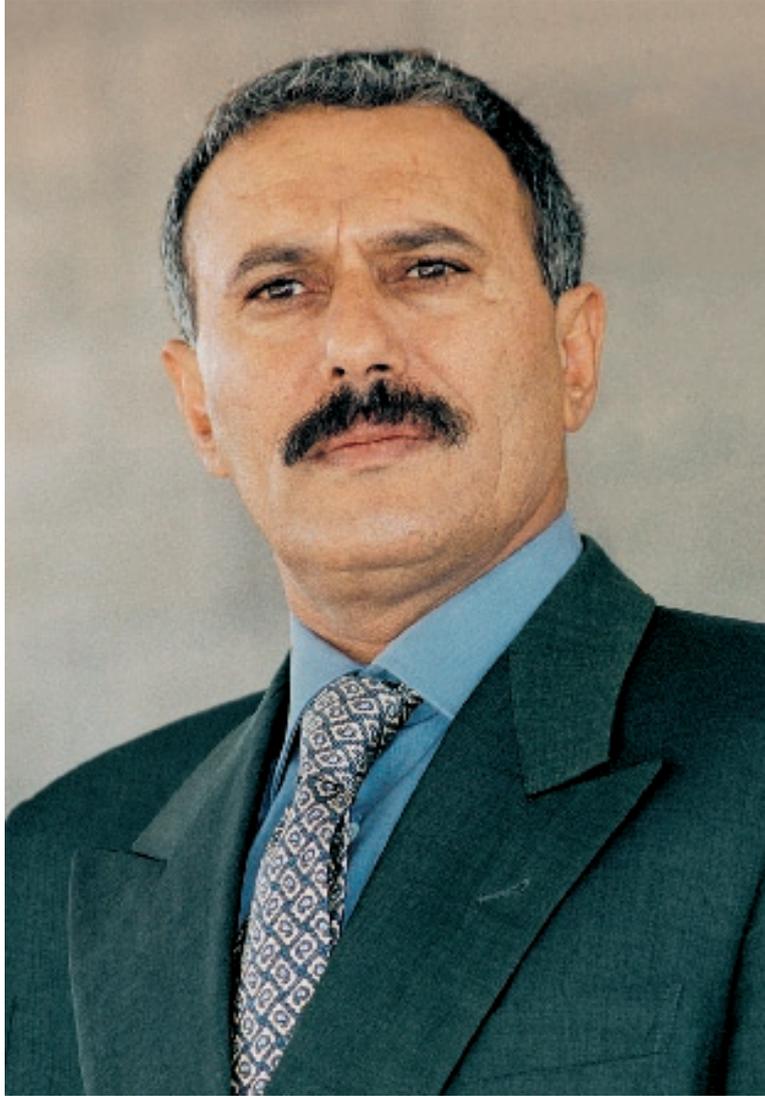


Annual Report **Social**
2003 Fund for
Development

Republic of Yemen

In the Name of Allah, the Gracious, the Merciful



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

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AT A GLANCE

Yemen's Social Fund for Development (SFD) was established in 1997 as an administratively and financially autonomous agency comprising representatives of the government, civil society and the private sector.

The SFD's Board of Directors, chaired by the Prime Minister, sets the Fund's general policies, monitors their implementation and supervises overall performance. SFD management, headed by the Managing Director, guides day-to-day operations and ensures that they comply with the operational manual approved by the Board of Directors.

The SFD's main goals are to alleviate poverty and improve the living conditions of poor Yemenis by providing basic social and economic services—including education, health care, water supply and microfinance—creating job opportunities and building the capacity of its local partners.

The SFD uses innovative participatory approaches that enable communities to identify their needs, set priorities and participate in all phases of the project cycle—ensuring that its projects meet the real needs of communities. The SFD also provides a demonstration model of a modern, efficient, transparent development institution that applies best practices in various fields of development.

The SFD achieves its goals through three main programs:

- The Community Development Program develops social and economic infrastructure and improves access to basic services.
- The Capacity Building Program builds the capacity of local partners such as communities, nongovernmental organizations (NGOs), government agencies, consultants and contractors.
- The Small and Microenterprise Development Program focuses on providing microfinance services— through intermediaries such as NGOs—and developing financial and nonfinancial services for small entrepreneurs.

These programs are implemented by six project implementation units: the Education Unit, Cultural Heritage and Rural Roads Unit, Water and Environment Unit, Health and Social Protection Unit, Training and Organizational Support Unit and Small and Microenterprise Development Unit.

By the end of 2003, the SFD had contracted financing for 3,300 projects, with \$250 million in investment commitments and \$182 million in disbursements. Since its creation the SFD's projects have reached about 7 million direct beneficiaries—about half of them female—and generated 10 million days of employment.

The SFD's funding has come from many sources, including the Yemeni government, World Bank, Arab Fund for Economic and Social Development, European Union, OPEC Fund for International Development, Islamic Bank for Development and governments of the Netherlands, the United States and Japan. In addition, communities that benefit from SFD interventions contribute to project costs by providing labor, construction materials, other in-kind contributions and cash.

BOARD OF DIRECTORS

Prime Minister and Chairman of the Board **H.E. Abdulkader A. Ba-Jammal**

Deputy Prime Minister and Minister of Finance **Alawi Saleh Al-Salami**

Deputy Prime Minister and
Minister of Planning and International Cooperation **Ahmed Mohammed Sofan**

Minister of Local Administration **Sadiq Bin Amin Abu Ras**

Minister of Education **Dr. Abdulsalam M. Al-Jawfi**

Minister of Technical Education
and Vocational Training **Dr. Ali M. Bin Sifa'**

NGO Representative **Dr. Abubakr Abdullah Al-Qirbi**

NGO Representative **Dr. Tariq Sinan Abu Louhoum**

Expert Representative **Abdulrahman Dhaiban**

Expert Representative **Mohammed Ana'am Ghaleb**

Private Sector Representative **Mohammed Hassan Al-Zubeiri**

Private Sector Representative **Abdullah Salem Al-Rammah**

Banking Sector Representative **Abdullah H. Al-Olofi**

Minister of Social Affairs and Labor,
Vice Chairman of the Board, and
Managing Director of the Social Fund for Development **Abdulkarim Ismail Al-Arhabi**



STATEMENT OF THE CHAIRMAN

The Social Fund for Development (SFD) has successfully completed its first and second phases, achieving remarkable outcomes throughout. The Fund's effective implementation of thousands of programs and projects provided a solid basis for objectively assessing its performance and its role in Yemen's development.

The government is pleased with recent donor reviews of the SFD's performance, as well as with an impact evaluation conducted by an independent international consulting firm. The favorable findings were the result of the continuous, concerted efforts of the SFD's Board of Directors, management, staff and donors whose dedication has tangibly improved the lives of millions of Yemenis.

Consequently, initiating a new phase of operations—scheduled for 2004–08 and involving an estimated \$400 million in investments—is justified and essential for the SFD's continued successful operations.

We are confident that the SFD will build on the experience it gained during its first two phases to scale up its interventions in the third, and—with sustained hard work—continue to contribute to the implementation of Yemen's Poverty Reduction Strategy and the achievement of the Millennium Development Goals.

H.E. ABDULKADER A. BA-JAMMAL
Prime Minister
Chairman of the Board



STATEMENT OF THE MANAGING DIRECTOR

It is with great pleasure that I present the SFD's achievements in 2003—the final year in the second phase of its operations. Improved performance, rich experiences, useful lessons and satisfying outcomes were the main features of this phase, during which the SFD continued to help reduce poverty and realize the Millennium Development Goals (MDGs) and the sector strategies created by the government.

The SFD pursued innovative approaches, continuously adopting and applying new development concepts and policies. These include targeting poor and deprived communities, fostering sustainable services, promoting community participation, achieving cost-effective project operations and implementation, pursuing financial and administrative autonomy and modern management methods, ensuring accountability, transparency, high productivity and experimentation, and developing advanced databases and geographic information systems to support planning—in addition to a community-driven, bottom-up planning approach.

During 2003, the SFD's vision for the third phase was developed, discussed and approved, the new phase was officially launched and a meeting of SFD's current and potential donors was convened. In addition, several evaluations were conducted of SFD activities and impacts.

According to the donor community and evaluation teams, the SFD has become an important tool for change in a weak administrative environment, providing a model for administrative reform nationwide. Indeed, an impact evaluation conducted by an international consulting firm (in coordination with the World Bank, and funded by the government of the Netherlands) found that “the SFD's targeting interventions are much better than those found in other Social Funds where the same targeting and analytical procedures were applied.” In addition, the “SFD's interventions accomplished positive outcomes, with a favorable impact on the lives of people by increasing girls' enrolment rates, providing additional water, cutting costs of transportation and basic foodstuffs (through implementing rural road projects) and

enabling people to access health services.”

Furthermore, the SFD continued to synchronize its efforts with government policies aimed at achieving development goals and reducing poverty by implementing projects, providing basic services, creating job opportunities and encouraging income-generating activities.

The SFD also further developed its institutional structure, adding qualified staff to its main and branch offices, opening a branch office in Ibb, creating an independent Education Unit and establishing the Technical Unit.

Because the SFD began experiencing insufficient funding in the second half of 2002, its workplan for 2003 was cut in half—with focus given to the poorest and neediest districts and villages. Thus, during the year 650 new projects were implemented at a cost of about \$48 million, and disbursements that include projects from previous year, reached nearly \$60 million (an increase of 21 percent over 2002).

As in previous years, education accounted for the largest share of SFD investments (52 percent), with priority given to girls’ education as a prerequisite for human resource development and social and cultural change.

For water and environment projects, the SFD continued to invest in traditional water harvesting systems—avoiding support for mechanized projects, which deplete scarce groundwater—and began piloting new environment projects.

SFD interventions for health and social protection were geared toward providing primary and reproductive health care and services, integrating groups with special needs in mainstream society and expanding efforts under the integrated interventions program.

Interventions for rural roads continued to focus on remote areas, linking them to main roads, cities and markets—and so facilitating their access to basic services and commodities and marketing of agricultural products.

The SFD also continued to help preserve Yemen’s unique cultural heritage, devoting special attention to conserving and restoring national monuments and archeological assets of historical and cultural significance.

Moreover, the SFD increased its efforts to help build the institutional, technical and organizational capacity of its local partners—such as communities, nongovernmental organizations (NGOs) and certain government agencies. The SFD also formulated concepts and policies to build the capacity of local councils and authorities.

Microfinance services focused on expanding and improving existing programs,

initiating new ones, developing tools to manage them and enhancing their capacity. The SFD also helped to establish the National Microfinance Foundation, aimed at expanding the microfinance services available to the poor.

The SFD is grateful to His Excellency Ali Abdullah Saleh, President of the Republic, for ongoing support and assistance in overcoming difficulties. Appreciation is also extended to H.E. Abdulkader A. Ba-Jammal, Prime Minister and Chairman of the Board of Directors, as well as to the members of the Board.

In addition, the SFD is thankful for the ongoing support provided by various Arab and international donors, as well as its local partners and staff members.

ABDULKARIM ISMAIL AL-ARHABI

Managing Director

Social Fund for Development

THE SFD'S CONTEXT

In 2001, Yemen was ranked 148th out of 174 countries on the United Nations Development Program's "Human Development Index", with per capita income at \$473 a year. Human development indicators are very weak with alarming gender and urban/rural gaps in all areas.

Nearly 42 percent of Yemen's population lives below the poverty line. An estimated 18 percent of the population cannot even meet the minimum caloric requirement. In addition, another 25 percent lives in vulnerable conditions near to the poverty line. Factors that increase the risk of being poor include lack of education (since 87 percent of the poor are either illiterate or did not complete primary school), large household size and rural or remote location.

Many factors contribute to poverty in Yemen, including lack of natural resources, in particular water, and the rapid demographic growth hindering country's real GDP growth and reducing the impact of sectoral policies (Table 1).

Access to basic services and infrastructure is a key issue to be addressed. The current service provision and infrastructure are inadequate to meet most of the national needs.

Table (1): Demographic and economic indicators

Population (2003)	20.6 million
Annual population growth	3.3%
Population forecast (2021)	33.3 million
Population under 15	46%
Rural population	73.5% (of which 80% in scattered settlements < 500 people)
GDP growth (2002)	3.9%

Source:

1. Statistical Yearbook 2002 (Issued in 2003), Central Statistical Organization, Sana'a, Yemen.
2. National Poverty Survey 1999 (Issued in 2001), Central Statistical Organization, Sana'a, Yemen.
3. Demographic and Maternal and Child Health Survey 1997 (Issued in 1999), Central Statistical

The water crisis, with increasing depletion of water resources, remains an enormous challenge. Also road infrastructure poses a major problem for the majority of the population living in more than 100,000 scattered settlements. Most rural roads are in poor conditions resulting in high prices for basic commodities in poor rural areas. Low-income levels persist countrywide due to lack of resources, capacity and services (Table 2).

Despite government efforts for institutional reform, Yemen suffers from weak institutional capacity, which hinders social and economic development. The Local Authority Law for the year 2000 launched Yemen's decentralisation process and assigned a wide range of responsibilities to the country's 332 districts. Capacity to carry out these responsibilities remains however entirely inadequate and local authorities have not yet been able to engage in development initiatives.

Table (2): Social Development Indicators for 1998-1999

Indicator	National	Rural	Urban
People living below the poverty line (percent)	41.8	45	30.8
Access to safe water (percent)	35.9	21.5	80.9
Illiteracy-aged 10 or more (percent)	47.2	55.0	27.3
Female illiteracy-aged 10 or more (percent)	67.5	78.2	39.9
Net enrolment in basic education (percent)	64.4	57.4	85.4
Girls' net enrolment in basic education (percent)	48.9	38.1	80.9
Working children (percent)	12.0	-	-
Access to health services (percent)-1999	48.5	-	-
Infant mortality (per thousand)-1997	75.3	79.0	63.4
Under 5 mortality (per thousand)-1997	104.8	112.0	80.0
Maternal mortality (by100,000 live births)-1997	351		

Source:

1. Statistical Yearbook 2002 (Issued in 2003), Central Statistical Organization, Sana'a, Yemen.
2. National Poverty Survey 1999 (Issued in 2001), Central Statistical Organization, Sana'a, Yemen.
3. Demographic and Maternal and Child Health Survey 1997 (Issued in 1999), Central Statistical

Social capital remains limited, with a weakly developed civil society and low participation of women. On the Gender Development Index (GDI) Yemen ranked 127th out of 144 countries in 2001. It is recognized that the education and empowerment of women is the sustainable way to address Yemen's challenges of development and population growth.

The Social Fund for Development was established and has evolved over time to be one of Yemen's main development actors. The SFD plays an important role in the country's Poverty Reduction Strategy and contributes to national sector goals and the Millennium Development Goals. In addition, SFD is becoming an agent of change and a model of modern government agency that plays a role in the civil service reform. The SFD performs a dual function: capacity building and catalyzing institutional development, while continue focusing on intensive provision of basic services for the poor.

THE SFD'S EVALUATIONS

Various evaluations conducted in 2003 confirmed the efficiency and effectiveness of the Social Fund for Development (SFD). The most notable of these were an impact evaluation of the SFD's first and second phases (1998–2003) carried out by an international consulting firm, and reviews by the World Bank and European Union.

IMPACT EVALUATION STUDY

To ensure credible results from the impact evaluation of SFD operations, the World Bank selected a reputable international consulting firm experienced in evaluating social funds and multisector programs. The evaluation study was paid for through a Dutch trust fund, and its findings were presented at the SFD donors meeting held in October 2003.

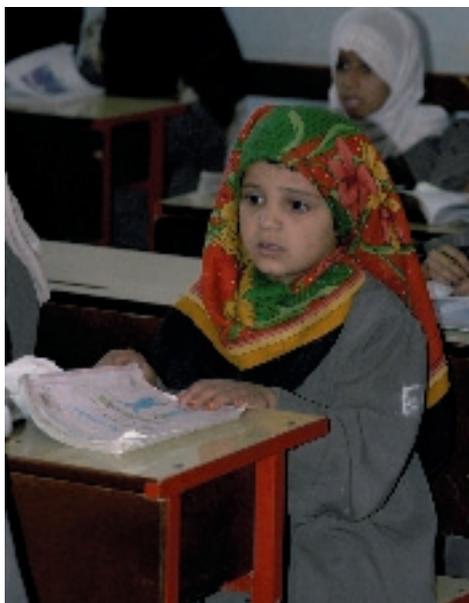
The evaluation was designed to measure household-level impacts for key development indicators as well as the service provision and sustainability features that generate those impacts, including the efficiency and effectiveness of operations, costs, targeting, consultation and participation. The study, the first of its type to be conducted at the national level, provides a model of best practices in impact evaluation.

Preparations for the study began in mid-2002 and fieldwork and analysis of the study's data continued through May 2003.

Its quantitative component surveyed conditions before and after SFD interventions for a sample of projects and affected households and communities.

Baseline data from the 1999 National Poverty Survey (NPS) were compared with data for the same households collected in 2003, complemented by data from the SFD's management information system. Secondary data sources were also used, including national household surveys and ministerial registers from the SFD's geographic information system.

The study's complete sample comprised 198 projects and 3,808 households. Part of the sample covered 98 facilities and 1,915 households and communities that had benefited from SFD interventions in education, water, health, rural roads, or microfinance, to provide a comparison with the baseline data from 1999. The other half of the sample covered 100 facilities and 1,893 households that will receive SFD support in the future, to provide baseline data for the impact evaluation scheduled for 2005.



SFD investments in schools were associated with increased enrollments—particularly among girls. A respondent in Al Zahra, Saadah, where SFD built a school said that "the SFD was the only authority that was honest with us and did something for us."

Table (3): Distribution of SFD resources by household income decile (percentage of resources)

Sector	Amount of resources (U.S. \$)	Decile									
		1	2	3	4	5	6	7	8	9	10
Education	102,769,793	16.8	15	12	10.9	11.7	6.1	8.8	8.8	6.3	4
Water	32,559,350	18.2	14	14	10.5	10.8	9.9	7	6.9	6.5	2.3
Health	16,302,332	15.6	14	13	9.6	12	7.8	7.9	7.8	5.2	7
Rural roads	11,284,867	15.2	19	14	10.9	10.9	8.9	6.5	6.6	2.3	5.5
Microfinance	3,890,501	8.2	7	9.8	10.5	7.5	14.1	7.7	14.1	7.6	13.6
Total/average	166,806,843	16.6	15	13	10.7	11.4	7.4	8.2	8.3	6	4.3

National Population deciles based on income data from the 1999 National Poverty Survey adjusted to January 2003.

Source: 2003 SFD Impact Evaluation Final Report, ESA Consultores International.

The evaluation’s qualitative component covered 30 communities affected by the surveyed projects as well as by other SFD interventions—such as projects involving the environment, groups with special needs, organizational support and training—not covered by the quantitative survey. The qualitative study involved focus group discussions with groups of men and women in each community as well as in-depth interviews with key project and community participants. The impact evaluation’s main findings are summarized below.

TARGETING. The survey found that a large portion of SFD resources benefit Yemen’s poorest households. About 17 percent of SFD funds go to the poorest tenth of households, 32 percent go to the poorest two deciles and 45 percent go to the poorest three deciles. Only 4 percent of resources go to households in the richest decile. These figures are

considerably better than those found in other social funds where similar analysis has been applied.

SOCIAL INFRASTRUCTURE. By July 2003, the SFD had built or renovated 5,396 classrooms—7 percent of the national total. Moreover, during its existence the SFD has built 30–40 percent of all new classrooms in Yemen. It has also built or renovated 5 percent of the country’s health units and 7 percent of health centers. In addition, the SFD has built or repaired 705 kilometers of rural roads, or nearly 4 percent of the national network. During 1998–2002 the SFD accounted for about 20 percent of national spending for education and 8 percent for health—shares that have increased every year (table 4).

Table (4): SFD contributions to education and health investments, 1998–2002

Indicator	Education	Health
Commitments		
National investment (U.S. dollars)	321,124,233	142,310,920
SFD investment (U.S. dollars)	102,157,422	15,606,312
SFD share of national investment (percent)	32	11
Disbursements		
National investment (U.S. dollars)	303,404,966	145,293,782
SFD investment (U.S. dollars)	59,487,454	10,862,031
SFD share of national investment (percent)	20	8

Source: 2003 SFD Impact Evaluation Final Report, ESA Consultores International

CONSULTATION, PARTICIPATION, OWNERSHIP AND SOCIAL CAPITAL. The household and qualitative surveys both indicate widespread involvement in project consultations. Community members who were involved in projects were well informed about project designs. Among households more generally, 40 percent of respondents were well informed. The qualitative study found that community leaders (shaikh or parliament members) play a role in initiating and supporting projects.

About three-quarters of communities contribute money to projects. Labor contributions are highest in road projects. The survey estimated that communities contribute 7 percent of costs for education and health projects,

11 percent for road projects and 17 percent for water projects—well more than the 5 percent minimum required for SFD funding.

Nearly all survey respondents considered SFD projects important, with 100 percent saying that health, water and road projects were high priorities and about 91 percent saying so for education projects. (The remaining 9 percent said that education were worthwhile.) (table 5) Moreover, 60–89 percent of affected households said that if given the choice, they would have chosen the same projects, with the highest rankings given to microfinance projects (table 6). Among households that would have chosen other projects, water projects were the preferred alternative.

