partners' Consultation Workshop held in Sana'a in January 2006 as part of this evaluation, was the first step in this process, and is intended to be repeated frequently during 2006.

103. The proposed dialogue on SFD's role is timely in that it parallels the near completion of Yemen's 3rd Development Plan for Poverty Reduction (2006-10) which will provide the overarching framework for national policy. SFD's current portfolio is in keeping with the main strategic pillars of the PRS, and SFD is acknowledged to be a key instrument for poverty reduction. However, SFD could also play a more strategic role if its objectives were seen to be explicitly aligned to agreed national *priority* **social policy goals** emerging from the Plan. These goals would transcend the social sectors and would facilitate a shared understanding of the real and pressing needs for **social development outcomes** in Yemen among the various stakeholders – government, SFD, NGOs, civil society. These national social development outcomes would provide the framework for SFD to have indicators and timeframes for progress, and based on these *priorities*, to determine its role in direct service delivery, capacity development and contribution to state building could to be defined[36]. Such a framework would enable SFD to clearly articulate its

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[34] Many of the issues were raised either in a Donor Pre-Consultation meeting and at a Partners Consultation Workshop; the latter is recorded in *SFD: Proceedings of Partners' Consultations, Institutional Evaluation Workshop*, George Theodory, MPRC, 25th January, 2006.

[35] The Joint Supervision Mission (Dec 2005) recommended that SFD embark on a process of national dialogue on SFD's future role, to be finalised in December 2006.

[36] For example, the Jamaican government has set out seven social policy goals: human security, governance, environment, social integration, secure and sustainable livelihoods, education and skills; see www.jaspev.org

intended contribution to the achievement of these goals as a partner along side the efforts of other government and non-governmental agencies, and avoid being drawn into isolated, or expensive projects that are not directly related to its core mandate, or which would be best undertaken by a line ministry.

104. Once the DPPR is finalized, the forthcoming SFD consultation process should negotiate SFD's role in assisting its implementation and monitoring. With its experience of monitoring and evaluation, SFD could play a role in helping to develop and implement monitoring systems at the community level and thereby strengthen processes that recognize the linkages between effects at the community level and policy and programme development at the central and service provider levels.

105. In addition to linking with the DPPR, the time is opportune for SFD to strengthen linkages with the Aid Harmonization and Alignment Unit in the MoPIC with the overall objective of attaining higher alignment of its work and its support from donors with other stakeholders. These could include participating in the drive towards greater coherence of policies and programmes, prioritization of activities, coordination of donor support to different sectors/sub-sectors and thematic issues; facilitation of smooth aid flows. Given the findings of this evaluation, SFD could also play a role in sharing its experience of contributing to State Building and helping to define further efforts in this regard.

106. Up to now SFD has focused on funding individual projects; in 2005, it approved 949 projects with an estimated cost of $87.2 million. Looking to the future, SFD and its partners need to consider whether at this stage, funding individual projects on such a large scale is the most effective way of promoting development or whether it risks fragmentation of approach. Moreover, sustainability of such numbers of projects is difficult to ensure. An alternative would be that SFD establishes strategic objectives and priorities for its different work streams in line with the National Development Plan and **moves towards a programmatic approach** working at different levels and with different strategies to attain a specific objective. This would also enable it to address such issues as its role in relation to promoting development at the community and decentralised levels; whether it should operate on a nation-wide basis or prioritise specific ministries, governorates and districts, target groups, and if so, which, and on what basis? It would also provide a context for discussing SFD's role in relation to infrastructure development as there are a wide variety of views ranging from those that consider that SFD should only build infrastructure, while others see its future role as an agency to manage contracts, out-sourcing, and procurement.

