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Al-Iryani, Lamis; De Janvry, Alain; Sadoulet, Elisabeth

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Delivering good aid in hard places: The Yemen Social Fund for Development approach

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WIDER Working Paper No. 2013/080

Delivering good aid in hard places

The Yemen social fund for development approach

Lamis Al-Iryani[1], Alain de Janvry[2], and Elisabeth Sadoulet[2]

September 2013

Abstract

The Yemen Social Fund for Development (SFD) was established in 1997 with the support of the international community, and in particular the World Bank, to combat national poverty and reinforce the limited existing social safety net. Since its inception, SFD has been widely viewed as successful in implementing programmes in rural and urban communities throughout the country and has steadily expanded and scaled-up its activities, despite Yemen's weak state and political unrest. It provides in that sense a model of how to deliver good aid in hard places, with relevance for other countries with similar conditions. Drawing on first hand experience with the SFD and on a review of results from rigorous impact evaluations, this paper argues that SFD's success has been due primarily to four factors: .../

Keywords: international aid, fragile states, aid effectiveness, social funds
JEL classification: F35, O19, O22, H10

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[1]Yemen Social Fund for Development, email: lamis@sfd-yemen.org, [2]University of California at Berkeley, email: alain@berkeley.edu, esadoulet@berkeley.edu

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… (1) stakeholder ownership over projects due to its close work relationship with local communities following a demand-driven approach; (2) trust based on its political neutrality in allocating resources; (3) flexibility due to its mode of project funding and operations; and (4) relevance of SFD interventions for beneficiaries who in reciprocity provide strong support to its programmes. The paper discusses how these factors can be transposed to other hard places using the social fund approach to deliver good aid.

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UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Typescript prepared by Janis Vehmaan-Kreula at UNU-WIDER.

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1 Introduction

Foreign aid is often most needed precisely where it is hardest to deliver and to achieve meaningful impacts. This is the case with the many countries with failing states, political unrest, or post-conflict conditions. In 2012, the Fund for Peace (2012) characterized 20 countries as failed states, including Yemen. According to the Fund for Peace, common characteristics of these countries include a central government so weak or ineffective that it has little practical control over much of its territory, non-provision of public services, widespread corruption and criminality, refugees and involuntary movements of populations, and a sharp economic decline. This has strong implications for foreign aid and the delivery of public goods, including use of the social fund approach as an alternative to channelling foreign aid through government institutions. In these contexts, community demands for assistance are rapidly changing, non-partisan aid delivery is difficult to establish, donor funding may not be available for the right purpose at the right time, and the quality of service delivery is difficult to achieve, thus failing to enlist stakeholder support for the aid provider. Addressing these conditions for good aid through the social fund approach thus requires achieving four conditions: community **ownership** of the aid projects so they respond to current community demands; **trust** in the aid provider so it is seen as politically neutral; **flexible** donor funding so it allows quick responsiveness and adaptability to changing conditions; and **relevance** of aid impacts for stakeholders so they become strong advocates and facilitators of the aid supplier. We show in this paper that these conditions were largely achieved by the Yemen Social Fund for Development (SFD), making it a rare example of how to deliver good aid in hard places. We analyse how these conditions were achieved, how they affected SFD's achievements, and how they could be extended to other country contexts.

The SFD was established in 1997 with the support of the international community, and in particular the World Bank, to combat national poverty and reinforce the limited existing social safety net. Since its inception, it has been widely viewed as successful in implementing programmes in rural and urban communities throughout the country and has steadily expanded and scaled-up its activities despite Yemen's volatile socio-economic context and political unrest.

Since 2002, Yemen has become an important country in the war on terror. As a result, it has received increased support from Western and regional donors. In 2011, Yemen experienced an uprising similar to that of other Arab states in what has been described as the 'Arab Spring', which was associated with widespread social protests, economic paralysis, and a deterioration of already poor government services. By end of 2011, Yemen's rival groups reached a political settlement mediated by Saudi Arabia and the United Nations.

Yemen has consistently been rated by the Fund for Peace among the world's fragile states, but its rank has continuously worsened since 2007. In 2013, it is ranking 6th in the Fund's Failed States Index.[1] This rank reflects the country's state of instability with the decrease in state legitimacy and capacity to control parts of the northern, eastern, and southern regions, as well as the stagnant economy and low level of public services provision. Such instability brought more donor attention to Yemen aiming at stabilizing the situation and preventing further deterioration and at stopping the spread of extremist/militant groups. At present, the

1 http://ffp.statesindex.org/ July, 2013.

Yemeni political stalemate remains unresolved. In March 2013, Yemenis started a national dialogue scheduled to last for six months with the objective of reconciliation and agreement on the form of the future state of Yemen, including paving the way for a new Constitution under which the 2014 presidential election would be held.