Table (5): Priority rating of SFD projects by interviewed individuals, by sector (percent)

Priority rating	Education	Health	Water	Rural roads
High	90.6	100	100	100
Moderate	9.4	0	0	0
Null	0	0	0	0

Source: 2003 SFD Impact Evaluation Final Report, ESA Consultores International

In addition, the qualitative study found that individuals and communities had positive impressions of the SFD. For example, a respondent in Al Zahra, Saadah, said that “the SFD was the only authority that was honest with us and did something for us.” And an interviewee in Beir Al Aros, Lahj, said that the SFD plays a “very positive and effective role that solves many problems for communities.” [Before the SFD project] “We were transporting sick patients on our backs for hours to get to the nearest hospital.”

SERVICE PROVISION AND SUSTAINABILITY. SFD investments in schools were associated with increased enrollments—particularly among girls, whose teaching conditions were favored by the construction of new classrooms. In 2003, the number of students rose 29 percent overall and 38 percent for girl-only classes—compared to the situation in 1999. There was also an increase in the proportion of qualified, permanent teachers. And there is evidence of reasonably high parental involvement in SFD-supported schools.

In health, the study found that SFD-supported facilities—which were visited—were open and providing services and that local health committees were functioning in two-thirds of these

facilities. Concerns remain, however, that the number of health workers is insufficient and that facilities are underused.

SFD projects have dramatically increased the coverage of water systems, with the share of households with drinking water on tap in their homes jumping from 3 percent in 1999 to 26 percent in 2003. SFD interventions have also raised per capita water consumption and supply frequency. All SFD water projects charge for water consumption, though the study found that the amounts charged are less than the costs of operations and maintenance. Water projects have also done an excellent job of promoting the creation of community water committees, which were found in 84 percent in the completed projects visited.

Sewerage projects are generally well received and provide numerous benefits. These include improving the landscape, sanitation and children’s safety, reducing damage to building walls and foundations and raising the prices of houses in covered areas.

Rural road projects have shortened travel times considerably—on average, by 40 percent. Household responses also suggest that travel costs have fallen

Table (6): Ex post household opinions of SFD projects, by project type (percent)

Opinion	Education	Health	Water	Roads	Microfinance
Would have chosen the same project	60	74	74	79	89
Would have chosen another project	33	19	20	18	9
Did not know	7	7	7	3	3
Number of households	595	387	344	308	233

Source: 2003 SFD Impact Evaluation Final Report, ESA Consultores International.

significantly. As a result there has been an increase in the number of trips made to nearby towns and markets to sell local production. Related to the developments is a drop in the costs of basic commodities imported to villages.

Microfinance projects have overcome initial governance and accounting problems, though new regulations are increasingly perceived as onerous. Still, 62 percent of household respondents indicated that such borrowing had raised their living standards. Moreover, the number of borrowers—especially women—is increasing in smaller schemes. Women were more likely to report that microfinance had improved their living standards (70 percent of women compared with 52 percent of men), and only 5 percent of women said that their living conditions had deteriorated as a result of obtaining loans.

The qualitative study found positive views about microfinance. A respondent from Hais, Al-Hudeidah, said: “In a bank, a person needs a recommendation or a bribe. Here, the first loan is given in a week, the third one in a day.” A borrower from Dar Sa’ad, Aden, said that microfinance had “released us from poverty’s sink [and] rescued us from doing bad things such as robbery.”

The study also found that microfinance has increased people’s options and independence. According to a respondent in Hais, Al-Hudeidah, “women without supporters (those whose husband has died or gone mad) took loans and created a living for themselves.” Similarly, according to a person interviewed in Al-Hudeidah city, borrowers “who had motorcycles now have cars; those who had a shop now have two...One [woman] used to sell incense; now she makes it herself and has four employees.” And in Al Maraweah,



SFD interventions have raised per capita water consumption and reduced the average distance and time required to acquire it

The Impact Study found that SFD-supported rural roads projects reduced journey cost and time by 40 percent, while increased daily trips by 180 percent



Al-Hudeidah, a respondent reported that “all poor [people have] moved toward it. It saved us.”

HOUSEHOLD INDICATORS. There has been a clear and statistically significant increase in girls’ enrollments where SFD investments have been made, from 42 percent in 1999 to 58 percent in 2003. Overall enrollment rose from 59 percent to 70 percent—confirming that the SFD is making a vital contribution to one of the most crucial development indicators in Yemen.

Among people who suffered an illness or accident in the month prior to the survey, the share who received health care rose from 55 percent to 68 percent due to SFD interventions in health facilities. Increases were similar for men and women. This is clear evidence of the SFD’s impact on access to primary health care.

As noted, SFD water projects have increased the share of households receiving water from a tap in their home—with an average consumption rising from 26 to 63 liters per person/day for the same period (1999–2003). Among households that still have to fetch water, the average distance and time required fell by 14–19 percent. No significant change occurred in the incidence of diarrhea.

DONOR REVIEWS

During 2003 several donors sponsored missions to evaluate the SFD’s performance. These included the World Bank, which assessed the SFD’s second phase, and the European Union, which reviewed EU-supported projects. Both reviews had positive overall findings.

WORLD BANK REVIEW

The Bank’s review concluded that the SFD is continuously improving its

operations and performance, enhancing its approaches to supporting social and economic infrastructure and innovating to ensure that its interventions are as effective and cost-efficient as possible. The Bank also found that the SFD has been successful in expanding its capacity to identify, contract and implement projects—with its microfinance component developing especially promising new programs.

In addition, the review said that it has become evident from the second phase that the SFD has moved from being just an effective service delivery mechanism to a model agency that positively affects the way development is done in Yemen. The demonstration effect of SFD activities, as well as the direct capacity-building activities, have led to considerable improvements in the quality of service delivery in Yemen. The decrease in the unit cost in basic education schools and the introduction of community participation approaches in the MoE [Ministry of Education] are good examples.

The review helped expedite the preparation and processing of the SFD's third phase and supported the organization of the October 2003 donors meeting to help mobilize resources for the SFD.

EU REVIEW

The European Union's review concluded that SFD planning and implementation are generally done well and that SFD projects meet the needs of beneficiaries,

including women.

The review also found that the SFD's community development activities are effective in reducing the vulnerability of the poor and addressing women needs and that its targeting mechanisms ensure that most investments go to poor communities and provide benefits to entire communities.

In terms of sustainability, the review confirmed that there is usually strong community ownership of projects, that communities manage and maintain SFD-funded infrastructure and that "ownership is stronger the more the community has been involved in selecting, designing and executing the infrastructure."

The review also recognized the impacts of SFD-funded water cisterns—such as improved health indicators and increased girls' enrollments as well as psychological impacts (empowerment and enthusiasm to undertake new projects). Moreover, the review stated that building the capacity of nongovernmental organizations (NGOs), community organizations, local authorities and communities is—within the country's weak institutional environment—an essential prerequisite to improving the living conditions of poor people. Along those lines, the review observed that the SFD's capacity building activity is "gradually shifting its focus from basic organizational support to longer term institutional development objectives."



THE SFD'S THIRD PHASE

The SFD's Board of Directors approved a new phase of operations in 2002. This third phase, scheduled to run from 2004–08, builds on lessons and experiences gained during the first two phases (1998–2003) while greatly expanding the SFD's investments and objectives.

DEVELOPING A VISION FOR THE FUTURE

The SFD has prepared a comprehensive vision for its third phase. The vision document, outlining the types of interventions and approaches to be undertaken during this phase, was discussed and agreed with the World Bank during its review mission. Then, in collaboration with the Bank and with the support of the Yemeni government, the SFD prepared for the launch of the third phase and the donors meeting. The third phase vision was thoroughly discussed at the meeting.

During its third phase the SFD will continue the activities of the first two, as well as improve its targeting mechanisms to reach Yemen's poorest, most deprived communities. In particular, the SFD will expand its capacity building activities for government institutions—including local authorities and local councils—and other development partners (such as NGOs, communities, private sector actors and individuals) to enable them to gradually lead development activities in their areas of focus.

The third phase will concentrate on developing innovative, optimal technical solutions and development models to improve community services, lower

project costs and strengthen partnerships with communities to foster social capital.

Special attention will also be paid to developing human resources.

In education, SFD interventions will continue to focus on increasing overall enrollments and closing the gender gap in basic education enrollments. The impact evaluation study confirmed that the SFD has helped raise enrollments and narrow the gender gap in areas where it has intervened. In addition, the SFD will expand its activities at the pre-education level—an area where a lot of work is needed. The SFD will also continue to help build the capacity of the Ministry of Education.

The national "Education for All" initiative requires the construction of a large number of schools, an undertaking that is beyond the capacity of any single agency involved in building schools. Thus the SFD will continue to help build and equip schools for grades 1–9 as well as create parent committees and enhance the capacity of communities to participate in school operations and maintenance.

For water interventions, the SFD will continue to mainly finance water harvesting schemes in areas dependent on rainwater. Integral to each project will be the hygiene awareness module developed in recent years. The SFD will also continue its coordination with other players in this field to advance best practices.

In health, the SFD will maintain its strategy of expanding primary health care in underserved areas by supporting the development of rural health workers, especially women. In addition, the Fund will continue providing support to health institutes, improving health services and constructing clinics in areas with sufficient staff and available financing for operating costs. It will also continue to strengthen the capacity of existing health committees and establish new ones. Moreover, the SFD plans to play a role in piloting the implementation of a district health system. Support will also continue to be provided to improve primary health care in selected rural public hospitals.

In its support for groups with special needs, the SFD will continue to deliver innovative services, including by building the capacity of NGOs and other entities that provide such services. To that end, a

strategic partnership will be formed with the Ministry of Social Affairs and Labor. SFD interventions will focus on adopting new approaches and applying best practices in delivering these services.

For projects involving rural roads, the SFD will retain its focus on feeder roads of economic and social significance—that is, those linking villages to markets, main roads or basic services. During the second phase this activity dramatically cut travel costs and lowered the prices of basic commodities in remote areas.

The SFD will continue to train and build the capacity of selected government institutions at the central and local levels and to support local councils and authorities by developing programs aimed at increasing their institutional capacity. It will also expand its support to NGOs and community groups—not just to ensure project maintenance and sustainability, but also to enable these entities to be actively involved in the development process.

Finally, the SFD will continue to support small and microenterprise development by providing financial and nonfinancial services.

LAUNCHING THE THIRD PHASE

The SFD's third phase was launched under the auspices and with the attendance of His Excellency President Ali Abdullah Saleh. The launch ceremony was also attended by the Speaker of the House of Representatives, the Head of the Consultative Council and a number of other government officials, social figures and NGO representatives, as well as representatives of the diplomatic corps,

His Excellency the President confirmed that “what the Social Fund has been doing is very impressive, and we provide the Social Fund with all our support”



donors and regional and international funding institutions. The SFD also organized an exhibition demonstrating various activities carried out by it and the agencies it supports.

His Excellency the President praised the SFD's performance, calling it a model for other government agencies, and urged the government to increase its financial contributions to the SFD during the third phase. He confirmed that "what the Social Fund has been doing is very impressive, and we provide the Social Fund with all our support"—thus enhancing political support for the SFD.

DONORS MEETING

The donors meeting occurred on 8–9 October 2003 and was attended by representatives of donors to the SFD's first and second phases, including the World Bank, Islamic Development Bank, Arab Fund for Economic and Social Development, European Union, OPEC

Fund for International Development and governments of Japan, the Netherlands and the United States. Attendees also included representatives of potential donors to the third phase—such as the Abu-Dhabi Fund for Development, Saudi Development Fund, Kuwaiti Fund for Arab Economic Development and governments of France, Germany, Italy and the United Kingdom—and some officials from Yemen's Ministry of Finance and Ministry of Planning and International Cooperation.

The meeting involved intensive technical discussions, with in-depth evaluations and analyses of SFD's experiences during its first and second phases. The main findings of the impact evaluation study were also presented and discussed.

In addition, the SFD delivered a presentation describing its evolution from a basic mechanism for delivering services into a comprehensive,



During the Donors Meeting, many donors had announced their commitments to the SFD's third phase

creative, effective institution fostering development nationwide. The presentation described the SFD's basic approach and principles: developing its own policies, systems, criteria and procedures, learning by doing, adopting international best practices and building on traditional practices.

The meeting also discussed the SFD's vision for its third phase, which is based on developing its absorptive capacity, continuing to provide basic services and enhancing its capacity building and organizational support activities.

During the meeting several donors identified the SFD's financial and administrative autonomy—that is, its freedom from political pressures—as being essential to its ability to apply its policies and procedures effectively, ensure flexibility and efficiency, and achieve further development progress.

In addition, based on discussions of the impact evaluation study and the vision for the third phase, the meeting concluded that:

- The SFD is an effective tool for change and it deserves continued support from both the government and donors.
- Though the SFD should enjoy complete autonomy in managing its operations, its interventions should reflect and support government development strategies and plans.
- The Yemeni government should increase its financial contributions to the SFD to enhance its future operations.

By the meeting's end, many of the donors had announced their commitments to the SFD's third phase, while others requested further consultations before finalizing their decisions.





THE SFD'S INSTITUTIONAL DEVELOPMENT

In 2003 the SFD's efforts focused on enhancing its capacity building programs, developing new policies and work mechanisms, training staff, expanding absorptive capacity and improving performance. This section describes selected aspects of these institutional development initiatives.

IMPROVING TARGETING

SFD programs and activities rely on three types of targeting:

- *Geographic targeting* allocates funds to governorates and districts based on the number of poor households they contain; thus poorer districts receive more funds.

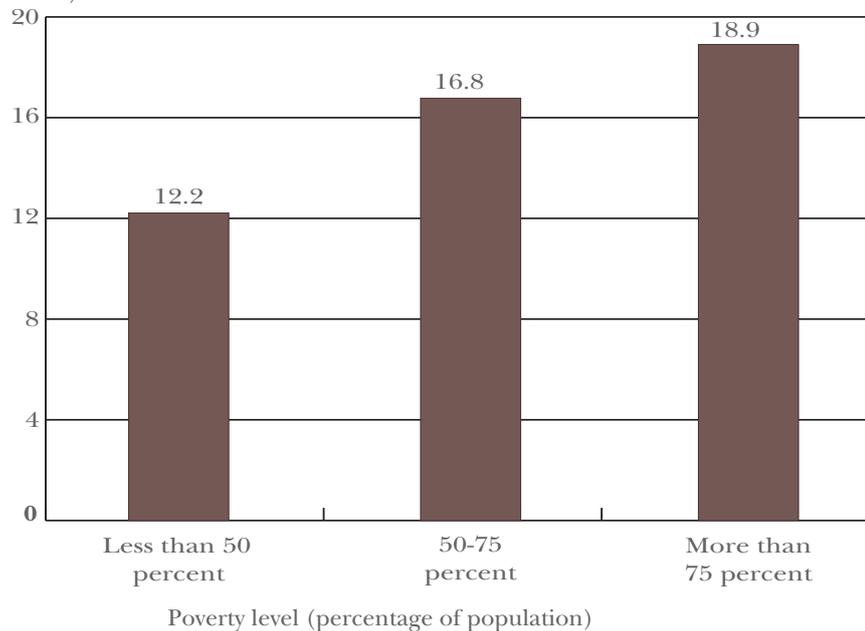
sector problems such as low girls' enrollments, limited access to water and shortages of health workers in rural areas. The SFD tailors its responses to the problems faced—for example, implementing water harvesting programs in areas that rely entirely on rainwater harvesting, designing training programs to provide health workers in underserved rural areas and creating microfinance programs in areas with limited supplies of financial services.

- *Social targeting* focuses on groups with special needs, including the disabled, women and children at risk and socially marginalized groups.

- *Sector targeting* focuses on redressing

A 2002 World Bank study based on 1998 Household Budget Survey found that in

Figure 1: Distribution of SFD investments by district poverty level, 2003 (millions of U.S. dollars)



Yemen poverty is closely linked to lack of education: 87 percent of poor people are illiterate or did not complete primary school. Thus a major share of SFD resources are focused on education, taking into account the characteristics of targeted regions.

Because the SFD lacked sufficient funding for 2003 (the final year of its second phase), it had to halve the number of planned projects and target only the neediest districts. About 650 projects were implemented at a cost of \$47.9 million. Of these, 461 (with a cost of \$35.7 million) targeted 146 districts where more than half the population is poor, with poverty defined as lack of access to basic services and low human development indicators for education and infant mortality (figure 1). Indeed, in 2003 the most deprived districts—those where more than three-quarters of people are poor—received the largest

share of SFD investments, nearly \$19 million.

The remaining investments—for districts where less than half the population is poor—were based on sector and social targeting. These projects and programs involved activities such as training, institutional assistance, cultural heritage, microfinance and groups with special needs.

FOSTERING COMMUNITY PARTICIPATION

During 2003, the SFD made extensive efforts to develop and integrate community participation and capacity building in its interventions, and made determined efforts to work with community groups. These goals were achieved by providing training on participatory development to SFD staff and consultants. The SFD now plans



Session with a community in Khamis Bani Sa'ad, Al-Mahweet Gov. to prioritize their needs

Workshop to sensitize the local counselors in development issues, Sana'a



to build the capacity of communities not only to improve project outputs, but also to participate more fully in the development process.

the requirements for conducting training courses and workshops in SFD branches and units.

EXPANDING TRAINING

To support the large number of projects implemented every year, the SFD has developed a basic manual for field researchers. The manual provides clear information on procedures for assessing local needs and establishing local committees responsible for representing communities in executing and operating SFD projects.

A variety of training materials were developed in 2003, including a manual on participatory rapid appraisal and gender analysis, a manual on participatory field screening and gender analysis, guidelines on forming local (community) committees, materials for project officers on gender-based development planning, materials for community committees on project implementation and contracting, and a training manual for trainers on various SFD project interventions.

In addition, consultants working in SFD branches received training that improved their ability to apply community participation tools when evaluating local needs and priorities, forming and training beneficiary committees and integrating gender analysis with participatory rapid appraisal techniques. These consultants were then trained to become trainers in these areas, meeting

In addition, training courses were held on community participation, gender planning and analysis, and the formation of community training committees. Five courses were conducted on methods of participatory development and field gender analysis for consultants working



Session in Khamis Bani Sa'ad, Al-Mahweet Gov. to prioritize the community's needs

in the SFD's branches and head office. The courses taught participants how to conduct field studies with the participation of community members—male and female—and how to include gender analysis in such studies and prepare reports on local priorities and proposals that reflect the needs of both women and men, using the participatory field screening manual developed for this purpose.

A training course was also conducted on gender planning methods. This course taught SFD project officers how to provide feedback on reports by field screening teams on the impact of gender-based project interventions. The course also taught target-oriented planning approaches, including how to prepare impact and evaluation indicators.

Finally, three courses were held to train SFD staff in Aden, Sana'a and Hadhramout how to form and train community committees.

As part of efforts to train trainers, two courses were conducted on facilitating community participation, forming and training community committees, conducting gender analysis and raising health and environment awareness for water harvesting projects. In addition, workshops were held for local council members to prepare trainers and facilitators for the training courses being conducted by SFD branches.

STRENGTHENING THE MANAGEMENT INFORMATION SYSTEM

The SFD's new management information system (MIS), completed in 2003,

includes a procurement and contracting system and a project development system. The project development system is designed to allow its expansion as needed and includes the output indicators that projects should achieve based on initial conditions and sector needs. The SFD's information statistics system, which contains output indicators developed using data and surveys on services and living standards, has been linked to the management information system to support project decisionmaking. During the year the SFD also developed and expanded its project management reporting system.

During the year the procurement and contracting system began being used to select and evaluate tenders and to supervise contracting procedures for civil works and services. To further develop the contracting system, the SFD unit in charge of it was restructured and separated from the technical unit. Contract policies and procedures were revised, including for contractors, consultants and goods. In addition, procurement procedures for local consultants were reviewed. Finally, procurement procedures during the first phase were assessed as part of a comprehensive review conducted by the World Bank to close this phase.

UPDATING THE GEOGRAPHIC INFORMATION SYSTEM AND RELATED DATABASES

The SFD is upgrading its geographic information system (GIS), and in 2003 began using it to screen and prioritize projects. With the constant updating and expansion of its databases and indicators, the SFD needed a tool to manage them

in a way that supports its interventions and targeting. Thus it identified and classified its most important data and indicators and linked them to maps of villages, subdistricts, districts and governorates—using the geographic information system—to ensure the greatest benefits in remote sensing and decisionmaking. For example, databases on education were updated using education surveys for school years 2001/02 and 2002/03, then integrated with the geographic information system. Similarly, data from the 2001 agricultural census were integrated with the system to meet SFD requirements.

EXPANDING THE MONITORING AND EVALUATION SYSTEM

The SFD's monitoring and evaluation system assesses the effectiveness and efficiency of SFD operations, the outcomes of targeting efforts, the processes of consultations with and participation by beneficiary communities, the provision of services, the sustainability of projects and the impacts of its interventions at the household level. The system relies on five main data sources: household surveys, project surveys, qualitative evaluations, the SFD's management information system and secondary sources such as national household surveys and ministerial registers, which are linked to the SFD's geographic information system.

The SFD supports the monitoring and evaluation system by conducting a range of studies and assessments:

- Biannual evaluations of household impacts and targeting outcomes compare conditions in a sample of

households and communities before and after SFD interventions. The sample covers 4,000 households in 200 project areas and collects observations for ex post evaluations as well as baseline data for future evaluations.