107. Donors have confirmed their strong support for SFD, and given the pace of reform in the sector ministries, envisage that such support will be required for the next 5-10 years at least. However, currently there is **an inconsistent approach among donors** about the role of SFD. Views vary and are diverse: that SFD's only role is in service delivery; that it should be playing a greater role in the reform of line ministries; that it should mainly focus on capacity development; that it should only focus on building infrastructure; that it should not be in infrastructure. There is concern that SFD may be spreading itself too thinly, and should perhaps concentrate

on working through districts (rather than funding large number of projects) or to transform itself into an out-sourcing agency. Clearly, defining SFD's role, with agreement from government, donor partners and other stakeholders, is a priority, and donors need to clarify their strategic objectives for their engagement with SFD, and reflect this in their country plans/strategies[37].

108. Donors also need to demonstrate coherence of approach between the assistance provided to line ministries and the sectoral funds provided to SFD. There is also a role for donors to encourage synergies and to promote entry points and coordination between line ministries and SFD.

109. Moreover, on occasions, there appears to be an ad hoc approach to funding, and an (increasing) tendency for donors to use SFD as a "safe" and accountable channel for funds, and in particular, to channel additional unspent funds through SFD at the end of the financial year. While the funds are welcome and needed, to facilitate SFD planning and programming, donors should make efforts to plan for such disbursements and to ensure that their allocation is within the overall strategic framework. There is a risk that the current ad hoc system encourages the earmarking of funds for specific projects while other areas may be under-resourced. There is also need for the donors to collectively agree with SFD a financial disbursement portfolio to facilitate a smoother flow of funds than currently exists.

110. To facilitate coordination and alignment of donor approach, SFD could consider forming an informal donor group with which it could discuss strategic and disbursement issues (such as exists in the education sector and which meets every two months).

2. Coordination
111. The issue of coordination reflects the tension between a demand driven approach and the need to align with line ministries. An integral part of clarifying SFD's role is the need to tackle this issue of coordination which is currently giving rise to underlying tension in relationships, and creating a sense that there is competition between SFD and the line ministries. This is also an area of concern for donors, and there is need to develop a true partnership with ministries to develop measures for resolving this coordination issue and ensuring that SFD is an agent to further the policies and objectives of line ministries. While coordination between SFD and local communities is both adequate and effective, the same can not be said about the status of coordination between SFD and the local authorities or ministries. SFD and government agencies aim to serve the same target population, and SFD says that its annual plans are agreed with (some) central agencies (e.g. MoE) and governorates; in practice several factors feed tensions.

112. These include strikingly varying capabilities in planning, implementation, and delivery methodologies; ministries have been unable to receive needed or timely information from the regions; they are not adequately equipped to be demand driven, and do not receive adequate or timely budgets. These factors have

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[37] Several of the donors are in a planning phase and are developing their country plans for Yemen.

combined to make it difficult for government agencies to react to needs in a timely fashion. On the other hand, SFD is constantly under review and is regularly monitored by its donors who require constant evaluation and assessment. High on the list of constraints are conditions placed on SFD by donor organizations. The increasing tendency by donors to earmark funding for specific sectors/sub-sectoral areas, at times, may confine SFD's ability to operate with flexibility, especially in matters relating to coordination with ministries. Some of the donors present SFD with specific terms of reference and timeframes and demand specific methods to be utilized in project or programme implementation. Not all donors follow similar criteria or implementation procedures[38]. These same conditions are not faced by ministries when implementing service related projects. Hence, reconciliation between the modus operandi employed by SFD and that of ministries is complicated.

113. However, during the Partners' Consultation numerous proposals were made regarding strengthened coordination. These included:
1. Regular publication and circulation of SFD'S plans, activities, sources and amounts of funding and other relevant information using the internet and other media.
2. Regular sponsorship of national forums, conferences and workshops, which would include all stakeholders in order to share data on SFD'S achievements and plans
3. Pilot testing a particular model of coordination with one ministry. If successful, the pilot test experience should be expanded and applied to other ministries.
4. Setting up a number of permanent and ad-hoc committees to coordinate the inputs of stakeholders through all segments of the project cycle. Donors and other stakeholders could be invited to participate in these committees.