This paper argues that SFD's success, resilience, and effectiveness is in large part attributed to its direct relationship with communities, political neutrality, flexible mode of project funding and operations, and the importance of its interventions to beneficiaries. The SFD's efforts have proved to be scalable within Yemen. This is demonstrated by SFD's success in attracting and effectively spending increasingly large amounts of external funding. While exporting the Yemen SFD model to other countries is possible, each country will face unique challenges in adopting this model given its particular local social, political, and economic context.

The paper makes use of SFD's major evaluations which include three consecutive studies conducted in 2003, 2006, and 2009 visiting the same communities in addition to two consecutive institutional assessments. The paper also reviews SFD documents as well as aide memoires and case studies produced by SFD's donors. The paper builds its arguments on the basis of consistent findings in its evaluations and extracts from this what is believed to be factors of SFD success. The paper reviews literature on social funds from the Independent Evaluation Unit of the World Bank and from reports of the World Bank's Social Protection Group. Importantly, the paper also draws on our first-hand experience with the SFD for more than 16 years.

2 Background

Yemen is the poorest country in the Arab World, with a per capita GDP of US$1,160[2] and a population of a little more than 24 million.[3] In 2011, the Human Development Index ranked Yemen 154th out of 187 countries. This ranking reflected low average years of schooling among its population, modest life expectancies, and low per capita income. Yemen has a high population growth, low economic growth, and limited natural resources, with water a worsening challenge for the country. Since the creation of a unified Yemen in 1990, it has been going through cycles of conflicts and political crises.

In 1991-95, the Yemeni economy was in a bad shape due to numerous stumbles. In 1991, almost one million Yemeni workers were expelled from Saudi Arabia and regional and international aid to Yemen was halted due to the country's political stand against the 1991 Gulf War. As a consequence Yemen experienced hyperinflation and entered into a political crisis that ended with two months of war in the summer of 1994.

In 1995, to stabilize the economy and to bring back the flow of international aid, Yemen put together an economic reform programme based on the advice of the World Bank and the International Monetary Fund. These reforms included gradual removal of the government subsidies to food and fuel. At the same time, Yemen put into place a more targeted social safety net programme comprised of several sub-programmes.

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[2] World Bank, United Nations, the European Union, and the Islamic Development Bank (2012).

[3] Yemen Central Statistics Organization (2011).

Inspired by Egypt's social fund, the World Bank approached the Ministry of Social Affairs with the objective of establishing a similar programme. The process of initiating the establishment of a social fund, including drafting the constituting Law, was carefully intended to insure its autonomy and ability to perform efficiently and effectively. Accordingly, the Yemen SFD was established in 1997 with a broad mandate as a national poverty reduction programme supporting the state in the implementation of its economic and social plans[4] and a key component of the social safety net mechanism. The World Bank provided the technical and financial support to establish SFD. It became the lead donor in terms of advocacy to raise financial resources at the beginning of each of the four phases of SFD's operations and direct funding particularly during the first and second phases.

While, at the beginning, SFD was inspired by Egypt's social fund, it quickly evolved in its own direction to follow a community-based approach and to implement interventions directly with the community representatives rather than going through non-government organizations (NGOs) as had been anticipated during the preparation phase. This approach of working directly with communities rather than through NGOs was dictated by the scant presence of NGOs in rural areas and their overall limited capacities.

Since its inception, SFD considered itself to be a non-traditional social protection programme providing medium- to long-term development opportunities through targeting poor communities with interventions that promote human development indicators through improved access to social and economic services such as education, water, health, etc. Through intermediaries mostly established with its support, SFD also provided financial and non-financial services to micro and small entrepreneurs. SFD has evolved significantly since then to adapt to the ever-increasing challenges facing Yemen. SFD is also broadly viewed as particularly successful in terms of both the effectiveness of its programmes in assisting the target populations and the resilience of its operations in face of the politically volatile Yemeni context. The World Bank (2002), for instance, noted that, 'due to its great success at delivery, the SFD is often considered the only institution that can address problems and support activities that have otherwise fallen through the cracks in Yemen'. In an aide memoire issued in July 2011, DFID (2011) stated that, 'SFD's ability to carry on operations across most sectors and regions is testimony to the resilience and flexibility of SFD's systems and procedures'. The World Bank (2012) also noted that SFD has shown resilience and flexibility in continuing to deliver vital services to the poor and the vulnerable during the current crisis of 2011. In 2004, SFD was featured by the World Bank as a case of success from which to learn in a global conference to scale up poverty reduction efforts in Shanghai, China.

The SFD has completed three phases of operations. The first in 1997-2000, the second in 2001-03, and the third in 2004-10, with the fourth phase currently underway over the period 2011-15. During these phases, an estimated US$1.7 billion of donor and government funding was raised (Figure 1) and the cumulative flow of disbursements amounted to US$1.2 billion (Figure 2). While the World Bank was the lead donor in terms of funding during the first and second phases, contributing 30 per cent of SFD's funding in each, in the third phase the Yemen government became the major donor, contributing 19 per cent of the funding (Figure 3). This increase in government funding may be attributed to the fact that in 2006 the SFD Managing Director had been appointed Minister of Planning and International Co-operation. It also benefitted from a better understanding of SFD's role by the then new finance minister. In the

4 Government of Yemen (1997) Social Fund for Development establishment Law number 10.

Figure 1: Annual and cumulative funding flows

Source: SFD Management Information System. Data generated in July 2013.