- Annual evaluations assess service provision and sustainability at the project level and are conducted using samples of completed projects.
- Annual beneficiary assessments use qualitative evaluations to better understand the reasons for the success and failure of projects, to identify problems and recommend solutions.
- Monthly and quarterly progress reports, generated from the management information system, are used to monitor operational efficiency and effectiveness.

BUILDING SFD’S CAPACITY

In 2003 the SFD took numerous steps to build its capacity and improve performance at various levels, including forming new units, establishing a new branch, organizing a series of regular general meetings and conducting training courses on various subjects.

NEW UNITS AND BRANCH. In 2003 the Education Unit became an independent unit, reflecting the SFD’s commitment to the education sector at the quantitative and qualitative levels. This change increased to six the number of specialized project implementation units in the SFD. During the year a Technical Unit was also established as a new independent unit.

In addition, the SFD established a new branch in Ibb governorate independent from the branch in Taiz—which used

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Staff training in participatory techniques

to cover both Taiz and Ibb, where one-quarter of Yemen's population lives. The new branch increased to eight the number of SFD branches.

TRAINING ACTIVITIES. During the year the SFD conducted training courses on project management and the project cycle, the geographic information system, gender development planning (see above) and specialized topics tied to various sectors.

The course on project management and the project cycle, for staff from the head office and various branches, taught participants how to approach the project cycle and benefit from available information on project design, implementation and operations. Much of the course focused on reviewing SFD experiences with highly efficient project operations and on overcoming project deficiencies through intensive analysis of causes, with special attention to project sustainability after SFD funding has ended.

As part of SFD efforts to use its geographic information system to support decisionmaking, two courses were conducted involving 34 staff and project officers. The courses focused on the methods developed for the SFD's geographic information system program, which uses geographic data and indicators for project targeting and remote sensing at the level of villages, subdistricts, districts and governorates.

In addition, a number of other training courses and workshops were held to build the capacity of SFD staff working in specific sectors. These activities were conducted at both the national and regional levels so that these staff could

meet one another and benefit from similar experiences.

For the education sector, one workshop was held on developing project proposals, and another on using the geographic information system when developing such proposals.

Because the SFD's integrated interventions program focuses on education—both regular and illiteracy—and on building the capacity of targeted groups, efforts were made to build the capacity of staff involved in illiteracy programs. These personnel were introduced to the most modern means of eradicating illiteracy, using dialogue and participation to develop knowledge. In addition, trainees were exposed to regional experiments in this field.

SFD staff also received training on building institutional capacity in communities, raising health and environment awareness with community participation, managing the operation and administration of water projects, addressing issues related to physical disabilities and developing and implementing training projects for mid-level health workers.

Some staff also received training for trainers, to equip them with more project evaluation and follow-up skills and with knowledge on how to train others. Trainees were also introduced to Egypt's experiment to develop children's libraries and compared it with the SFD's plans in this area, which include establishing public libraries in primary schools.

Finally, during the year a computer-based

microfinance program was designed, and the Website of the Utilities Development Unit—which includes a database enabling microfinance programs to send monthly reports electronically—was upgraded. To support such efforts, one training course was conducted on self-help groups and another on group lending mechanisms. Some capacity building efforts were also made in the area of work development services.

ENSURING QUALITY CONTROL

In 2003, field visits were conducted in several governorates to ensure the quality of SFD projects. Visits covered 350 ongoing projects in different sectors and found that 69 percent were good, 30 percent were acceptable and 1 percent were unacceptable.

IMPROVING COST-EFFECTIVENESS

During the year the SFD continued efforts to improve projects' cost-effectiveness, but faced several difficulties. These difficulties included higher prices for some construction materials (such as wood), unstable prices for certain materials (such as cement and steel), higher labor costs (15–35 percent higher than in 2002) and a lower number of contractors bidding for SFD projects (with an average of 5 bidders per tender, down from 5.6–8.4 in previous years, reflecting price fluctuations and an increase in projects run by other organizations). As a result the average cost of SFD construction projects was \$154.2 per square meter, 13 percent higher than in 2002.

Table (7): Average cost per square meter of constructions per area

Category	Area	No. of Projects	Average Cost (Sq. M. /\$)
A	Urban	11	138.5
B	Semi urban	62	142.1
C	mid-level remote	104	158.4
D	Remote	69	177.7

Table (8): Average cost per square meter of constructions

One story building		Two story building		Three story building		Average cost per M ² (\$)
No. of projects	cost per M ² (\$)	No. of projects	cost per M ² (\$)	No. of projects	cost per M ² (\$)	
115	170.8	125	152.3	15	135.5	154.2

Source: SFD's Management Information System



THE SFD'S OPERATIONS

SFD operations are carried out by six project units: the Education Unit, Cultural Heritage and Rural Roads Unit, Water and Environment Unit, Health and Social Protection Unit, Training and Organizational Support Unit and Small and Microenterprise Development Unit.



EDUCATION UNIT

During 2003, the SFD made \$25.3 million in commitments to 299 completed or ongoing education projects (table 9). The projects reached 0.1 million direct beneficiaries, 50 percent of whom were female.

The projects added 1,816 new classrooms and enlarged or renovated 425 more. In all, SFD projects reached 2,241 classrooms, including through projects that financed 40,407 new chairs for students.

The projects reached about 1 million direct beneficiaries, 44 percent of them female.

Education's crucial role in development prompted the SFD to give it special attention, making it an independent unit in 2003. Education activities had been conducted by the Infrastructure Unit, but were separated because of the sector's importance and the large number and substantial resources involved in SFD education projects.

Table(9): Indicators for Education Unit projects, 2003 and cumulative

Indicator	2003	Cumulative
Number of projects	299	1,696
Commitments (millions of U.S. dollars)	25.3	130.4
Disbursements (millions of U.S. dollars)	29.4	89.3
Direct beneficiaries (millions)	0.1	1.0
Female share of direct beneficiaries (percent)	50	44
Temporary employment created (millions of days).	1.0	5.3

The SFD's education projects reached all governorates, including Taiz (\$4.5 million), Ibb (\$3.8 million), Hodiedah (\$3.7 million), Hajja (\$3.6 million), Dhamar (\$2.1 million), Saadah (\$1.0 million), Amran (\$0.9 million), Jawf and Lahaj (\$0.7 million each), Sana'a (\$0.6 million), Shabwa (\$0.5 million) and Marib and Al-Baida (\$0.3 million each), and other governorates.

Since its creation, the SFD has supported 1,696 education projects, with a cumulative cost of \$130.4 million. Of the 8,340 classrooms involved, 6,168 were newly constructed and 2,172 were renovated or rehabilitated.

DEVELOPING EDUCATION INFRASTRUCTURE. The SFD finances the construction of schools in coordination with the Ministry of Education. The SFD has tried to modify the design of school buildings (to accommodate the needs of female students) as well as choose appropriate school location and take into consideration the conditions related to older female students.

IMPROVING EDUCATION QUALITY. Raising quality is a vital challenge for the education system. To improve the system's output, the SFD has supported Ministry of Education efforts to strengthen

education concepts, procedures and practices. Under this framework, the SFD has launched a program aimed at relieving overcrowding among schools in Sana'a city. In addition, under arrangements with the ministry, the schools in this program will be used to test new ministry policies and strategies aimed at improving the education system.

The SFD, in collaboration with the Ministry of Education's General Directorate of Activities, has launched another pilot program involving four schools in Sana'a city. The schools will receive training, furniture and equipment, and will be models for SFD school interventions. Steps taken by

the SFD to improve education quality in these schools included implementing an integrated training program for instructors and administrators, recruiting specialized instructors for various nonacademic subjects, providing furniture and equipment, holding meetings to coordinate the efforts of government bodies and review plans, conducting a workshop to determine training needs for English language instructors, holding a workshop to identify the needs of school administrations, providing training on language skills for English language instructors in the four model schools in Sana'a, providing training on systematic thinking for instructors from the four model schools and training English

Box(1): AISHA GIRLS SCHOOL

Aisha Girls School is located in the district of Jabal Eial Yazid in Al-Abrag village, in the Al-Thuluth subdistrict.

The school was built during the 2001/02 school year to serve the village with about 3,000 inhabitants. Some 70 percent of the villagers are illiterate, and before the SFD intervention—due to a lack of facilities—55 percent of school-age girls had been deprived of their constitutional right to primary education.

The SFD intervention included constructing the new school building and furnishing classrooms, the administration office and other facilities, at a cost of \$85,000. The community contributed about 5 percent of the project's costs in the form of stone blocks and other construction materials, in addition to the land for the school.

Before the SFD intervention, there were 285 female students at the primary and secondary levels. The school was in a temporary (rented) building and had five small rooms and a small yard that was also used as a classroom. After the SFD intervention, the number of female students jumped to 506, taught by 15 male and 10 female teachers. (Before the intervention, there were just 6 female teachers.) The new school has nine classrooms supported by an administration room, a storage room and a teacher residence, bathrooms, a guard room, and a fence. Since its construction, a parent council and a maintenance committee have been formed.

language instructors on instruction methodologies.

COMMUNITY CONTRACTING PROGRAM

The idea of applying the community contracting program in education emerged in 2000. The idea is to build the capacity of communities in managing resources and executing simple contracts. The pilot program had four stages: specification of needs, preparation, execution, operation and maintenance.

In 2003, pilot projects for community contracting were under way in seven governorates: Al-Hudiedah, Al-Mahweet, Amran, Dhamar, Lahaj, Hadhramout and Taiz. The implementation mechanisms for these projects were carefully designed to build the capacity of these communities in negotiating and executing simple contracts, and to promote basic elements of fair

and successful contracting—such as transparency, equal opportunities and cost-effectiveness.

Community contracting has come a long way and achieved vital goals, such as building community capacity in managing project execution and promoting basic community values. The transparent approaches used by local committees in dealing with communities have increased community trust in such committees and created project ownership. In addition, simple and direct contracts have been used to recruit contractors and service providers—such as builders, drivers and suppliers—leading to more ethical, effective competition. Better contract supervision has also led to more cost-effective projects.

PROMOTING GIRLS' EDUCATION

The SFD pays special attention to providing opportunities for school-age



Boys' and girls' classroom in Jabal Saber, Taiz governorate

children of both sexes to enroll in school and continuing education. The SFD has also given attention to the factors that lead female students to drop out of school and to ways of mitigating such factors—especially in rural areas, which suffer from low girl enrollments to start with, as well as high dropout rates.

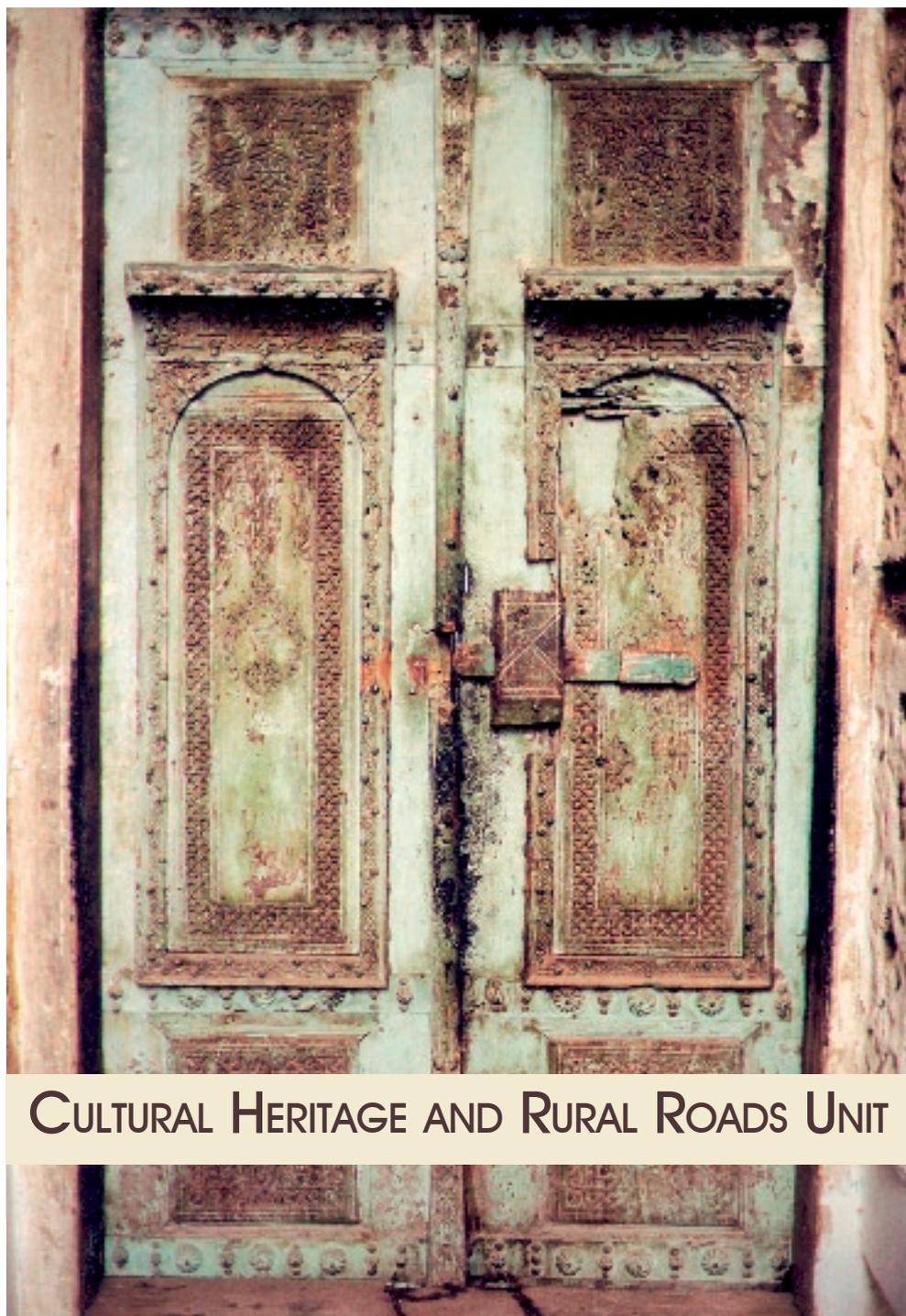
To that end, the SFD has concentrated on girls' education by giving priority to projects for all-girl schools, coordinating with the Ministry of Education to provide female instructors and developing a special program to educate rural girls. The SFD's Girls' Education Program studies the reasons for girls' low enrollments and high dropout rates,

focusing on four districts: Al-Azareq in Al-Dalea' governorate, Al-Soodah in Amran governorate, Al-Ramyah in Hodiedah governorate and Wald Ayash in Saadah governorate.

A field study concluded that raising girls' enrollments in targeted areas requires multisector interventions. In addition to the education sector, interventions must include sectors such as water, which affects girls' education directly and indirectly, including by influencing circumstances and family attitudes toward such enrollment. As a result, some water projects are being implemented in Al-Soodah district of Amran governorate.



Asma'a School in Mukhlaf Asfal in Al-Taizia district, Taiz governorate



CULTURAL HERITAGE AND RURAL ROADS UNIT

In 2003, the SFD completed or was active in 56 cultural heritage and rural road projects, involving commitments of \$7.5 million. Cumulatively, 179 projects have been implemented at an estimate cost of \$10.6 million (table 10).

CULTURAL HERITAGE

The SFD's cultural heritage interventions are designed to help preserve Yemen's historical heritage and features and to maintain and rehabilitate sites and monuments of cultural values, at the national, regional and international levels. The SFD also aims to build local capacity to protect the country's cultural heritage.

In 2003, the SFD supported 33 cultural heritage projects at a cost of \$5.6 million.

(Hadhramout), repaving streets in Old Sana'a, restoring the Al-Usha Palace in Tarim, conducting an experimental project to restore houses overlooking the Wadi Al-Sayela (waterbed) which divides the old city into east and west, saving the historic Damt bridge (Al-Dala'a governorate), saving the ruins of the Al-'Izz Palace in Jiblah (Ibb governorate), Maintaining the Asnaf Mosque in Khawlan (Sana'a governorate), Renovating the Military Museum in Aden, saving and documenting Shibam (Kawkaban) Mosque and its context, improving lighting in Old Sana'a, completing the restoration of wooden old ceiling at the Khaw Mosque, Supporting a vaultings removal campaign in Old Sana'a and continuing the restoration of the main southern gate of historic Zabid city (Bab Al Qurtub).

Table (10): Indicators for the Cultural Heritage and Rural Roads Unit by sector, 2003 and cumulative

Indicator	Cultural Heritage		Rural Roads	
	2003	Cumulative	2003	Cumulative
Number of projects	33	64	23	115
Commitments (millions of U.S. dollars)	5.6	10.6	1.9	12.2
Disbursements (millions of U.S. dollars)	1.9	3.6	3.3	8.2
Direct beneficiaries (millions)	0.07	0.2	0.1	0.9
Female share of direct beneficiaries (percent)	42	47	49	50
Temporary employment created (millions of days).	0.2	0.5	0.1	0.9

The projects included important activities such as constructing various components of the Sana'a National Museum, conserving the Great Mosque in Sana'a, rehabilitating and fencing a number of Maqashem (the green areas and small gardens next to mosques), renovating some of the houses in Shibam

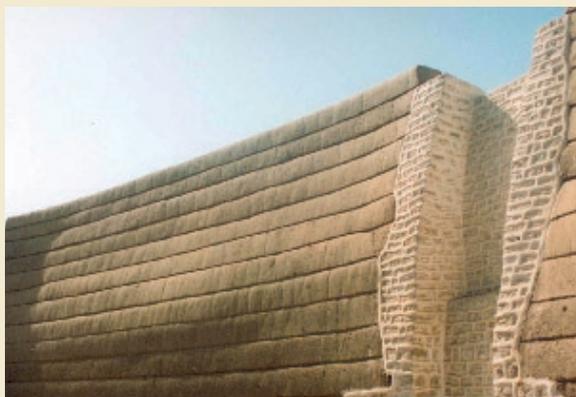
The SFD is continuing projects to renovate the wall of Sa'ada city and support the Manuscripts Library (Dar Al-Makhtotat) in Sana'a and Tarim.

The SFD also endorsed other projects, including the study and design of a regional museum in Marib and renovation

The SFD is involved in maintaining and restoring the historical walls in the city of Sa'ada using traditional building material of mud and al-ghadhadh

Box (2): SFD EFFORTS TO REVIVE TRADITIONAL BUILDING SKILLS AND MATERIALS

When supporting cultural heritage projects, the SFD promotes traditional construction skills and materials. For example, al-ghadhadh (a blend of limestone, volcanic ash and calcium carbonates) is a traditional facing material used on external surfaces exposed to water and moisture as damp proofing layer. It is extremely effective and durable, able to survive for hundreds of years, and has been widely used on dams, cisterns and irrigation channels. Al-ghadhadh has also been used on the roofs and stairs of prominent buildings such as mosques, forts and houses of rulers and high-profile community figures.



But in recent decades, due to the widespread, availability, lower cost and ease of application of cement, the demand for al-ghadhadh has dropped. Hence, the number of workers experienced in applying it fell sharply. To counter this trend, SFD interventions have helped train new craftsmen skilled in this craft, increasing competition and lowering prices. As a result, the craft is in a stronger position, and is no longer in danger of extinction.

of the Aqabat Shibam (climbing path) in Kawkaban (Al-Mahweet governorate), as well as a number of other institutional and capacity building projects, training activities and studies.

Cultural heritage projects usually face more implementation challenges because they are extremely diverse and have varying implementation requirements. Other reasons include:

- Less understanding and attention generally paid by communities to cultural heritage projects—a phenomenon not unique to Yemen.

- Insufficient available technical and administrative resources and skills to implement cultural heritage preservation projects.

- The lack of a national inventory for cultural heritage assets, which means the absence of objectively prioritized plans for interventions.

As a result, bigger efforts are always required to ensure acceptable implementation for such projects. However, cultural heritage sector still accounts for a growing share of SFD investments, reaching 7 percent in 2003

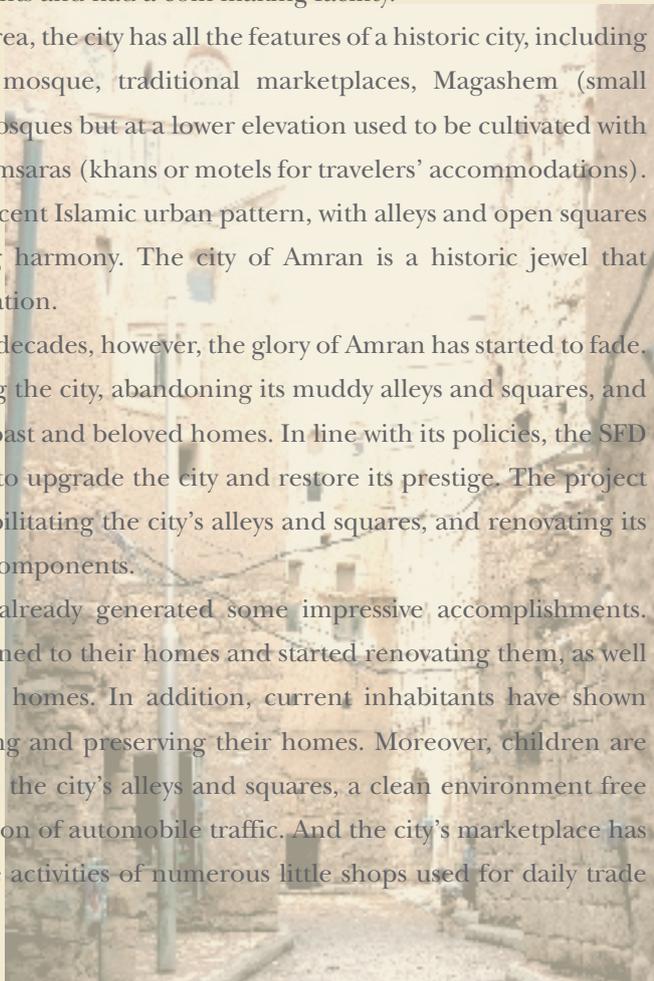
Box (3): REVIVING THE OLD CITY OF AMRAN

The city of Amran, capital of Amran governorate, is at the summit of the famous Al-Bawn valley, 48 kilometers north of Sana'a and 2,300 meters above sea level. In his book *Sefat Jazirat Al-Arab* (Characteristics of the Arab Peninsula), the famous historian Abulhasan Al-Hamadany says that Amran is one of Yemen's ancient cities and one of the caravan stations on the Asa'ad Al-Kamel Route. The city is named after the Hemiarite king Amran Bin Murthed, and historical references describe it as a historic Islamic city that emerged on the remains of the ancient city, saw major events and had a coin-making facility.