114.   Clearly, the mechanisms will vary depending on the ministries their own internal coordination mechanisms e.g. some ministries have better links with their branches at the decentralised level than others. Moreover, a sense of realism is required – one of the strengths of SFD is its ability to respond rapidly, with flexibility, and to deliver.   There must be caution in over-burdening the process with bureaucratic coordination mechanisms that compromise existing strengths.

3. Models for up-scaling successful experiences
115. As set out in this evaluation, SFD has a diverse range of projects and processes that it could share with a larger target population; it also has a number of pilot projects that are ready for scaling up. *How SFD conducts its business* is as important as what it does e.g. it has developed methodologies and approaches that offer lessons for the future.   SFD could sponsor a number of events that would bring interested stakeholders together, to discuss diverse approaches – government, NGOs, private sector - it is important that the approach adopted is one of sharing experiences; discussing what works and what does not in different contexts.

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[38] Despite an agreement by donors to participate in Joint Monitoring Missions.

116. Moreover, SFD needs to be pro-active in, and be seen to be a willing partner in participating in national level reform working groups, tasks forces and committees. This has many benefits, it places SFD more centrally in national dialogue, facilitates it to bring its experience (positive and negative) to the table, and serves to build the capacity of SFD staff for this type of engagement (a process that is very different from project work) . It could also be a training ground to bring on middle level staff and to broaden the representation of SFD among stakeholders.

4. SFD'S Role in State Building through Capacity Building

117. There is an obvious recognition of SFD's distinctive internal capabilities and effective project management skills, and at the Partners Consultation workshop many participants requested SFD to do more in the domain of capacity building, especially at the central and regional levels. Some views focused on the need of the Fund to undertake a much wider role in training the staff of ministries, local government agencies and NGOs. Others hold that training is the role of the ministries themselves (e.g. MoE), and under the Decentralization Law for example, training is to be provided from the centre. SFD sees its role largely in relation to service delivery and such capacity development work that it does, is targeted at improved service delivery. The findings of this evaluation have demonstrated that **an area of comparative advantage of SFD is its capacity building contribution at various levels, most especially at the community and decentralized level,** and this has the potential to complement the role of ministries' who have difficulty operating at these levels. Scaling up and generalizing successful experiences and programs can also be used as tool for introducing capacity building measures to other organizations.

5. Communication Strategy

118. As is evident from the above discussion, some ministries, or certainly individuals within them, do not understand the vision, role, mandate or current activities of SFD. There is also a risk that because SFD is so focused on implementation and service delivery, it risks loosing support from a key constituency – the ministries, departments and agencies, as well as civil society. Moreover, there is room for improvement in the synergies across SFD projects and programmes. In this regard, SFD should consider developing a communication strategy that has both an internal and external component: *internal* in terms of strengthening communication and cross learning within SFD, and *external* in terms of its wider constituency.

119. As part of the communication strategy, SFD could consider establishing informal groups with the aim creating improved mutual understanding, promote synergies and consistency in approaches.

6. Synergies across SFD

120. As currently structured, SFD's work centres on three pillars: community development, capacity building and small and micro-enterprise, which are implemented by six executing units. An important issue for the future is **how to maximise the synergies** between these different work streams and promote

coherent and strategic objectives. An example is whether the strengthening of decentralised levels of government should prioritise those governorates and districts where SFD has made the greatest investments – those with the highest poverty indicators - or where SFD faces particular difficulties in promoting service delivery such as the health sector. Another example is the potential to strengthen development outcomes if micro finance was inter-linked with other programmes such as rural agriculture, women's skills development, or NGO capacity development. A further example is whether the weaknesses of some of the NGOs supported under the Health and Social Protection Unit could be addressed based on the experience of the Training and Organisational Unit.

121. Separate recommendations on the specific elements of SFD's programming activities reviewed for this evaluation are provided in the main text.