Despite its small area, the city has all the features of a historic city, including an ancient fence, great mosque, traditional marketplaces, Magashem (small gardens adjacent to the Mosques but at a lower elevation used to be cultivated with vegetables) and famous samsaras (khans or motels for travelers' accommodations). The city also has a magnificent Islamic urban pattern, with alleys and open squares designed in breath-taking harmony. The city of Amran is a historic jewel that deserves care and preservation.

Over the past two decades, however, the glory of Amran has started to fade. Residents started deserting the city, abandoning its muddy alleys and squares, and leaving behind their rich past and beloved homes. In line with its policies, the SFD has implemented project to upgrade the city and restore its prestige. The project includes paving and rehabilitating the city's alleys and squares, and renovating its most prominent historic components.

The project has already generated some impressive accomplishments. Some deserters have returned to their homes and started renovating them, as well as rebuilding demolished homes. In addition, current inhabitants have shown more interest in renovating and preserving their homes. Moreover, children are once again able to play in the city's alleys and squares, a clean environment free from the noise and pollution of automobile traffic. And the city's marketplace has been revived, through the activities of numerous little shops used for daily trade activities.



(including some unplanned urgent interventions) up from 4 percent in 2002.

Good quality generally characterized the implemented works in most of the projects, some achieved high quality ratings, among those; the renovation of the wall of Sa'ada city, the restoration of the Al-Isha Palace in Tarim and the renovation of houses overlooking the Sayela in Old Sana'a.

On the other hand, the mechanisms used implementing some cultural heritage projects were carefully designed to build the capacity of SFD partners in implementing and managing such projects at acceptable standards despite limited resources and technical, professional and administrative experience.

RURAL ROADS

In 2003, the SFD continued to provide cost-effective support for upgrading feeder roads (village access roads), with focus on community participation in project preparation, implementation and maintenance.

During the year 2003, new rural road projects were developed at a cost of \$1.9 million (see table 5). This was equal to just 55 percent of the number of road projects approved for funding in 2002, and 56 percent of the cost. Rural roads accounted for 3 percent of SFD investments in 2003, down from 8 percent in 2002. This is mainly caused by the insufficiency of remaining funds available at the district level by the end of the second phase of SFD in comparison with the relatively big average size of roads sub projects.

Overview of Shibam, Hadhramout where SFD is supporting several cultural heritage projects such as restoration of houses



BOX 4: THE BANI OBAID AL-SANA'AT AND WADI KUHAL ROAD

Until the SFD's involvement, the Bani Obaid Al-Sana'at and Wadi Kuhal Road was a crooked 8-kilometer road that ran through plains, hills and high mountains in the subdistrict of Ayfoa' Asfal, in the Shar'ab Assalam district of Taiz. The road passed through extremely difficult terrain, with scores of steep turns. The road's condition was especially bad because it was constructed in 1978 by local inhabitants with little knowledge of road construction. In certain areas the road's gradient exceeded 20 percent, and intersections with waterways were not taken into account when the road was built. Thus, erosion and a lack of drainage led to washouts and landslides on most parts of the road, sometimes making it impossible to use—especially during rainy seasons.

In mid-2002, the SFD financed the road upgrading project. It took 305 days to complete the work. Water drainage components and retaining walls were built, critical sections were modified and leveled, and extremely narrow portions were widened. The project cost was about \$100,000, or \$8 per beneficiary.

Protecting and maintaining the road will prevent further erosion, providing the inhabitants of several villages with a safe, longer lasting road. More than 11,000 people living in nine areas have benefited from this road, and contributed 7 percent of the project costs through cash and in-kind contributions. The road has increased access to the main (asphalt) road between Taiz and Shar'ab-Assalam, enabling users to reach basic commodities in Taiz city and to attend weekly markets such as Bani 'Awn market. It also facilitates the delivery of goods to villages in Al-Ahjour district. Traffic has increased from 6–8 vehicles a day before the investment to 10–12 today, and may soon reach 15. Moreover, the cost of transporting key food commodities—flour, sugar, cooking gas—has fallen by half.

Road improvements and maintenance will help create job opportunities and gradually raise local living standards. Local beneficiaries are extremely satisfied by the project.

SFD-supported rural roads projects help improve community access to basic services and commodities
- Sama'a Road, Taiz governorate



34



A rural road prior to SFD's intervention

15 rural roads and the pavement of four zones were implemented. Institutional capacity building projects were also implemented, and included field-training courses for project officers, consultants, contractors and road user committees. About 300,000 people directly benefited from these projects.

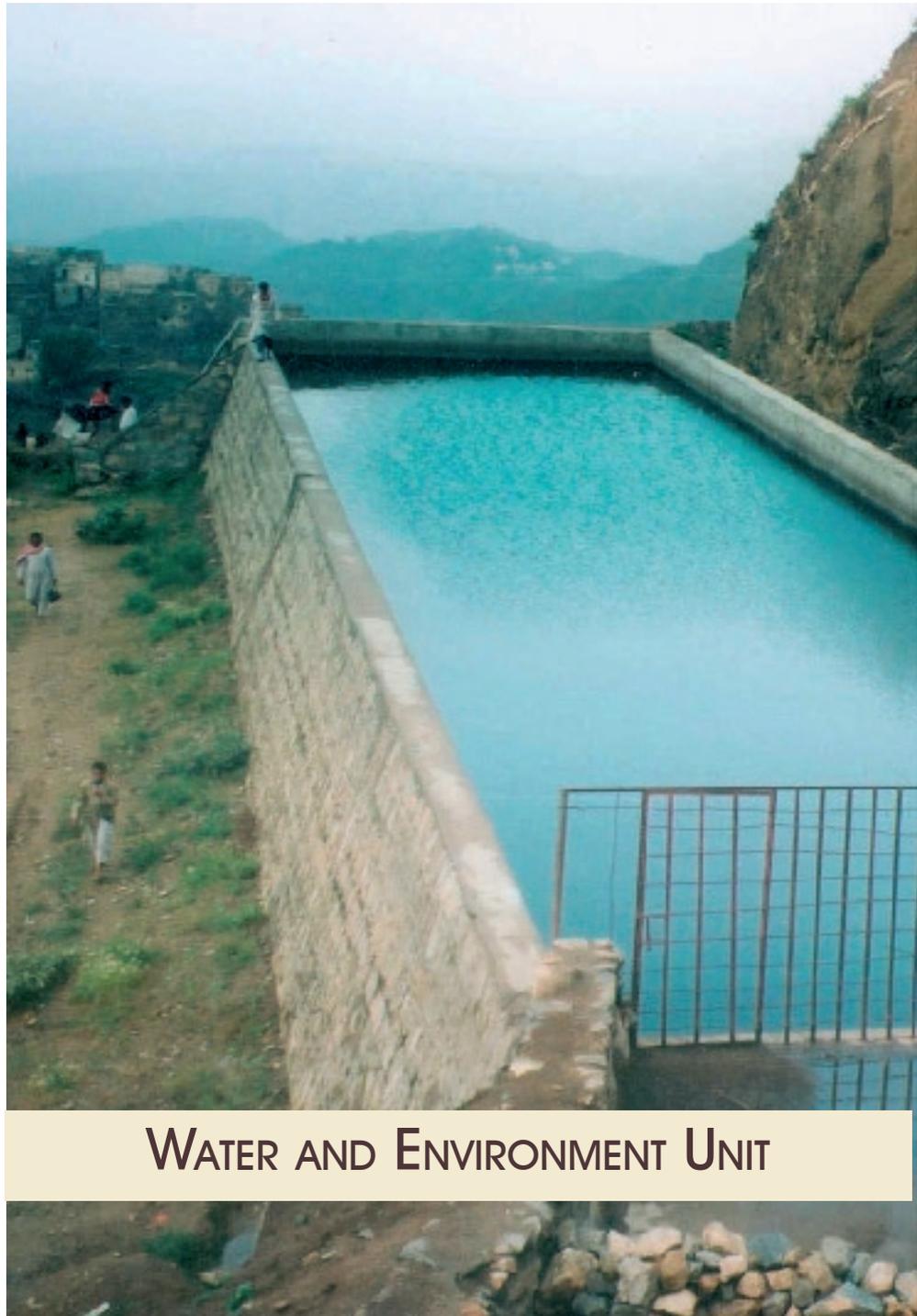
Follow-up visits to completed road projects found positive results, such as lower transportation time and cost, easier access to markets and services, and better access to water, construction materials and other needs. The visits also found that beneficiaries were generally conducting routine road maintenance based on project agreements and arrangements. Such arrangements differ by community based on their previous experiences. In all cases

the SFD played the role of facilitator, emphasizing—prior to approving road projects—that beneficiary communities should be responsible for routine road maintenance and present in advance sound maintenance plans.

The selection and implementation mechanisms for rural road projects also resulted in positive achievements, which were confirmed by the SFD 2003 impact evaluation conducted by an independent international consulting firm. The study found that feeder roads reach the poor and meet their priorities. The participation of the communities is high and the contribution to the cost of projects implementation is provided with a large share in terms of labor and in-kind.



SFD considers these gardens (magashem) as part of the cultural heritage of the Old City of Sana'a and supports their protection and reviving—Megshamat Al-kharraz



WATER AND ENVIRONMENT UNIT

In 2003 the Water and Environment Unit committed \$4.7 million to 77 completed or ongoing water projects, and \$1.7 million to 16 environment projects (table 11).

groundwater consumption to achieve water balance. In 2003 water harvesting projects directly benefited more than 74,000 people and involved about \$2.7 million in SFD commitments.

Table (11): Indicators for Water and Environment Unit projects by sector, 2003 and cumulative

Indicator	Water		Environment	
	2003	Cumulative	2003	Cumulative
Number of projects	77	583	16	89
Commitments (millions of U.S. dollars)	4.7	36.4	1.7	10.9
Disbursements (millions of U.S. dollars)	7.3	26.2	2.1	6.8
Direct beneficiaries (millions)	0.2	1.6	0.2	1.2
Female share of direct beneficiaries (percent)	50	50	50	49
Temporary employment created (millions of days).	0.2	1.6	0.07	0.3

WATER

The SFD continued to support community efforts to acquire water using traditional means, which mainly rely on harvesting rainwater. To ensure project sustainability and continuity, the SFD concentrated on building the capacity of communities and promoting community ownership. The SFD no longer supports mechanized water projects, which deplete scarce groundwater with exception of building the capacity of the existing systems.

WATER HARVESTING. Many SFD water interventions target communities that depend on water harvesting for most of their water needs (box 5). This approach supports the national water strategy, which focuses on supporting water harvesting projects and reducing

During the year there were 51 water harvesting projects (including construction of harvesting cisterns), spread over 45 districts in 13 governorates (table 12). Such projects generally aim to provide sufficient water for community needs during dry seasons. Steps taken to improve water quality included constructing settling basins or sand traps, water channels, and fencing (to prevent access by children and animals), and providing better water lifting methods, such as hand pumps. In addition, many water harvesting projects included components to raise hygiene and environmental awareness in targeted communities.

DRINKING WATER SYSTEMS. The SFD concentrates on developing drinking water systems that use renewable sources, such as springs and rainwater—as long

as such systems rely on natural water flows and do not require mechanized pumps. Projects may include building supply lines to residential areas from sources several kilometers away. Such interventions provide water at costs affordable to poor communities—which, combined with the use of renewable water sources, promote project sustainability and service continuity.

supported 10 projects to erect small water-retaining dams. Such dams provide water for irrigation and other uses, in addition to recharging groundwater and protecting agricultural soil from flood.

Small dam projects focus on providing services to as many people as possible. During the year such projects directly benefited 29,000 people spread over 10

Table (12): Number of water and environment projects by type, 2003 and cumulative		
Project type	2003	Cumulative
Water projects	77	583
Water harvesting	51	398
Drinking water systems	14	114
Small dams	10	50
Training and institutional development	2	11
Other pilot projects	0	10
Environment projects	16	89
Wastewater management	6	40
Gardens	0	3
Solid waste management	5	15
Soil conservations	0	4
Slaughter house	0	2
Other type of projects	3	14
Training courses and capacity building	2	11
Total water and environment projects	93	672

In 2003 the SFD supported 14 projects for drinking water systems, spread over 15 districts in 7 governorates and directly benefiting more than 77,000 people. SFD commitments to these projects totaled \$722,000.

SMALL DAMS. Building on the national agricultural development strategy and aiming to raise economic standards in farming communities, in 2003 the SFD

subdistricts in 5 governorates, with total commitments of \$1.1 million. Attention focused on Al-Jawf governorate, where the SFD supported four projects—reflecting the governorate’s large area of fertile land and the SFD’s desire to promote population stability and provide incentives for farmers to continue cultivating fertile land by providing water for irrigation.



a water harvesting scheme in Almasen, Amran

Box (5): A WATER HARVESTING PROJECT IN THE VILLAGE OF BAIT AL-WALI

The Bani Oshb subdistrict (Kohlan Affar district, Hajja governorate) contains 5,611 people spread over 25 villages. One of these villages is Bait Al-Wali, the site of an SFD water harvesting project in 2003. In the past the village relied on three small water harvesting pools with total capacity of 770 cubic meters—barely enough to cover the basic needs of the village’s 620 inhabitants for three months. Yet the dry season can last as long as six months, forcing girls and women to spend long hours every day fetching water from distant sources.

The SFD project in Bait Al-Wali more than doubled the capacity of the three harvesting cisterns (to 1,550 cubic meters), built fences around them, installed three hand pumps, and provided each village household with a family slow sand filter to demonstrate how to improve the quality of the water supply. The project cost \$18,500, or about \$30 per resident. The community contributed 10 percent of the project costs by providing stone and labor.

In addition to improving water quality, the project reduced the need for water fetching—giving women more time for household and child care and improving girls’ odds of attending school.

Box (6): PILOT PROJECT FOR MANAGING WASTEWATER AT THE 17TH OF JULY GIRLS SCHOOL

Traditionally, wastewater from buildings is channeled to deep cesspits—an approach that severely damages groundwater resources. The SFD, by contrast, supports wastewater-processing methods that do not damage water resources and that enable treated wastewater to be used for irrigation and other purposes. In 2003 the SFD designed a pilot project for treating and reusing wastewater to be implemented, using local materials, in the 17th of July Girls School in Sana'a city.

The project consists of a processing unit that contains a septic tank with 29 cubic meters of capacity in three compartments. The first and second compartments for settling solids, the third one contains up-flow sand filter through which the flow goes to the constructed wetland which is a sealed basin 0.7 meters deep filled with selected natural aggregate and planted with reeds plant. Treatment in the unit is achieved through several biological, chemical, and physical processes. Preliminary results showed that processing resulted in a 90 percent reduction in biochemical oxygen demand (the most common measure of wastewater contamination) and a 78 percent drop in fecal coliforms.

The processed water is electrically pumped into a fiberglass tank on the school's roof, then circulated through the local irrigation network. The processing unit does not generate a foul smell and is not hospitable to mosquitoes and other insects. Moreover, the unit is capable of processing about 6 cubic meters of wastewater a day, a quantity produced by about 400 students.

HYGIENE AND ENVIRONMENTAL AWARENESS. In June 2003 the Unit implemented a campaign to raise hygiene and environmental awareness as part of a rainwater-harvesting project in the Ghorban Al-Gharbi region. A male and a female health specialist targeted 12 villages in the project area, and supervised 32 male and female health workers who conducted a comprehensive awareness campaign. In addition, a workplan was devised to sustain the awareness campaign for the next three months, with an assessment of the program to be carried at the end of the period.

Many similar campaigns were carried out for other projects. In addition, the SFD is currently conducting better-designed awareness campaigns, reflecting the lessons of the initial campaigns.

TRAINING PROGRAMS AND GUIDES. The SFD sponsored several water-related training courses and workshops in 2003. The most important was a course that trained 34 consultants and project officers—male and female—to conduct health awareness campaigns for water harvesting projects.

Another course trained consultants in building the capacity of communities

in operating and maintaining their water supply projects. This course focused on ways of calculating water fees and conserving project environments, and on general financial, administrative, and technical systems. More than 30 consultants participated, in addition to specialists from the Rural Water Development Authority and the Public Works Project.

A third course trained 25 consultants how to design drinking water projects. The course discussed the SFD design manual, and made some amendments to it.

The SFD also arranged training for the staff of the National Malaria Alleviation Program, including biological means of fighting the disease—such as use of a local fish that feeds on mosquito larvae. This course was arranged in collaboration with the World Health Organization office and National Malaria Alleviation Program in Sana'a, and was attended by 25 participants from various governorates.

Two other SFD courses focused on operation and maintenance of slow sand filters. The 22 consultants who attended the courses will give on-job training to community workers assigned to operate such filters.

Another course, conducted in cooperation with the German Technical Cooperation Agency, discussed techniques for household purification. The Water and Environment Unit is testing the efficiency of three of these techniques, and will use the most effective one in future hygiene and

environment awareness campaigns.

During 2003 the SFD also published a booklet describing the Water and Environment Unit, as well as a book on the environmental impact of thin plastic bags (used excessively by retailers) and alternatives to replace them. The latter was the output of a workshop conducted in 2002. In addition, the SFD published a book for children featuring many illustrations and stories related to the undesirable effects of thin plastic bags, and their alternatives.

Another SFD book focused on hygiene and environment awareness for rural drinking water projects. In addition, to aid engineers, the SFD produced a CD featuring typical designs and design software for such projects.

Finally, the SFD published extensive literature to raise health awareness for water harvesting projects, including the utilization of the popular radio program "Mus'ead wa Mus'eadah" (Social episode about a family discussing their daily life, providing awareness to the audience) to forecast hygiene and environmental awareness messages, an educational booklet aimed at children, four children's school classes agenda featuring health awareness messages, seven posters on health aspects of water harvesting projects, and the 2004 SFD calendar, which features several health awareness messages.

THE ENVIRONMENT

During 2003 the SFD conducted a workshop for 25 water and sanitation contractors on its technical, contractual,

Assad area of Sana'a City before SFD interventions



and operational guidelines for water and sanitation projects. Another workshop covered wastewater management.

The SFD also financed consulting services, including participation by an international expert, to produce a preliminary study for the city of Shibam (Hadhramout governorate). The study focused on assessing the feasibility of a sewerage project in the city, which has a unique architectural character and archeological value. The study found that Shibam's sewage problem cannot be solved without taking into account neighboring residential areas, and so pointed to the need for more comprehensive solutions. It also revealed that Shibam urgently needs to replace its water supply system and rainwater drainage system. Moreover, flooding is becoming a danger to the city that must

be addressed.

ANNUAL REVIEW OF ENVIRONMENTAL INTERVENTIONS. The SFD hired a specialized regional consultant to conduct and produce its annual environmental review, which covered 15 projects. The review report indicates that most SFD projects have no negative environmental impact. And for the few projects that do have negative impacts, the SFD's skilled project officers—drawing on their environmental training—are aware of and able to remedy them.

The report recommends comprehensive environmental reviews for a limited number of projects and indicates that during project preparation, consultants should fill out forms about projects' environmental impacts. Other recommendations included disseminating about this aspect and



Assad area of Sana'a City after SFD interventions

including a clause on environmental reviews in project summaries.

WASTEWATER MANAGEMENT. The SFD pays special attention to choosing sewerage systems suited to Yemen's natural characteristics, water consumption levels, and types of water closets. In keeping with the national water strategy, projects focus on low-cost systems involving low water consumption. Accordingly, sewerage networks are built using the technique of small bore hole gravity sewers small pipes that work well even with low consumption levels.

When supporting wastewater treatment, the SFD relies on simple approaches that use natural methods such as oxidation ponds and constructed wetlands [filtration basins using sand and usually planted with swamp plants such as "reed"]. The SFD is the first agency in Yemen to use constructed wetland. In

2003 the SFD developed six wastewater treatment projects targeting different zones of main and secondary cities in five governorates (box 6). The projects involved commitments of \$326,000 and reached 49,000 direct beneficiaries.

SOLID WASTE MANAGEMENT. The SFD's success with experimental components of solid waste management projects in Sana'a encouraged it to support three projects in three other cities—Taiz, Bait Al-faqeh, and Bajil. In addition, two stations for solid waste management were constructed in Sana'a.

OTHER ENVIRONMENTAL PROJECTS. In 2003 the SFD executed two rainwater and floodwater management projects. In addition, a project for biogas production is being developed. This project will use human, animal, and agricultural waste to produce biogas, providing cooking fuel

in rural communities.

Due to a lack of local expertise in this area, the SFD has recruited a regional consultant to perform a feasibility study of the project and to assess previous pilots in Lahaj governorate. It is expected that, as a result of this study, the SFD will sponsor implementation of biogas production units in some coastal and moderately elevated areas.

If successful, this project will generate many benefits, including:

- Lowering the cost of cooking fuel for rural households.
- Reducing tree cutting for wood fuel,

which causes soil and water damage.

- Disposing of human solid waste in a safe, healthy way.
- Producing agricultural fertilizer from fully degraded human and animal solid waste.

INSTITUTIONAL DEVELOPMENT. During 2003 the SFD implemented two projects to build the capacity of environmental project officers and consultants. One project trained consultants in conducting environmental auditing, to assess the environmental performance of SFD projects and propose corrective actions where needed. The other project was aimed at developing environmentally safe ways to dispose of buildings'



HEALTH AND SOCIAL PROTECTION UNIT

The Health and Social Protection Unit implements SFD programs and policies involving health care, groups with special needs, and integrated interventions (table 13). In 2003 the unit continued to improve primary health services in targeted communities. Other efforts focused on providing care and protection for groups with special needs and developing the Integrated Intervention Program in the four areas where it is implemented.

HEALTH

In 2003 the SFD supported 33 health projects with a total cost of \$2.5 million. The amount invested was 86 percent of the original plan for the year, with 25 projects abandoned due to studies that revealed weaknesses, lack of sustainability, or nonconformity to SFD guidelines.

GUIDE TO HEALTH FACILITIES. During the year the SFD developed a computerized guide that includes listings of equipment and their specifications for various levels of

capacity in SFD-supported facilities such as primary health care units, health centers, and clinics delivering specialized services, such as maternal and premature infant care, psychological care, physiotherapy, as well as equipment for health training institutes. The guide will help project officers determine the equipment needs of health facilities based on the number and specialization of health workers, the number of rooms and patients, the availability of electricity, and other factors.

IMPROVING COMMUNITY ACCESS TO HEALTH SERVICES. Other health projects included eight training courses for mid-level health workers that targeted 140 girls trained to

Table (13): Indicators for Health and Social Protection Unit projects by sector, 2003 and cumulative

Indicator	Health		Groups with special needs		Integrated interventions	
	2003	Cumulative	2003	Cumulative	2003	Cumulative
Number of projects	33	300	44	168	11	28
Commitments (millions of U.S. \$)	2.5	19.3	1.9	11.8	0.5	1.5
Disbursements (millions of U.S. \$)	3.5	14.5	2.7	8.0	0.8	1.1
Direct beneficiaries (millions)	0.3	1.5	0.02	0.09	0.005	0.05
Female share of direct beneficiaries (percent)	68	54	49	39	48	51
Temporary employment created (millions of days).	0.08	0.6	0.05	0.3	0.01	0.06

become community midwives.

Another training project targeted 194 male and 42 female trainees that were enrolled in the national health institute and its branches to be mid-level health workers such as nurses, midwives, and lab technicians. The trainees are from Marib governorate and Jehanah of Khawlan district in Sana'a governorate and are expected after graduation to work in their underserved areas.

The SFD also established three projects for infant care services and four for maternal care and family planning

at the level of district hospitals, while infant care projects were conducted at governorate-level hospitals (Shabwa and Al-Mahweet).

Training for traditional midwives. In 2003 the SFD financed an evaluation of the results and impacts of several training projects for traditional midwives and participated in a workshop to the final results—conducted by an NGO—dedicated to assessing their performance. The workshop stressed the importance of training for traditional midwives and of supervision, follow-up, and assessment of their performance, as part of the concept of a continuous relationship

Table (14): Health projects in 2003 and cumulative, by intervention categories

Type of intervention	2003	Cumulative
Health staff trained by the SFD (including community midwives)	356	808
Traditional birth attendants	00	220
Productive health (Maternity & childhood wards at hospitals)	2	17
SFD-supported health units and centers	11	178
Health committees formed and trained	00	126
Health institutes	1	23
Neonatal wards	3	7
Districts where "The District Health System" has been applied with SFD's support	6	6

services. In addition, it provided more comprehensive primary health care services in areas lacking them through 14 projects to construct, renovate, or furnish health units and through a project to support health institutes. Reproductive health projects focused on civil works and equipment provision

between them and health facilities. To that end, a midwife follow-up and assessment project provides the SFD with information on how training affects the knowledge and practices of this group in caring for mothers, especially during pregnancy and birth.

HEALTH MANAGEMENT ENHANCEMENT PROGRAM.

An SFD study of health facilities it had constructed and equipped found that in nearly all, local health committees were either absent or extremely inefficient. These shortcomings were due to inadequate support from local authorities, weak administrative and information systems, shortages of medical equipment, lack of follow-up, and insufficient cost sharing or cost recovery. Moreover, many health facilities suffered from unstable staffing, especially for non-local staff, and from severe shortages of female personnel—a fact that led women to avoid seeking care. Many of these problems were due to the weakness of cooperative efforts needed to improve health services, and to the inability of local health authorities to finance operating costs, provide medications and immunizations, and perform their supervisory role.

For these reasons the SFD developed the Health Management Enhancement Program. Local health committees have been trained on the program's administrative and information systems, such as for cost sharing, and on the medication and immunization supply and logistics system. Local authorities were also included in the program.

The program involves extensive community participation and is being carried out in two stages. The first is for solving existing problems, while the second is for taking early steps with communities to prevent future problems.

The most important outcome of the program is the training of 20 Ministry of

Health staff capable of making positive changes and qualified to implement the concept of involving the community in health administration. These staff were carefully chosen, in collaboration with the ministry's leadership. Later, local health committees were formed or reformed and trained on administration, support systems, and health system applications.

Fieldwork has assisted with the exchange of knowledge and experience between the trainers and communities. It has also strengthened communities' trust in the SFD, through the SFD's continued efforts to guarantee the project's sustainability and continuity.

SUPERVISION. The most important outcome of SFD supervision was its resolution of



SFD is involved in the Safe Childhood Center (in Sana'a City) serving street children through supporting training, infrastructure, systems development, mobilizing fund, networking, and policy support—A child presenting his outstanding grade report

BOX (7): ASSOCIATION OF SPECIAL NEEDS GROUPS IN ADEN

“If we were destined to have special needs, we have no objection to God’s will. But we will never be helpless. Instead, we will be role models of determination that teach others the meaning of well determination and capability.”

Such slogans characterize the approach of the Association of Special Needs Groups, based in Al-Mansoorah (Aden governorate). The association’s activities focus on training and rehabilitating the disabled and supporting their integration with mainstream society, providing equipment, wheelchairs, training, and even small, low-interest loans.

The association began as a center for the disabled, established in 1990 with support from the United Nations Development Program under an agreement that was also signed by the Ministry of Social Affairs and Labor and the International Labour Organization. The center has become a special-need groups’ association since 1999 and now has three centers (in a single location) with 32 staff members—21 of whom are women. The centers provide support for three types of disability: mobility, deafness and muteness, and moderate mental disabilities for people age 16–36. Training activities include tailoring and weaving workshops split into two sections—one for training and one for production—that are further divided into groups for men and women. The association also provides training on leather goods, carpentry and computers, and recently added electricity and welding workshops. A third workshop for maintenance of home appliances is under construction. All services are provided free of charge.

Goods produced by the association’s tailoring and carpentry workshops are marketed to government agencies (such as the Aden offices of the Ministries of Education, Finance and Health) and to local households as well as the local market. Goods are sold at local market prices and some of them are paid for in installments. Workers are compensated for their work, with a small portion of the compensation used to help cover the association’s operating costs and administrator’s wages, and to develop the association.

Participants who successfully complete the association’s computer courses receive certificates approved by the Ministry of Technical Education and Vocational Training.

The SFD has supported the association by training 266 male and female teachers in three local schools on subjects such as disability definitions and causes and reception of and interaction with the disabled. SFD funding was also used to build wheelchair ramps and rehabilitate these schools. The SFD is also supporting construction of the Early Intervention Center (for children 3 and older)—scheduled for completion in 2004—for rehabilitation, health and entertainment programs. In addition, the SFD will recruit and train a team of specialists on social and psychological aspects of disability and on special education. The team will attend training on techniques for interacting with the disabled.

The SFD also supports an international nongovernmental organization (NGO) that produces manmade limbs and compensatory equipment [orthoses]. Each month the NGO produces 24 manmade limbs and 50 compensatory units as well as medical insoles and shoes and crutches. In addition, in 2003 the association’s physical therapy section provided 6,169 rehabilitation sessions to nearly 1,700 patients.

Box (8): GOVERNMENT AND NGO PARTNERSHIP—A SUCCESSFUL STORY

In the early 1970s the government of Yemen, with support from regional and international organizations, established social care centers that provided services to groups with special needs—particularly orphans and the blind. But the number and quality of these services have deteriorated due to different factors—such as inadequate budgets and weak financial and administrative systems.

SFD financial and technical support has enabled the Ministry of Social Affairs and Labor to issue the partnership bylaw aiming at fostering partnership among NGOs, private sector and the Ministry to run social care institutions. This approach is developing efficient administrative systems and ensuring accountability and transparency.

A successful partnership is of the Al-Noor Center for the Blind in the capital city of Sana'a. Established in 1975, the center was the first in Sana'a to care for blind people and deliver educational, rehabilitation and social services to blind children—especially those from rural areas. The center provided the children with accommodations and education until they finished secondary school.

Later during the 1990s, the center's educational and administrative services declined—with many teachers assigned to the center having no specific role to play. In addition, the center became a "lodge" of non-targeted individuals—reducing the center's ability to accommodate new eligible school-aged blind children. Consequently, the number of children enrolled in the center dropped considerably, which eventually caused the center to become unable to provide the services for which it was originally created and to develop its education role from the special-learning level to the required integrating learning—in conformity with the international trend to integrate the disabled in the mainstream society.

Following the issuance of the Bylaw, management sponsorship of the center was awarded to the Al-Aman Association for the Care of the Blind females (based in Sana'a City), which is one of the most active organizations in its field.

The SFD has supported the association to rearrange the center and improve the services it provides for the targeted blind. The association also changed the center into a pre-integration rehabilitation institution that provides education through the sixth grade—using tools and schemes designed to educate the blind—and then sends them to regular schools. The children continue to live in the center's hostel and receive support from both the association and the center (such as school curricula in Braille) until they complete secondary school.

In addition, SFD support for the association has continued through several projects to train instructors, provide educational tools and equipment for the blind and establish a transparent financial and administrative system.

After the adjustments made to its administrative and operating mechanisms, the center has improved its services and performance remarkably and been able to better play its role.

many health facilities' problems related to Ministry of Health commitments at the district and governorate levels—and sometimes even the central level. Supervision also introduced new concepts such as transparency, community participation, sharing of service costs, and recovery of medicine costs.

GROUPS WITH SPECIAL NEEDS

During 2003 the SFD committed about \$1.9 million to 44 projects for groups with special needs—with 16 projects providing training and institutional support to associations and institutions working with these groups, 16 focusing on education integration and inclusion, 6 improving protection and housing, and 6

strengthening health services—including mental—for these groups.

Related training included activities involving administration, communication, speech training, early interventions, and integration and rehabilitation of the physically and mentally disabled. Other interventions included providing vocational education and rehabilitation for the disabled, improving living conditions for social care homes, female prisoners, and residents of homes for the elderly, and renovating administrative equipment to upgrade the performance of several centers, homes, and associations.



A blind child writing on Braille frame

SUPPORTING THE NATIONAL STRATEGIES FOR DISADVANTAGED CHILDREN AND FOR CHILDHOOD AND YOUTH DEVELOPMENT. In 2002 the SFD began supporting the Higher Council for Motherhood and Childhood in devising a National Strategy for Disadvantaged Children, in cooperation with the United Nations Children's Fund (UNICEF) and with technical assistance from the World Bank. The analytical part of the strategy, completed in 2003, assesses the situation facing disadvantaged children such as orphans, girls, street children, delinquent juveniles and disabled children.

The study compares living conditions for such children and normal children. It also analyzes the causes of disadvantaged children's problems, and current policies aimed at solving their problems and integrating them with mainstream society.

In addition, the SFD participated in the World Bank workshop in Washington,

D.C., where it presented information on the living conditions of disadvantaged children in Yemen, the steps being taken to improve those conditions and the requirements needed to fully achieve that goal.

The SFD, working with a team from the World Bank, helped prepare the National Childhood and Youth Development Strategy. The government plans to broaden the scope of the strategy to include all children and youth—in general—while still focusing on those with special needs. Preparations are under way for this revision of the strategy.

INTEGRATED INTERVENTIONS PROGRAM

The Integrated Interventions Program began in 2001 and targets—in its pilot stage—four areas with severe shortages of basic services (box 9). The program is being implemented at the village level

SFD supported health unit—Al-Ashmoor, Hajja governorate



Box (9): EVOLUTION OF THE INTEGRATED INTERVENTIONS PROGRAM

The SFD's Integrated Interventions Program has conducted numerous activities since its creation in 2001. The main activities have involved social mobilization, service provision and capacity building for elected local development committees, to enable them to play their role as community representatives.

During the project's first year (2001), work started on exploring and fulfilling needs for basic services such as water, sanitation and primary education. Efforts were also directed toward training and capacity building for local development committees. Capacity building for the committees went through several stages:

- Fostering knowledge about development concepts such as partnership and voluntary work.
- Coordinating committee activities to manage partnership-based development.
- Developing job descriptions for the committees and programming their activities.
- Creating guidelines for committee operations.

The most important outcomes of these efforts was the adoption of partnership as the basis for operations—and the recognition of development committees as major players in the development process.

In 2002, it focused on activities such as working with women (for example, by establishing literacy centers), and building local committees' capacity for project operation and management. The program also supported numerous health care initiatives—especially those that support basic community needs, such as malaria control, fever management, care for pregnant women, general care, clean water resources and diarrhea prevention and control.

In its third year, the program continued to support capacity building and training for local committees, with a focus on developing funding schemes and approaching funding sources. Committees also received training on coordination with local councils. Efforts also started on preparations for assessing economic inputs—specifically, on building the economic capacity in fields such as honey producers and farmers in the districts of Al-Luhayah and Ahwar. In addition, there was an effort to induce female leadership for activities related to women in the program's areas of intervention.

and includes several services aimed at meeting basic development needs and building human capacity. In addition, the program seeks to induce community participation in the development process by promoting collective work schemes and training communities to effectively use available resources. The program covers villages in four governorates: Al-Hodaidah, Abyan, Amran and Sana'a City.

In 2003, the program supported 11 projects with a cost of \$0.5 million. The projects focused on education—supporting school expansions, devising solutions for teacher shortages, discussing girls' education with communities and local authorities, and

supporting the role of literacy centers in raising health and environmental awareness—and on maternal and child health care. The program also supported economic activities through projects that supported bee keepers, farmers and the creation of productive home gardens.

Additional activities included social mobilization projects and training of elected local development committees. The committees received training on community contracting, development planning (in collaboration with local councils) and fund-raising. In addition, preparations are under way to train such committees how to establish development and cooperative associations.



A deaf child learning to make sounds, Al-Hudeidah



55

TRAINING AND ORGANIZATIONAL SUPPORT UNIT

During 2003, the Training and Organizational Support Unit committed \$2.7 million to 96 projects in both the Training and Organizational Support Sectors. Cumulatively, 340 projects have been contracted at an estimated cost of \$6.9 million (table 15).

TRAINING SECTOR

Training projects targeted NGOs, government agencies, local councils and development committees, community groups and the private sector (consultants, contractors and other individuals). Projects included training of trainers, various programs and courses, and two information-sharing workshops (one for SFD staff and consultants on project development and management, the other for SFD donors and project beneficiaries, to acquaint them with issues related to implementation of SFD projects in various governorates).

TRAINING OF TRAINERS. Training of trainers addressed many topics; including health and environmental awareness, impact assessments of water and environment projects, illiteracy eradication, handicrafts, school counseling, maintenance of sewing and embroidery machines and equipment, community participation and gender roles, managerial and institutional development, home economics and food processing, statistics and educational planning.

PROGRAMS AND COURSES. Training programs and courses focused on a wide range of topics and goals, including development concepts, the project life-cycle, analysis of organizational and institutional problems, qualifying rural university students to support development work, SFD contracting and implementation techniques, capacity building for local



Female artists trained in Nuqum Training Center—Sana'a



Training classroom
with beneficiaries
group

councils and development committees, mango budding and grafting, milk production economics and ruminant husbandry, crop marketing, safe use and storage of chemical pesticides, development of sustainable agricultural capacity, training of staff in the Agricultural Cooperatives' Federation and fighting rabies-affected dogs and harmful insects.

BUILDING THE CAPACITY OF LOCAL COUNCILS. As part of efforts to build the capacity of local councils, The SFD developed an approach to organizing and coordinating cooperation with these councils. During the year, a training program was designed to develop the institutional, organizational and analytical capacity of local council members by implementing workshops for the councillors in various governorates. This training is in addition to that provided to ordinary council

members at the district level. Two phases of this training were implemented:

- A series of workshops was held to prepare local trainers and facilitators from among the SFD's male and female consultants in various governorates, to qualify them to implement the program.
- The program was delivered to general secretaries and heads of social, planning and services' committees in several districts in the governorates of Aden, Al-Hudeidah and Hadhramout. Training topics consisted of new development concepts and trends related to community participation, sustainability, empowering and self-reliance, analysis of objectives and problems, preparation of participatory plans and SFD policies and procedures.

Table (15): Indicators for Training and Organizational Support Unit projects by sector, 2003 and cumulative

Indicator	Training		Organizational support	
	2003	Cumulative	2003	Cumulative
Number of projects	49	154	47	186
Commitments (millions of U.S. \$)	0.7	2.2	2	4.7
Disbursements (millions of U.S. \$)	0.5	1.5	0.9	2.6
Direct beneficiaries (millions)	0.005	0.01	0.09	0.2
Female share of direct beneficiaries (%)	38	44	44	56
Temporary employment created (millions of days).	0.01	0.04	0.05	0.1

BUILDING THE CAPACITY OF LOCAL DEVELOPMENT COMMITTEES. Formation and training of local committees (beneficiary committees) was expanded to improve the management of SFD projects and ensure their sustainability. Cooperation and coordination were also consolidated with some local organizations implementing projects similar to SFD interventions. These included the Poverty Alleviation Program, Community-Based Regional Development Program sponsored by the United Nations Development Program (UNDP) as well as the Program to Promote Self-Help and Self-Reliance in Rural Areas sponsored by the German Technical Cooperation (GTZ).

ORGANIZATIONAL SUPPORT SECTOR

In 2003 several government agencies and NGOs benefited from the SFD’s organizational support projects.

GOVERNMENT AGENCIES. Support was provided to a number of government agencies to Strengthening various aspects of their work. This support included literacy training, training for local

councils, productive families programs, equipment and furniture to assist administrative efforts, maintenance and rehabilitation of the employment office in Aden, maintenance and rehabilitation of computer education centers in a number of schools, construction and furnishing of professional education centers in the governorates of Al-Dhale’e and Ibb, a database for the Standardization, Metrology and Quality Control Organization, equipment and furniture for the education office in Sana’a and a file server for the Central Statistics Organization.

The SFD also supported the Ministry of Education through eight projects providing training and equipment and furniture. The projects involved:

- Training supervisors of secondary schools in Sana’a in social, environmental and health guidance.
- Supporting the General Directorates for Educational Planning and Statistics,

Activities and Counseling, as well as the Sana'a City Education Office through providing technical support, training, furniture, computers and other equipment.

ASSOCIATIONS AND NGOs. Support included providing trainers, equipment and furniture to develop and improve training programs run by some NGOs in a number of governorates, and financing field surveys for cooperatives and associations. In addition, two children's libraries were established in the towns of Shibam Kawkaban and Al-Mahweet as a continuation for the SFD's libraries project, which had already established six libraries in Sana'a—including the library of the Olympics Center, which received more equipment, books and furniture.

ILLITERACY ERADICATION AND ADULT EDUCATION PROGRAMS. Numerous activities were implemented to support illiteracy eradication and adult education through projects targeting associations and literacy centers. These activities included:

- Sponsoring 27 courses attended by teachers of the first year basic literacy class in the governorates of Shabwa, Al-Hudeidah, Taiz , Ibb and Sana'a.

- Supporting an experiment designed to teach literacy through poetry and national heritage, with nine classes held in Sana'a governorate and Sana'a city (box 10).

- Supporting the new method in literacy training in three classes in Abs district,

by training teachers and providing furniture.

- Supporting some associations established by the UNDP's Community-Based Regional Development Program in the governorates of Al-Beida'a and Mocha. Support consisted of training teachers and some association members in project preparation.

- Supporting three training and literacy centers in Sana'a governorate: the Dharwan Center in Hamdan, Al-Masajed Center in Bani Matar and Beit Al-Shami Center in Arhab. Support included refurbishment, training teachers and students to sew and providing necessary furniture and equipment, furnishing and equipping the literacy classrooms and providing equipment for the home



A woman painting—
Nuqum center in
Sana'a

economics program in the Beit Al-Shami Center.

- Supporting the efforts of the Ministry of Education's Department for Illiteracy Eradication and Adult Education (based in Sana'a City) by printing literacy textbooks for the first year basic literacy class (20,000 copies of the first volume), printing a textbook on life skills (3,000 copies) and printing the first and second volumes of the life skills textbook manual (3,000 copies of each volume). This is in addition to building the capacity of the department by training supervisors, as well as training staff in management, computing and statistics.

- Organizing an information-sharing workshop to explain and discuss the experiment in literacy (learning through poetry and national heritage). Workshop participants included staff from the Department of Illiteracy Eradication and Adult Education and representatives

from the World Bank and other international organizations.

PROJECT EVALUATION. Monitoring and follow-up visits to completed or ongoing projects were accelerated to ensure their sustainability and to assess and solve the challenges facing some of them. The visits included:

- Evaluation of the hygiene and environmental awareness campaign that targeted the water harvesting projects areas.

- Follow up of the beekeeper training program, composed of nine training courses that were implemented in the governorates of Taiz , Ibb, Hodeidah, Dhale'e and Lahej. The assessment provided useful information on the possibility of developing such training programs and the benefits of on-the-job training, with trainers and equipment sent to the beekeepers' places of work—



Training of staff in the Agricultural Cooperatives' Federation

Box (10): ERADICATING ILLITERACY USING TRADITIONAL POETRY

An experimental project using traditional poetry to eradicate illiteracy among rural women reflects the idea that the vocal heritage (poetry) could be a way of teaching reading and writing—one that encourages women to join literacy classes and helps reduce dropouts. It could also help preserve the poetic heritage in Yemeni society. Educational research on adult education confirms the need to rely on diversified teaching means, as well as initiate dialogue on subjects related to everyday life. Such approaches trigger students' mental capabilities, as well as develop communication skills on real-life topics that induce thinking, analyzing, criticizing and extracting conclusions.

This experiment started in September 2002, after a female education specialist and anthropologist organized a training course for female teachers and supervisors. This specialist developed the idea of linking poetry with literacy training. So, in coordination with the Department of Illiteracy Eradication and Adult Education (Ministry of Education), five villages were selected for this experiment, along with teachers, supervisors and the final evaluation and impact assessment team. The SFD added three other villages to enrich the experiment. Thus the eight villages that include nine classes were offered in Sana'a governorate and the suburbs of Sana'a city. The classes targeted women who wanted to learn reading and writing only, and involved 180 participants.

At the end of 2003, this approach was evaluated by the teachers and the evaluation team. They concluded that it enabled teachers to apply new, modern linguistic approaches to methods of teaching adults, and to prepare particular teaching lessons due to the unavailability of relevant textbooks. In addition, the classes enabled students to:

- Learn the alphabet very quickly—just three months for some students.
- Recognize the letters of the alphabet letters correctly, minimizing errors that occur when confusing letters.
- Communicate easily with teachers—breaking down barriers of awe and shyness—and increase their confidence.
- Express themselves clearly, discuss various issues and form useful phrases and sentences orally based on pictures and events put forward by teachers during class.
- Read and write simple colloquial words, especially important in remote rural areas.
- Learn to read and write more than 50 words during the experiment period, which is the average number of words in the literacy textbooks.

In sum, this method is excellent for students who want to learn how to read and write, but do not want to continue their education after achieving literacy. But it is also a useful, essential introduction for students who wish to continue their education.

an approach that lowered training costs.

- Continued field follow-ups to assess the benefits of organizational support for home economics programs provided by associations around the country. These visits led the SFD to review and change

its approach to interventions in this field. It decided to focus on training rural associations in methods of canning, conserving and marketing food produced during high seasons—instead of focusing on supporting urban associations only.



SMALL AND MICROENTERPRISE DEVELOPMENT UNIT

During 2003 the Small and Microenterprise Development Unit committed \$1.1 million to 18 new projects, in addition to monitoring 12 projects that started in previous years. Of the new projects, 9 were completed. The unit also developed a number of projects scheduled to start in 2004. Since its inception, the SFD has committed \$5.1 million to 56 projects for small and microenterprise development

SMALL ENTERPRISE FINANCE

Since its creation the SFD has studied ways of increasing financing for small enterprises. Earlier SFD discussed this issue with banks and prepared a program to help some provide such financing, but the program was canceled for a number of reasons—the main one being that banks were not committed to entering this market.

At the same time, the SFD was monitoring the Small Enterprise Development Unit, which is a government institution specialized in small enterprise financing. In 2002 the unit was transformed into the Small Enterprise Development Fund (SEDF). The SFD discussed the requirements for increasing the capacity of the new fund to provide services to more small entrepreneurs. The SFD found that SEDF had ambitious plans for 2003 but lacked the financing needed to implement them. Thus the SFD provided a loan to help SEDF expand its activities as well as a grant for technical assistance to increase its institutional capacity and consolidate its share of the market.

The SFD also conducted a course on small enterprise financing and development in cooperation with the

Islamic Research & Training Institute of the Islamic Development Bank. The course addressed issues related to such financing, international experiences in the field and challenges in developing the industry. In addition, the course discussed how Yemen could benefit from such experiences in its efforts to develop small enterprises. The Islamic Development Bank's role in this field was also discussed.

BUSINESS DEVELOPMENT SERVICES

In 2003 the SFD conducted several meetings with target groups and various providers of business development services to study its possible role in increasing such services for small and microenterprises—a new area of SFD activity. The meetings led to the development of a pilot program that will provide training for owners of such enterprises—generating lessons for more comprehensive programs. The training will focus on members of NGOs and clients of microfinance programs. The SFD will coordinate with some NGOs to implement the training in cooperation with private providers and public training centers. Several projects will be implemented in cooperation with the Federation of Professional Societies in Taiz and some microfinance providers in Sana'a, Taiz and Aden. The program also includes projects to provide marketing support and increase cooperation with public training centers.

During the year the SFD also financed a survey on labor market demand, to improve understanding of employers' demand for various skills. This information will help improve the services provided by training centers.



A woman running micro economic activities—SFD-supported program in Dar Sa'ad, Aden governorate

The survey was conducted in 2003, and reports will be available in 2004.

MICROFINANCE

Microfinance accounts for most of the investments made by the Small and Microenterprise Development Unit. The SFD was the first institution to help establish microfinance programs in Yemen, and since its creation has worked to strengthen its microfinance capacity and experience. It has supported numerous microfinance experiments in cooperation with local organizations, with the goal of developing sustainable programs, and is considered the country's leading expert in the sector.

In 2003 the SFD supported a number of activities to build the capacity of microfinance programs, with a focus on advancing existing programs, increasing their capacity and developing management tools. Efforts included the

development of support tools such as management information systems and operating and training manuals, as well as continued experimentation with new microfinance methodologies. The SFD also completed a database that provides detailed information about SFD-funded microfinance programs, including indicators of their performance. In the future this system will be linked to the SFD Website so that providers can present their reports online. SFD projects have significantly improved the performance of microfinance programs.

NATIONAL MICROFINANCE FOUNDATION. The SFD aims to expand microfinance services for poor people, and has found that weak institutional frameworks are one of the main obstacles to doing so. Most Yemeni microfinance providers lack the capacity needed to expand.

In mid-2002 the SFD began funding

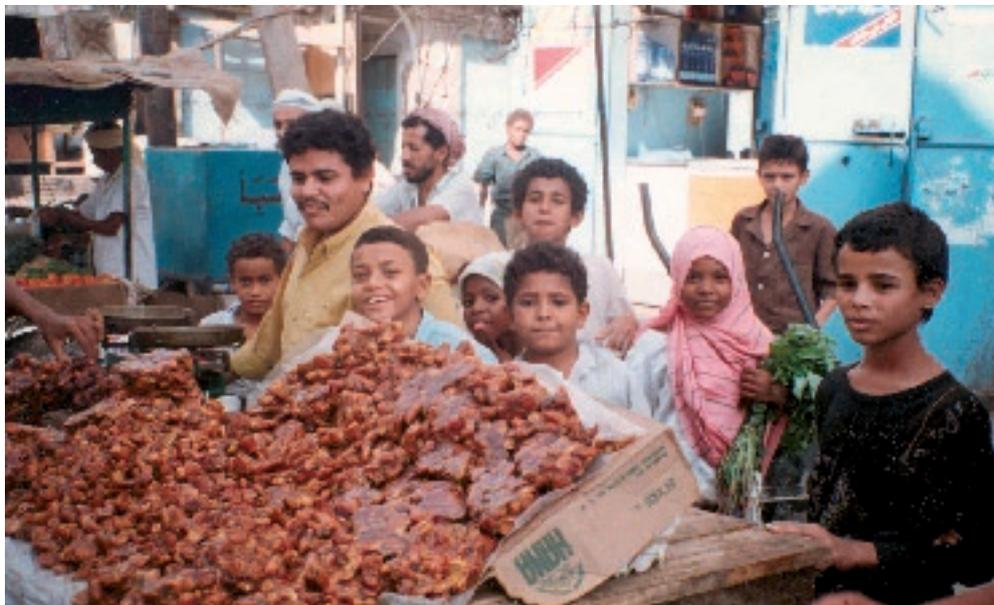
the Alif Microfinance Program, an experimental program that provides microfinance in three branches in three governorates—Taiz, Ibb and Dhamar—using a group lending approach. An evaluation conducted a year later recommended creating an institution specialized in microfinance to supervise the program and help it grow.

The SFD took the initiative in developing this institution, leading to an agreement with a group of businessmen, social figures and institutions to establish the National Microfinance Foundation with capital of 20 million Yemeni riyals. It was agreed that the foundation would take over the Alif Microfinance Program, which by the end of 2003 had 4,957 group members and 1,579 borrowers—all of them women. The foundation is expected to play a significant role in developing Yemen's microfinance industry.

MA'EEN LOAN TRACKING SYSTEM. An efficient loan tracking system is among the most important tools for any microfinance program. Accordingly, since its creation the SFD has helped various programs develop their own tracking systems. But in 1999 it also began developing a computerized system to meet the needs of all microfinance programs—an approach that provides flexibility as well as the ability to service a wide range of programs at the lowest cost. The Al-Hudeidah Microfinance Program was the first to start using the system in 1999. After a year the system was evaluated, and a new development phase led to the creation of a more powerful, and efficient system.

With the establishment of new microfinance programs came the need for a new system that performs new functions, so the SFD helped upgrade the system. By the end of 2003, six microfinance programs were using the

A man running a micro economic activity—Al-Hudeidah Microfinance Program



new system. The system has improved significantly due to SFD efforts, and provides a high level of functionality and flexibility. As a result, some other microfinance programs have expressed interest in obtaining the system, including programs financed by the Microstart project (see below).

MICROSTART II PROJECT. Microstart is a microfinance initiative sponsored by the UNDP that started in 2000 and ended in 2002. A second phase of the project, Microstart II, started in 2003 in partnership with the SFD, with the SFD providing funds for onlending as well as technical assistance. The project supports the Al-Hudeidah Microfinance Program and the Microenterprise Development Projects in Sana'a and Taiz.

The SFD is the project's local technical assistance provider. During 2003 it provided the three Microstart II

programs with direct monitoring and support, and contributed to the implementation of the overall technical assistance plan in cooperation with the international technical assistance provider. These efforts led to the completion of the project's inception study, preparations for transforming the Taiz project into a company and implementation of a number of training activities, including courses on strategic planning and lending methodologies.

NEW PHASES OF EXISTING PROGRAMS. During 2003 the SFD provided further support to a number of existing microfinance programs: the Adeni Women's Association (Al-Mualla District, Aden governorate), Al-Wafa'a Association (Al-Sheikh Othman District, Aden governorate), Al-Thuraya Association (Dar Sa'ad District, Aden governorate), Family Development Association (Hais, Al-Hudeidah governorate) and



A client of one of SFD-supported microfinance programs

Women's Association (Bait Al-Fakeh, Al-Hudeidah governorate). Under these agreements the SFD provided additional funds for onlending, as well as technical assistance for programs that showed success in their previous phases (box 11).

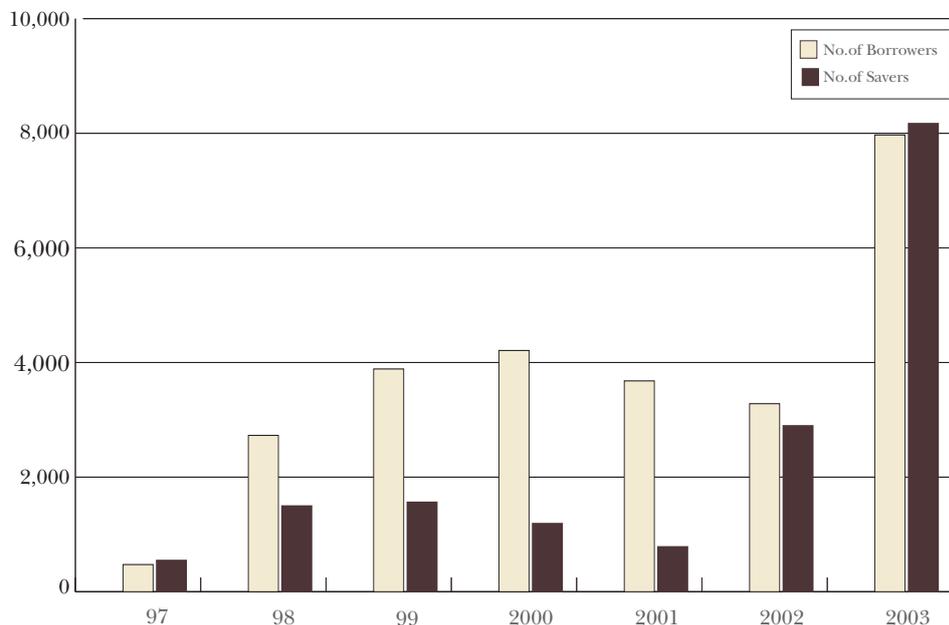
NEW PROGRAM. In 2003 the SFD agreed to provide microfinance in Abyan in cooperation with the local branch of the Yemen Women's Union. By the end of the year the new program was providing services to women's groups in the area.

AL-AMAL BANK FOR MICROFINANCE. The Yemeni government, in cooperation with the Arab Gulf Fund and the Yemeni private sector, is seeking to establish a bank specialized in microfinance. The SFD was asked to contribute to this effort because of its experience in the field. It financed

the studies needed to establish the bank and organized discussion meetings with the bank's shareholders. Through this project the SFD is promoting the bank's use of best practices in microfinance. To that end, the SFD has made use of a number of experts. In addition, the SFD was represented in the technical committee responsible for supervising the bank's establishment.

TRAINING. The SFD has organized a number of courses to increase the skills and capacity of employees of microfinance programs, covering areas such as financial analysis and strategic planning. Preparing such courses is lengthy and time consuming. The SFD has helped develop them by drawing on its experience and that of local and international microfinance providers. The most

Figure 2: Number of clients in SFD-supported microfinance programs, 1997–2003



important courses held in 2003 were the:

- Credit officers training course, which exposed credit officers to basic information about their jobs and the skills they should have to perform their duties successfully.
- Financial analysis training course, which provided microfinance managers with the basic skills needed to analyze the financial performance of their programs. The course, which involved 25 participants from several programs, was organized in cooperation with the Microfinance Network of the Arab Countries (also known as Sanabel), and used material developed by the Consultative Group to Assist the Poorest (CGAP).
- Self-help groups training course, which provided an introduction to

microfinance, best practices and self-help groups. Participants included members of associations from Al-Mukalla, Lahj, Abyan, Abs, Hajjah, Shabwa, Dar Sa'ad, Socotra and Al-Gheidha.

- Training of self-help groups, a series of short courses implemented by microfinance programs to raise awareness among self-help groups and train them in their responsibilities. A number of such courses were held in Ibb, Taiz, Dhamar, Al-Mualla, Dar Sa'ad and Al-Sheikh Othman. Workshops, seminars and conferences. One of the SFD's goals is to continuously learn and benefit from the experiences of existing microfinance programs. The SFD also tries to increase awareness among communities and influential parties about the importance of microfinance and its role in serving target groups. Thus during 2003 the

Figure 3: Outstanding loan portfolio and total savings in SFD-supported microfinance programs, 1997–2003 in thousands of YR

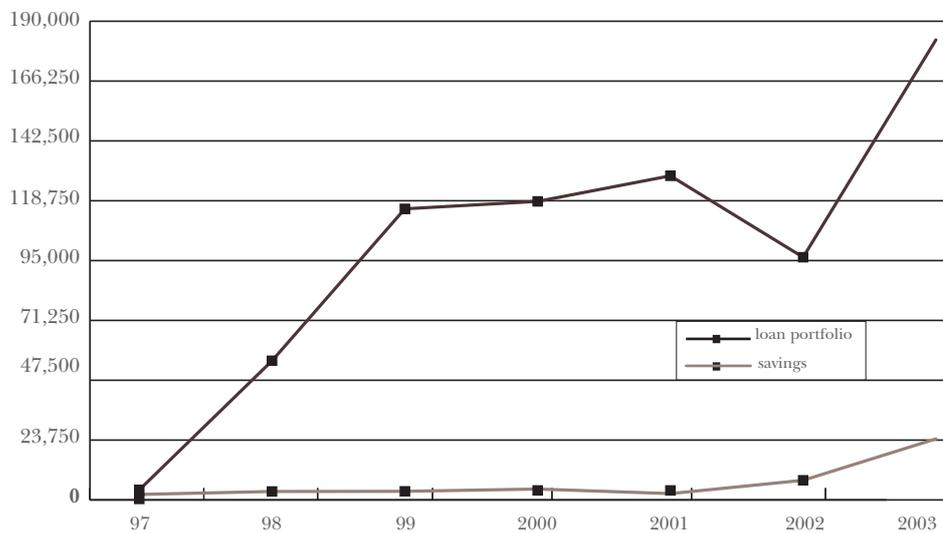


Figure 4 : Average outstanding loan balance in thousands of YR

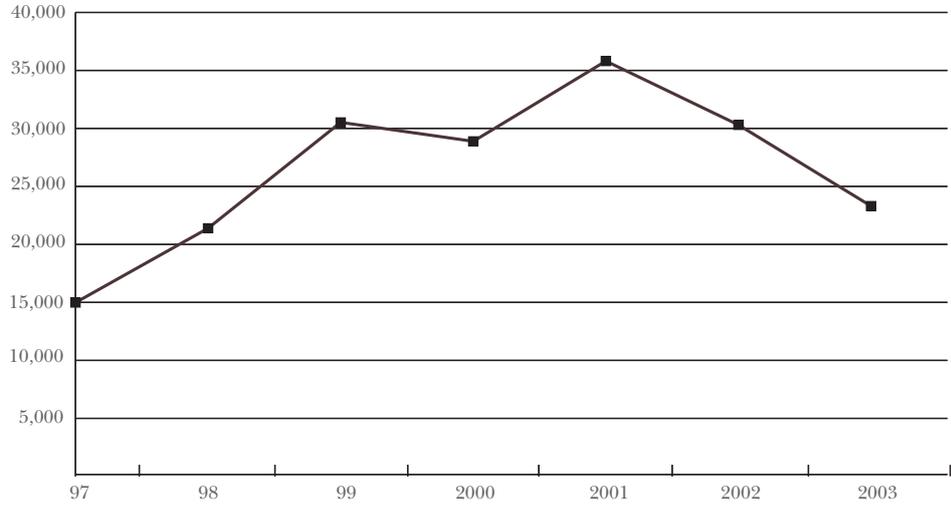
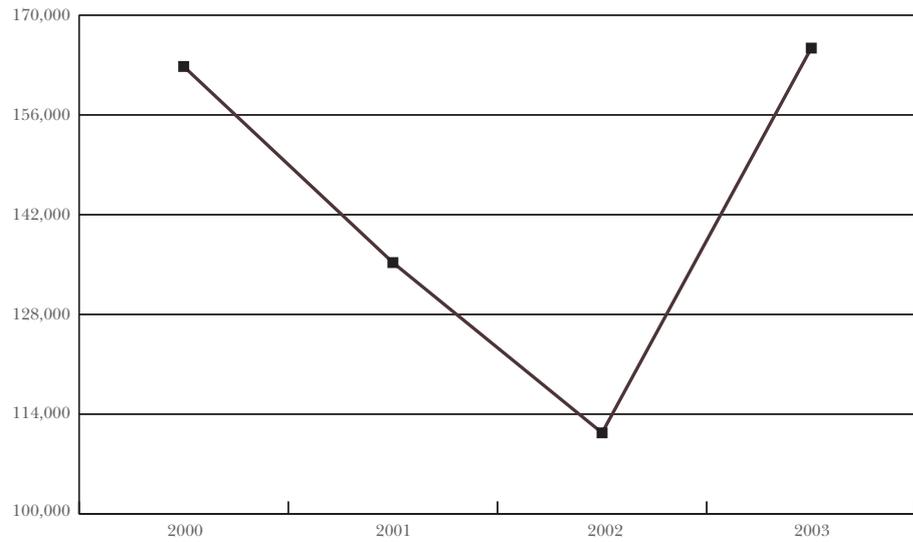


Figure 5 : Loan amounts disbursed in thousands of YR



Small and Microenterprise Development Unit conducted a number of workshops to increase knowledge and facilitate the exchange of information and experiences, in addition to promoting microfinance. The following workshops were held:

- Second Workshop for Microfinance Practitioners—the second in a series that the unit organizes for microfinance workers. The workshop discussed general microfinance issues and sought to strengthen cooperation among workers in the field.

- Workshop of SFD Microfinance Partners—the first of its kind, aimed at sustaining dialogue with the SFD’s

partner agencies to learn their implementation challenges.

- Rural Microfinance Workshop—organized by the Naser Academy for Agricultural Sciences at the University of Aden. The SFD helped finance the workshop, which discussed difficulties in rural finance and how they can be overcome. During the workshop the SFD presented its experience in this field.

- Workshop on the ASA’s Microfinance Experience—which familiarized a number of interested parties on the ASA’s experience in microfinance. (The ASA is one of the largest microfinance providers in Bangladesh.) Mohamed Choudary, the ASA’s managing director, made a presentation on the organization’s

BOX 11: “THANKS TO ALLAH....”—THE STORY OF A FEMALE MICROFINANCE BORROWER

Jamala Ayesah Mahmood is a woman living in Dar Sa’ad, one of the poor areas in Aden governorate. She shared the following story:

Poverty is not a shame, but surrender is. One day, as I was doing my job next to the municipality building—as an employee of the municipality—I saw many people coming and going from a nearby building. I was curious and asked a woman what they were doing. She replied, “Don’t you know about this program [the Dar Sa’ad Savings and Credit Program]? It helps poor people by giving loans to women so that they can invest in small activities to generate income. To get a loan, you must be a member of a women’s group in which all members know each other, are from the same area and save money collectively.”

I thought a lot before going to the program. Would they accept me? Perhaps not, because I work for the municipality...But in the end I said, who cares! I entered the program’s office and asked how to join, and they told me everything. In March 2003 I formed a group, which we named Group 55. It started with 18 members, and now has 21. The first loan I took was for 20,000 riyals.

In the past I worked for others, selling things for them. But after I took the loan, I started selling for myself. I started by buying and selling sheep. I did well, and paid back the loan the second day of every month during the group meeting. Then I took a second loan, for 70,000 riyals, during the Eid [annual Muslim festival], and with it I bought and sold more sheep. Now I want to open a small shop so that I can earn more. At the end, I say thanks to Allah that poor people have such a program.

development and achievements, and the challenges it has faced.

- Workshop on the NABARD Bank of India—Marwaha Gopal, one of the bank’s managers, presented its experience in financing small enterprises and self-help groups, which are informal groups of women that the Bank finances with small loans.

In addition, the SFD participated in a number of international microfinance activities, the most important of which were the International Conference for Financial Development in the Arab Countries (held in February 2003 in Abu Dhabi, United Arab Emirates) and the First Conference of Sanabel/the Microfinance Network of the Arab Countries (held in December 2003 in Amman, Jordan). At both conferences the SFD presented papers about its experiences with microfinance.

MONITORING AND TECHNICAL ASSISTANCE. Project officers in the Small and Microenterprise Development Unit continuously monitor existing projects and programs.

Field visits play an important role in monitoring performance and providing guidance to the programs. In addition, project officers provide training and technical assistance to employees of microfinance programs, and help implement systems and policies.

ANALYSIS OF THE PERFORMANCE OF MICROFINANCE PROGRAMS. At the end of 2003 there were 13 microfinance programs tied to the SFD by contracts for technical and financial support.

These programs served about 8,000

borrowers (81 percent of them women), representing 80 percent of the borrowers in microfinance programs in Yemen (figure 2). The programs also reached nearly 8,200 savers (95 percent women)—representing 100 percent of savers in microfinance programs. Most of the savers were also borrowers. The number of clients in SFD-supported microfinance programs rose considerably in 2003—reflecting the large growth of the Alif Microfinance Program and the addition of the Microenterprise Development Projects in Sana’a and Taiz to SFD-supported programs (table 10). Accordingly, in 2003 the number of loans disbursed reached 8,542. In addition, the amount of loans shot up 44 percent, reaching 237 million Yemeni riyals (184 YR= 1 USD). Since its creation, SFD-supported microfinance programs have disbursed 928 million.

The outstanding loan portfolio of the microfinance programs jumped as well, as did the total amount of savings (figure 3). Savings also increased as a share of outstanding loans, rising from 6 percent in 2002 to 12 percent in 2003.

The average outstanding loan balance in SFD-supported microfinance programs fell from 30,000 riyals in 2002 to less than 24,000 riyals in 2003—indicating effective targeting of poor clients. The number of loans to women increased, and the average loan to women is half that to men. In addition, the average loan is lower than the average per capita income in Yemen, indicating that most microfinance clients are poor.

TABLE (17) THE SFD'S PORTFOLIO OF MICROFINANCE PROGRAMS, DECEMBER 2003

Program	Active clients				Outstanding loan portfolio (Y.R)	Total saving (Y.R)	Cumulative data		Area of service
	Borrowers		Savers				Borrowers	Loans (Y.R)	
	No	Female share (%)	No	Female share (%)					
Al-Hudeidah Microcredit	1,005	12	-	-	29,943,305	-	5,072	320,924,639	Al-Hudeidah City
Hais Credit and Saving	340	90	909	85	13,909,967	2,595,803	1,345	54,070,000	Hais, Al-Hudeidah
Marawah Program	100	32	-	-	6,860,128	-	3,306	151,014,173	Al-Marawah, Al-Hudeidah
Wadi Hadramout Microfinance	252	26	-	-	11,388,807	-	512	38,368,221	Seiyun, Hadramout
Dar Sa'ad Savings and Credit	608	98	847	83	11,331,514	2,584,746	1,207	37,570,000	Dar Sa'ad, Aden
Al-Mualla Savings and Credit	378	100	617	100	7,999,737	2,416,460	763	26,993,000	Al-Mualla, Aden
Sana'a Microfinance	480	40	140	100	15,969,815	182,150	749	45,398,000	Sana'a City
Al-Sheikh Othman Savings and Credit	297	95	460	96	3,852,765	1,134,839	388	8,444,745	Al-Sheikh Othman, Aden
National Microfinance Foundation	1,579	100	4,957	100	27,296,250	13,179,465	2,090	60,114,775	Cities of Dhahar, Ibb, Yarim, Al-Qaeda, and Taiz
Bait Al-Fakeh Savings and Credit	93	66	242	68	999,280	363,540	128	2,180,353	Bait Al-Fakeh, Hodiedah
Sana'a Microfinance	1,542	100	-	-	26,068,500	-	1,543	26,084,000	Sana'a City
Taiz Microstart	1,160	-	-	-	28,864,000	-	1,912	45,816,000	Taiz City
Abyan Savings and Credit	136	100	-	-	1,254,760	-	136	1,548,300	Abyan
Other activities							3,589	109,411,839	
Total	7,970		8,172		185,738,828	22,457,003	22,740	927,938,045	

THE SFD'S MAIN SOURCES OF FUNDING

The SFD is proud to have an excellent relationship with the donors and financiers that sponsor its activities. This strong relationship is reflected in the large amount and high quality of financial and technical support they provide to the SFD, in their rapid responses to SFD funding requests and in their flexible and positive interactions with the SFD. During its first and second phases of operations the SFD fulfilled the reporting requirements of all its financiers. In addition, most of the SFD's financiers perform their own audits and assessments.

By the end of 2002 the SFD had almost completed disbursements for all projects approved during its first phase (1997–2000), with funds provided by credit from the World Bank's International Development Association (IDA), a loan from the Arab Fund for Economic and Social Development, a loan from the OPEC Fund for International Development, grants from the Dutch, Japanese and U.S. governments, and funds from the government of Yemen.

During 2003 the SFD prepared an assessment of its first phase that was forwarded to the World Bank. The Bank also conducted a comprehensive assessment in an effort to identify and implement lessons from that phase. The Bank's report was supported by a workshop to discuss feedback from NGOs and beneficiary committees that sponsored projects during the phase.

In addition, in 2003 several financiers

sponsored negotiation and assessment missions to the SFD, with the most important being:

- World Bank missions, which performed activities related to midterm review of SFD for second phase, closing of the first phase, credit 2953, and the trust funds supporting it (Dutch TF020452, OPEC Fund 04270, and Japanese PHRD 26373).

- In addition, Bank missions were dedicated to discussing the SFD's third phase and the trend of its activities.

- An EU mission, which conducted a midterm review that included field visits to 42 EU-funded projects.

- Missions by financiers such as the Islamic Bank for Development and the Dutch government.

In October, 2003 the World Bank sponsored a meeting for SFD current and potential financiers in an effort to raise support for SFD third phase activities, which will cover 2004–08. The current status of various SFD financing activities are summarized below.

WORLD BANK/INTERNATIONAL DEVELOPMENT ASSOCIATION

FIRST CREDIT (2953). The 482 projects funded by this \$29.3 million loan were approved during the first phase of SFD operations and completed by 2002 (table 11). The credit included activities to build the SFD's institutional capacity and staff skills. Projects involved education

(293), health (55), institutional support (45), water (40), training (25), microfinance (16), groups with special needs (3), the environment (3) and roads (3). These projects reached 600,000 direct beneficiaries, 47 percent of them women, and created 800,000 days of temporary employment.

SECOND CREDIT (YEM-3353). This \$75 million credit, provided in 2001, has funded projects in the sectors of water, education, health, roads, groups with special needs, the environment, institutional support, training, cultural heritage, integrated interventions, microfinance and small enterprises. The projects are expected to reach 2.5 million direct beneficiaries, 49 percent of them female, and generate 2.8 million days of temporary employment. At the end of 2003 total disbursements were \$59.2 million.

INSTITUTIONAL DEVELOPMENT GRANT IN SUPPORT OF THE NONGOVERNMENTAL ORGANIZATIONS ACT (WBTF050401). This \$182,250 grant, signed by the government of Yemen in 2002, supports the institutional development of civil society organizations by promoting and raising awareness about the Nongovernmental Organizations Act, which was approved in 2001. The grant was allocated to create executive and organizational explanations of the act, and to establish centers and offices to help introduce it. In addition, part of the grant is being used to finance study tours to neighboring countries for the supervisory Ministry of Social Affairs and Labor and some nongovernmental

organizations.

DUTCH GOVERNMENT

DEVELOPMENT GRANT (TF 020452). This grant of 14 million Dutch guilder was provided in 1998 to fund projects during the SFD's first phase. The grant financed 86 projects involving education (58), water (8), institutional support (8), health (6), training (3), groups with special needs (1), the environment (1) and roads (1). Direct beneficiaries totaled 200,000 people, 51 percent of them women. Activities under the grant were concluded by the end of 2003.

SCHOOL OVERCROWDING REDUCTION GRANT (YE 009804B). Signed in 2002, this grant provided \$8 million to fund a program aimed at increasing capacity and reducing overcrowding in public schools, constructing new schools in urban areas and purchasing 70,000 chairs to furnish some schools built by the Ministry of Education. Financing was committed for 61 projects, 40 of which involved expanding schools and constructing new ones and 21 of which involved providing furniture for schools in all governorates (with an average of one project per governorate). The projects benefited about 300,000 students, 44 percent of them female, and involved 3,826 classrooms. The grant was concluded in November 2003.

DEVELOPMENT GRANT (YE 024601). This grant will finance 241 projects worth \$21.9 million with a focus on improving the living conditions of poor people. By the end of 2003 the entire grant had been directed to projects

for education, health, institutional support, training, groups with special needs, water, roads, the environment, integrated interventions, and cultural heritage. By the end of 2003 disbursed amounts had reached \$17.7 million.

ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT

LOAN 350/1997. This \$19.8 million loan started being used in mid-1998 and was closed at the end of 2002. The loan funded 350 SFD projects involving education, health, water, the environment, roads and microfinance. The microfinance projects are still under way because the life-cycle of such projects can span five years. Initiated in 2001, they include savings and credit programs in Hadhramout and Aden as well as microfinance programs in Ibb, Taiz and Dhamar. Projects under the loans are expected to reach 800,000 direct beneficiaries, 49 percent of them female, and provide 700,000 days of temporary employment.

LOAN 425/2002. This \$49.8 million loan, received in April 2002, is financing projects involving education, water, health, roads, the environment, groups with special needs, cultural heritage and microfinance.

GRANT FOR THE GREAT MOSQUE RESTORATION. This \$1.5 million grant was used for the preservation and renovation project of the Great Mosque of Sana'a.

U.S. GOVERNMENT

WHEAT COUNTER VALUE AID PROGRAM 1999. This

\$7.2 million grant was used to finance 29 projects for health, the environment, roads, cultural heritage and groups with special needs .

WHEAT COUNTER VALUE AID PROGRAM 2000.

This \$9.0 million grant, provided in June 2001, funded 98 projects involving education (95), cultural heritage (2) and health (1), reaching more than 43,000 direct beneficiaries—44 percent of them female—and generating 300,000 days of temporary employment.

WHEAT COUNTER VALUE AID PROGRAM 2001.

This \$5.0 million grant will be used for development projects around the country, focusing on highly tribal governorates such as Marib, Al-Jawf, Sa'ada, Amran and Shabwa. Part of the grant will be used to finance the first phase of the Marib Museum, which will help generate tourism in Marib and in the country as a whole.

WHEAT COUNTER VALUE AID (SUPPORT FOR HEALTH CADRE).

This \$0.6 million grant was allocated to capacity building for health workers in the Sana'a and Marib governorates. The grant was first used in 2003 to train 202 male and female students in health institutes in Sana'a, Aden, Taiz, Ibb, Hajja and Marib in a range of health specialties.

EUROPEAN UNION GRANT

B7-3000/IB/97/0466. This 15 million euro grant, provided in 1998, has been used to fund water harvesting and roads projects as part of the SFD's Community Development Program. In addition, the grant has helped build the capacity of

NGOs and local settlements—supporting their organizational capacity, helping them in health, environmental and financial activities, and conducting training in microfinance. Since 2000 the grant has been used to finance 184 projects. It is expected to be concluded at the end of 2004.

OPEC FUND FOR INTERNATIONAL DEVELOPMENT

LOAN 721 P. This \$6.0 million loan was used to fund 115 projects in education (86), health (19) and water (10). The projects reached nearly 200,000 direct beneficiaries, 54 percent of them female, and generated 200,000 days of temporary employment. This funding activity was concluded in mid-2003.

ISLAMIC BANK FOR DEVELOPMENT

LOAN 2YAR/50. A \$6 million loan was provided in 2000 to support SFD

activities, and started being used in early 2003 to finance community development projects in education, water, health and rural roads.

JAPANESE GOVERNMENT

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

TABLE (18): SOURCES OF FUNDS, 1997-2003 (AMOUNTS IN U.S. DOLLARS)*

Sources	1997	1998	1999	2000	2001	2002	2003*	Total
IDA/World Bank 2953, First phase	2,125,976	6,237,451	14,145,398	4,555,602	2,115,281	124,867	-	29,304,575
IDA/World Bank, Second phase	-	-	-	-	10,386,683	21,398,527	27,447,278	59,232,488
World Bank Grant TF050401	-	-	-	-	-	-	49,783	49,783
Yemeni Gov.	-	-	588,033	591,652	884,956	862,069	1,763,429	4,690,139
European Commodity Aid	76,923	-	-	-	-	-	-	76,923
European Grant B-3000	-	-	-	1,157,987	967,651	2,620,685	6,851,564	11,597,887
Dutch Grant for Al-Hudaidah Microfinance Program	35,000	6,003	-	-	-	-	-	41,003
Dutch Grant TF020452	-	-	654,756	2,543,328	485,775	1,796,295	295,369	5,775,523
Dutch Grant YE 009804B	-	-	-	4,098,402	1,971,163	1,639,064	261,487	7,970,116
Arab Fund for Economic and Social Development 97/350	-	-	1,950,000	10,246,784	7,355,431	18	-	19,552,233
Arab Fund for Economic and Social Development 425/2002	-	-	-	-	-	6,769,336	8,475,893	15,245,229
American Commodity Aid SEC (416-b) 1999/2000	-	-	3,130,675	-	6,567,079	4,236,321	-	13,934,075
American Commodity Aid SEC- Training of Health Cadre	-	-	-	-	-	-	581,363	581,363
American CommodityAid SEC (416-b) 2001	-	-	-	-	-	-	2,493,489	2,493,489
OPEC Fund for International Development-721P	-	-	-	1,312,936	3,667,554	742,461	274,371	5,997,322

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

Islamic Development Fund, loan 50/YAR	-	-	-	-	-	-	-	-	-	1,489,131	1,489,131
Japanese Grant TF 026373	-	-	-	-	-	-	50,000	65,394	86,851	202,245	202,245
Dutch Grant Toward Second Phase-YE 024601	-	-	-	-	-	-	5,976,096	3,500,000	8,215,710	17,691,806	17,691,806
Total of Sources	2,237,899	6,243,454	20,468,862	24,506,691	6,026,096	3,565,394	6,026,096	3,565,394	13,140,915	195,925,330	195,925,330
Interest earned	-	79,413	46,423	445,751	441,603	448,587	441,603	448,587	372,931	1,834,708	1,834,708
Incomes	-	-	64,909	141,915	697,318	889,733	697,318	889,733	1,119,158	2,913,033	2,913,033
Recovered expenses	-	-	-	181,208	54,193	95,967	54,193	95,967	157,280	488,648	488,648
Recovered loans	-	-	-	-	-	-	-	-	222,037	222,037	222,037
Grand Total of sources	2,237,899	6,322,867	20,580,194	25,275,565	41,622,784	45,191,326	41,622,784	45,191,326	60,157,125	201,383,756	201,383,756

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

ANNEXES

COMMITMENTS, DISBURSEMENTS, BENEFITS AND MAPS OF PROJECTS LOCATIONS
AROUND THE COUNTRY BY DONOR

Table (19): SFD commitments by program

Program	Commitments in millions of US\$	
	2003	Cumulative
Community Development	42.1	224.8
Capacity Building	4.7	20.3
Small and Microenterprise	1.1	5.2
Total	47.9	250.3

Table (20):SFD disbursements by program

Program	Disbursements in millions of US\$	
	2003	Cumulative
Community Development	50.6	156.3
Capacity Building	8.1	22.5
Small and Microenterprise	1.2	4.1
Total	59.9	182.9

Figure 6: Distribution of SFD commitments by Sector, 2003

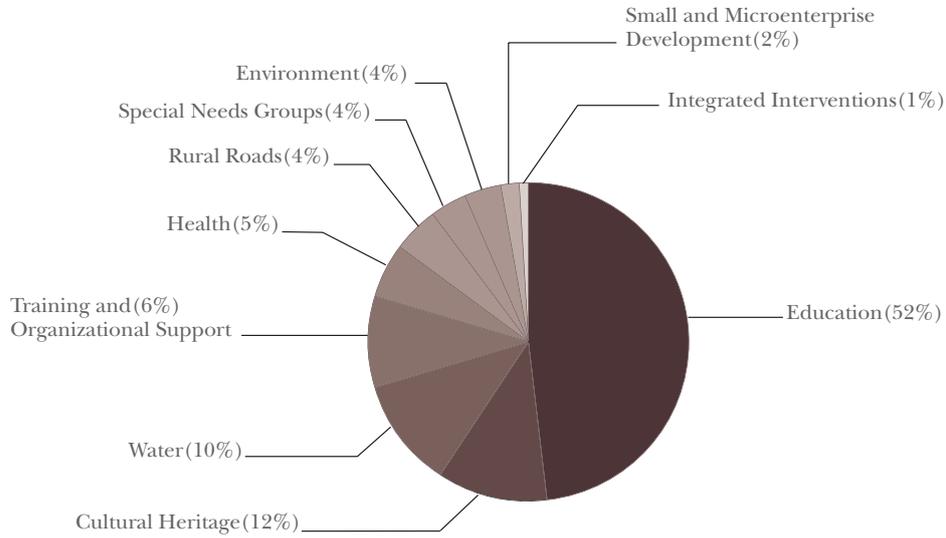


Figure 7: Distribution of SFD commitments by Sector, 1997-2003

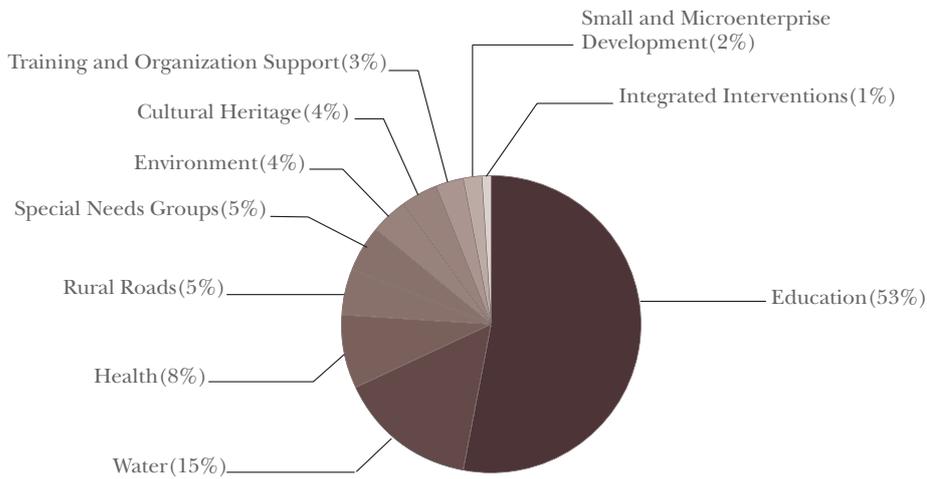


Figure 8: Geographic Distribution of SFD commitments by governorate, 2003, millions of U.S. dollars

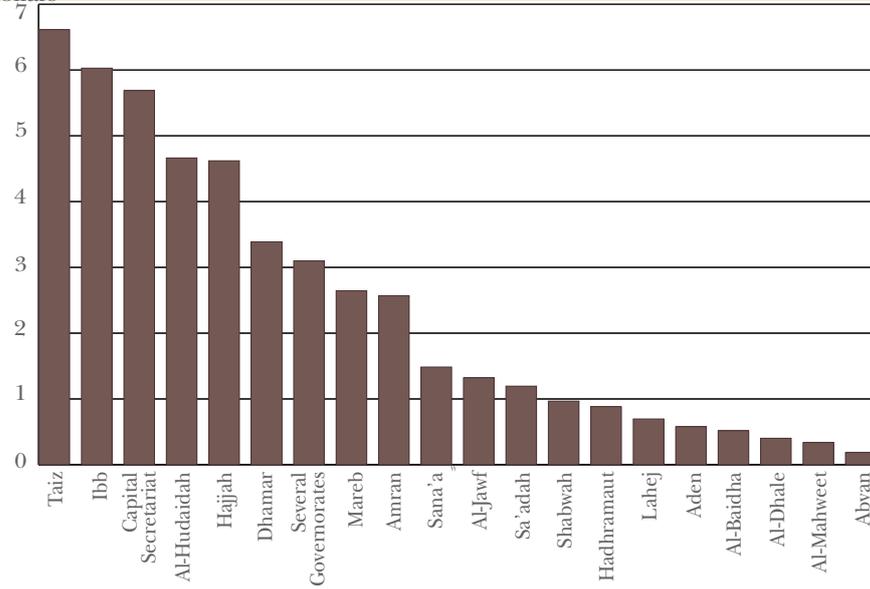


Figure 9: Geographic Distribution of SFD commitments by governorate, 1997- 2003, millions of U.S. dollars

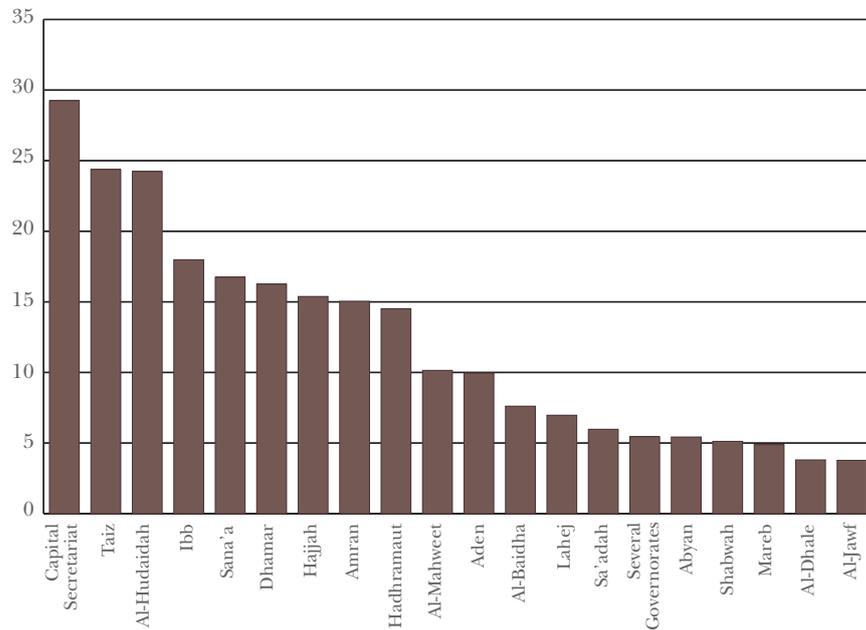


Figure 10: SFD commitments, 1997-2003

Millions of U.S. dollars

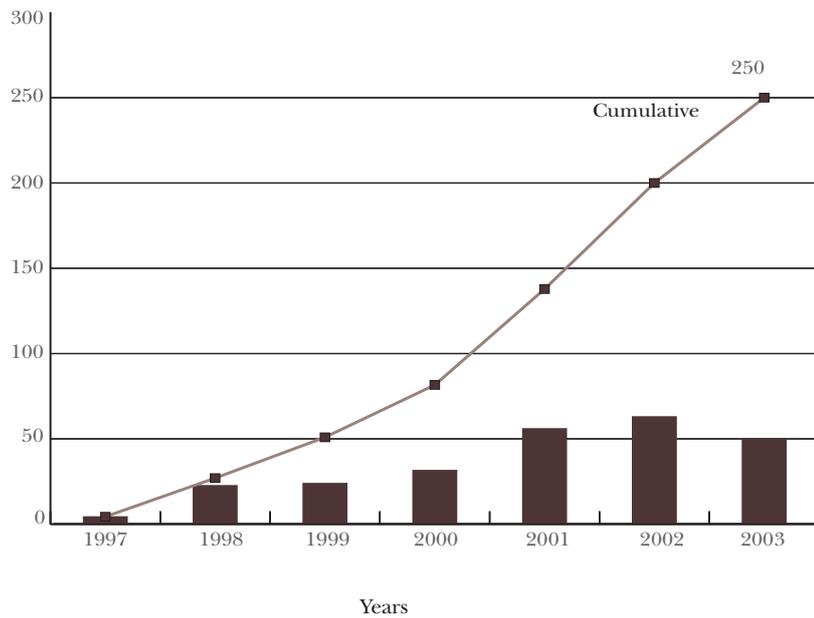


Figure 11: SFD disbursements, 1997-2003

Millions of U.S. dollars

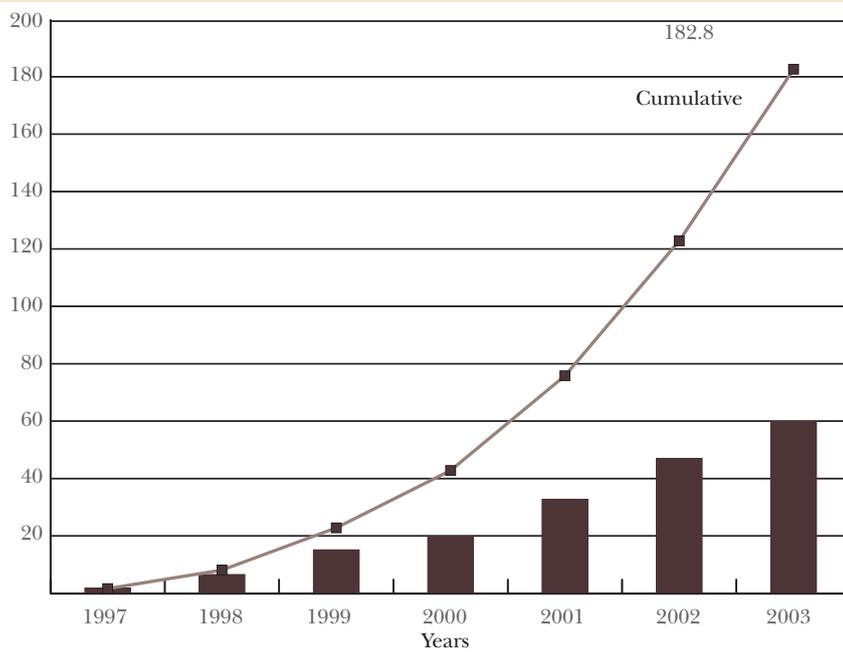


Figure 12: Temporary employment created by SFD projects, 1997-2003 (person/day)

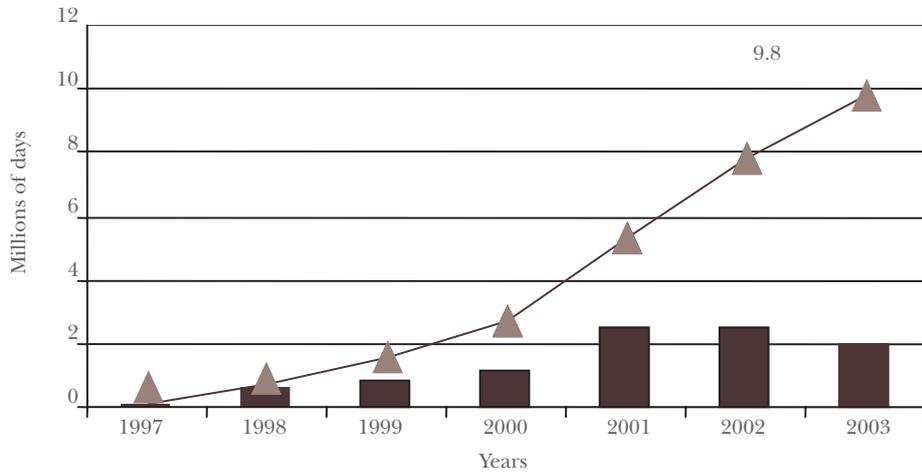
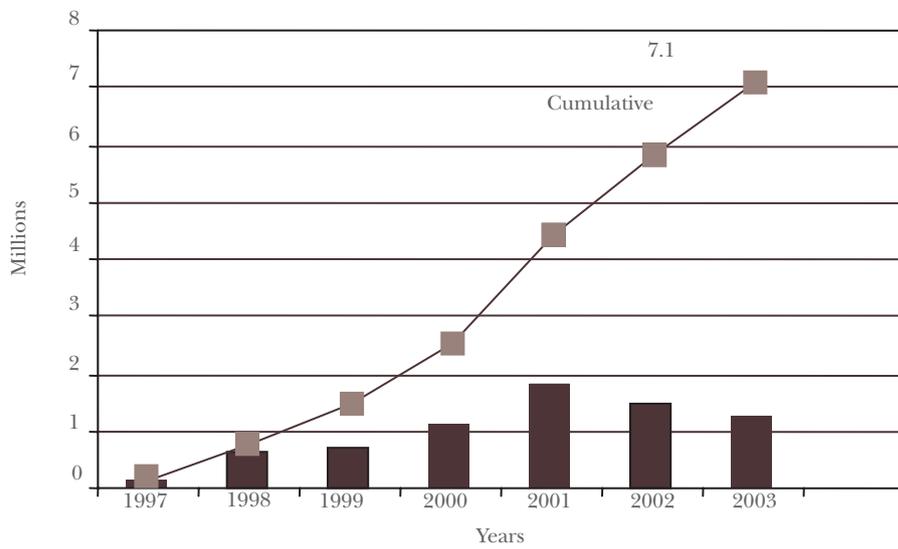
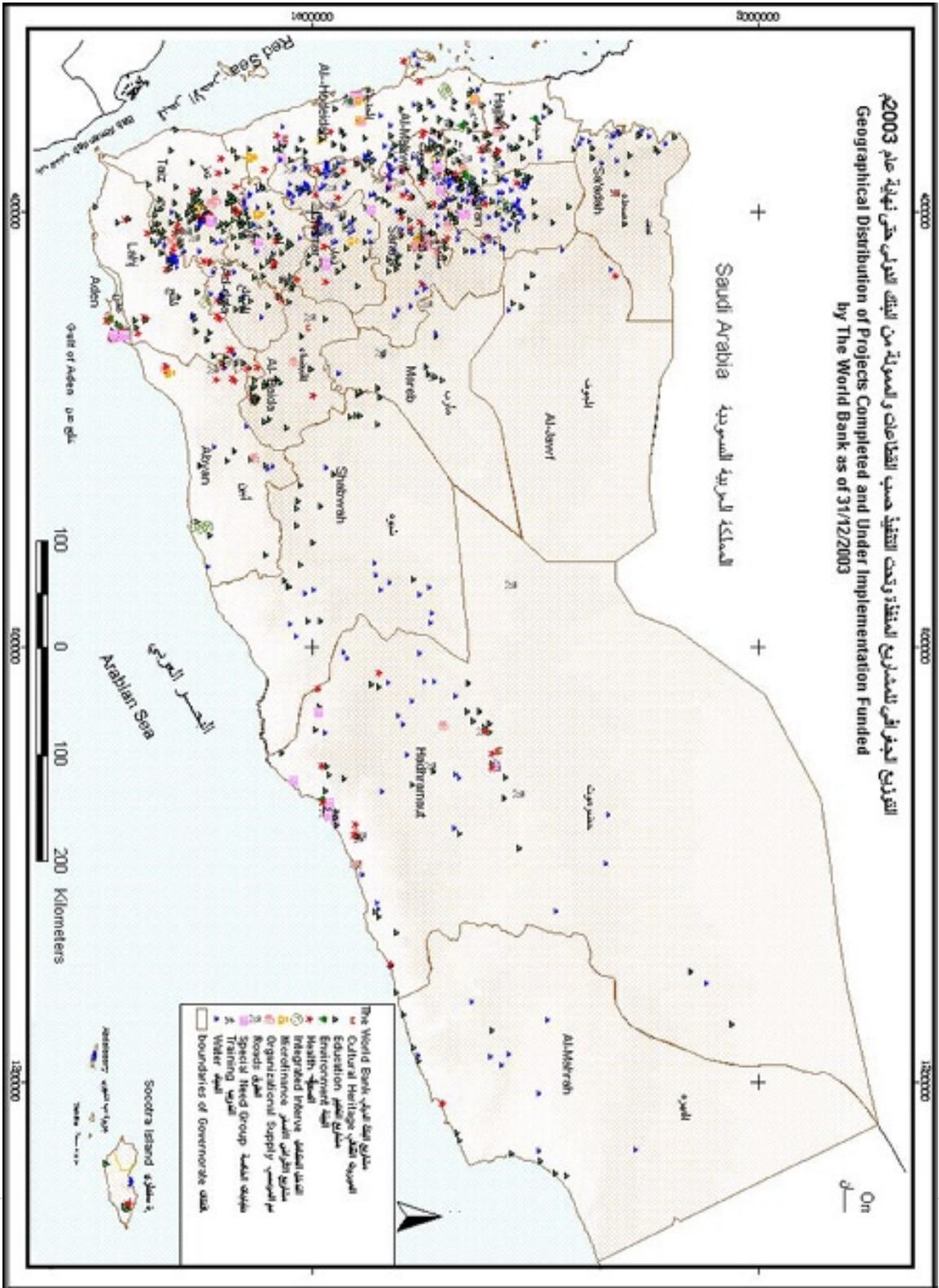
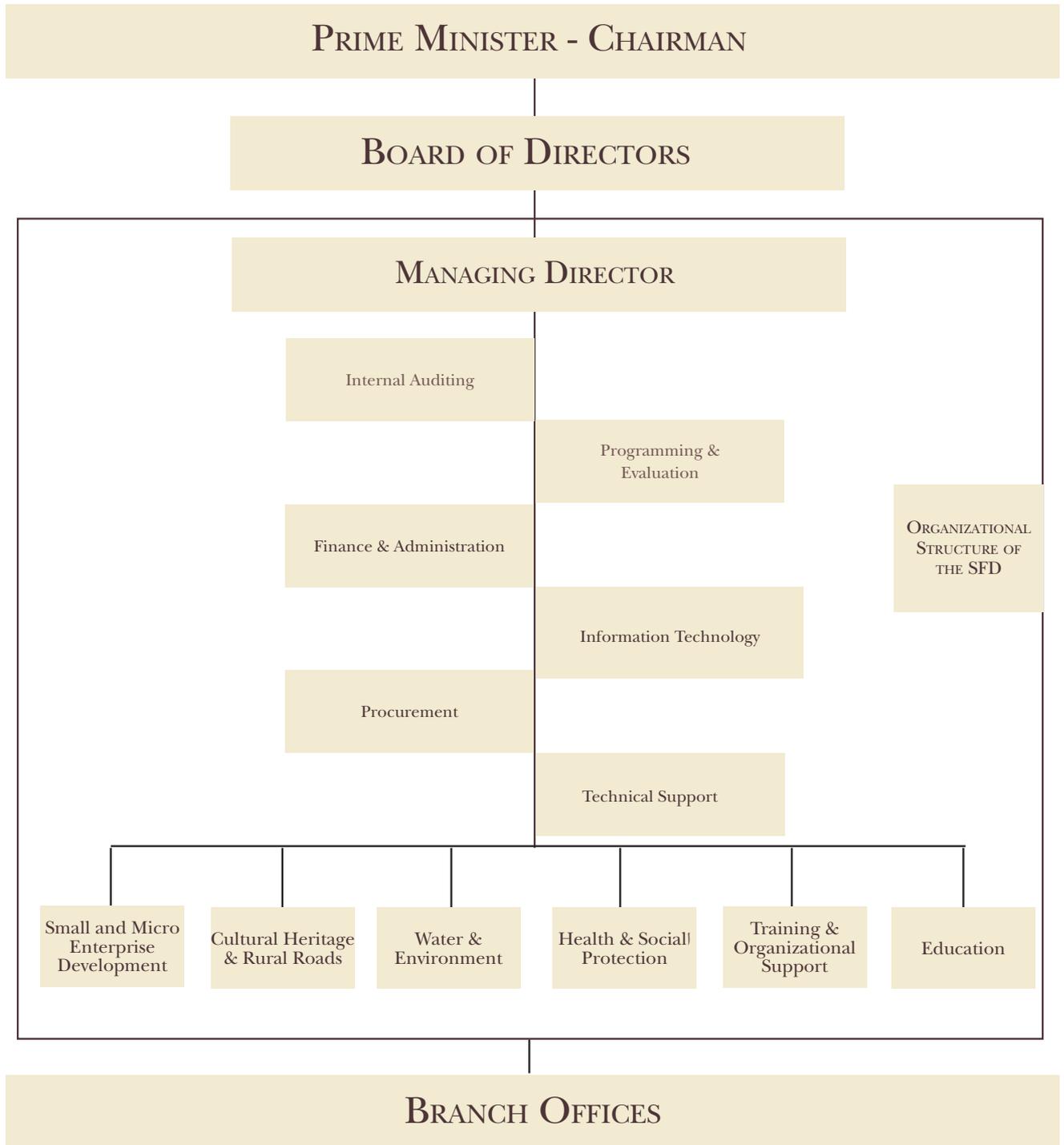


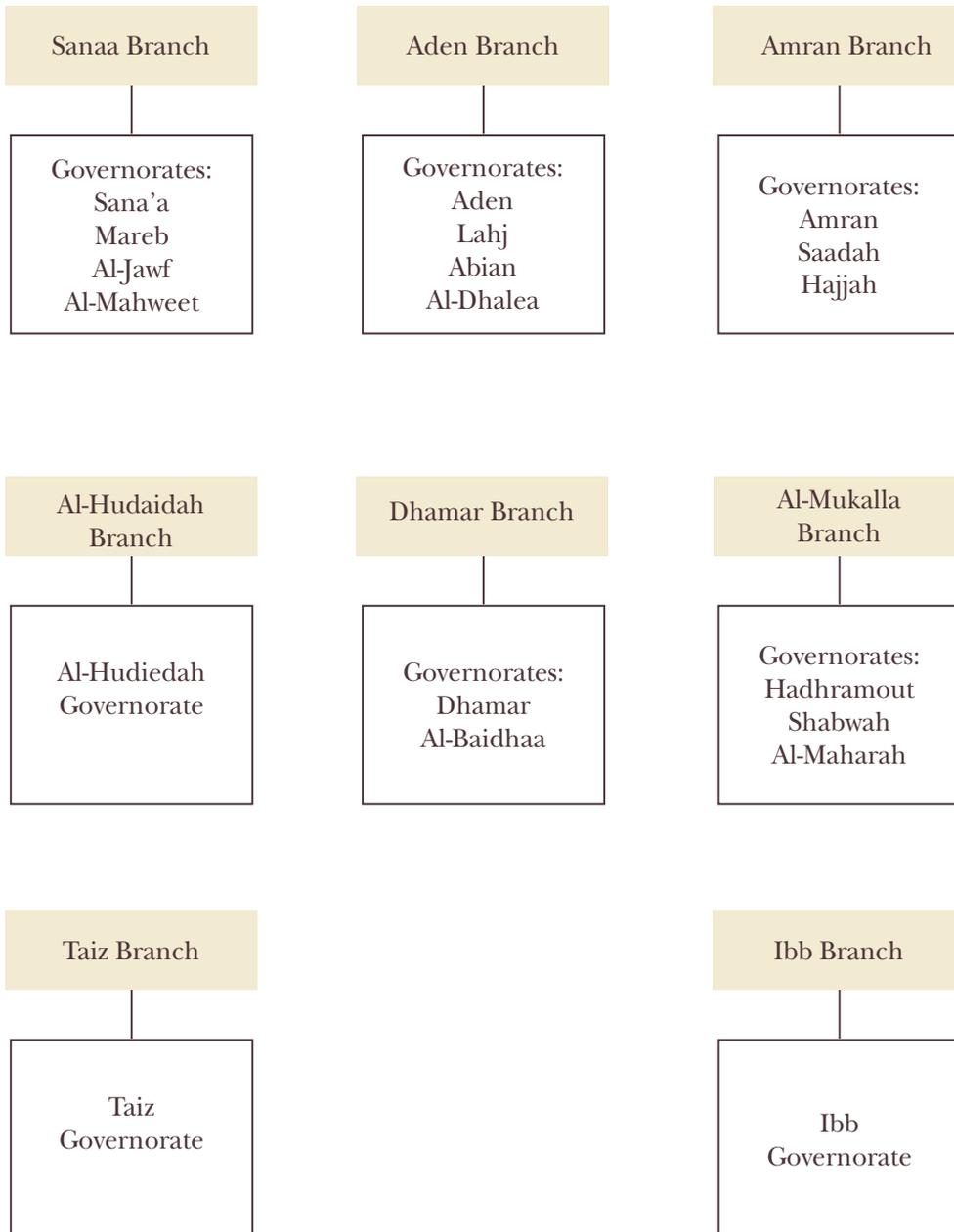
Figure 13: Direct beneficiaries of SFD projects, 1997-2003







SFD Branch Offices



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