Figure 2: Annual and cumulative SFD disbursements

Source: SFD Management Information System. Data generated in July 2013.

Figure 3: SFD's donor contributions in US$ per phase of operation

Source: SFD Management Information System. Data generated in July 2013.

Figure 4: Amount in US$ of donor agreements signed per year

Source: SFD Management Information System. Data generated in July 2013.

third phase starting in 2004, DFID became a major donor to Yemen and channelled the majority of its financial aid through SFD. Other external donors have also participated in SFD funding, suggesting that it had gained the widespread confidence of donors. As can be seen in Figure 4, the annual amounts of donor agreements signed per year display considerable instability, with large donations coming in sporadically rather than as continuous flow of funds.

The contribution to each operational phase is not fully pledged at the beginning of each phase rather than flowing during the phase of operations. As a consequence, the amount of each phase is only known at the end of that phase and some of the contributions might overflow to the subsequent phase as they might have been made toward the end of the phase.

SFD's operations have been divided into phases to ease fundraising from donors, as funding to SFD comes under the form of projects. Otherwise, SFD operations are a continuum and there are overlaps among the different phases. Most donors provide SFD with funding to cover demand- and supply-driven interventions as outlined in its programme for the phase; some donors provide earmarked funding to specific sectors that SFD covers. However, SFD's diversified programmes are able to accommodate the different priorities of some donors. Recently, the SFD with support from the World Bank started to work in new areas such as nutrition.

SFD's development objectives have evolved over time to reflect Yemen's changing needs (Table 1). During the first phase, SFD focused on reducing poverty by creating income-generating opportunities. The second phase focused on community development, capacity building, and micro-finance programmes in order to improve the range of services and options available to poorer sections of the Yemeni population. The third phase focused on service provision to the poor by refining social service delivery approaches and empowering communities and local councils to take charge of their local development. The fourth phase is focusing on scaling up the successful activities of previous phases and on enhancing SFD's role as a safety net programme to contribute to poverty reduction and achieving Yemen's development goals (World Bank 2010).

The evolution of SFD objectives has been influenced and driven by several factors, most importantly its institutional development and its implementation capacity, new developments in the country, and the willingness of donors to provide funding to support the new realities, e.g. supporting the decentralization process, or contributing to improving food security through community-based labour-intensive works.

SFD now operates through four main programmes: Community and Local Development (CLD), Small and Microenterprise Development (SMED), Capacity Building (CB), and the Labour-Intensive Works Programme (LIWP). The latter is a workfare programme added in 2008 as a response to the global increase in food prices.

Within each of these four programmes, SFD implemented several sectoral activities with the dominance of basic infrastructure including schools, health facilities, and rainwater harvesting. This dominance reflects the limited availability of basic infrastructure in most rural areas of Yemen. As can be seen in Table 2, expenditures on education have been the largest sector, accounting for 44 per cent of all expenditures, followed by water and

Table 1: Development objectives in SFD's four phases

Phase 1: 1997-2000	Phase 2: 2001-03
SFD sought to reduce poverty by improving living conditions and providing income generation opportunities to the poor. This objective had been pursued through the establishment of a demand-driven mechanism to: (a) provide community development services to poor communities; and (b) support income generation activities through the development of small and micro enterprises.	SFD's objective was to improve the range of services and options available to poorer sections of the Yemeni population through a combination of community development, capacity building, and micro-finance programmes. Support to SFD was to be a significant element in Yemen's strategy of spreading the benefits of development and protecting the poor.
Phase 3: 2004-10	**Phase 4: 2011-15**
The main SFD objective was to further improve access for low income groups to basic social services, while also providing an example of an effective, efficient, and transparent institutional mechanism for providing social services in Yemen by: (i) refining social service delivery approaches; and (ii) empowering communities and local councils to take charge of their local development.	The scaling-up of SFD activities is to contribute to achieving poverty reduction and the development goals of Yemen. Specifically the SFD is expected to help: (i) improve access to basic services; (ii) enhance economic opportunities; and (iii) reduce the vulnerability of the poor.

Table 2: SFD expenditures by sector of activity

Sector	Amounts spent (1000 US$)	Percentage of amount spent
Education	525,512	44
Water and environment	163,355	14
Rural roads	143,302	12
Labour-intensive cash for work	96,108	8
Health	72,792	6
Micro enterprises	38,719	3
Other sectors	151,890	13
Grand total	1,191,680	100

Note: The above amounts do not include SFD's operation costs. Other sectors includes projects for cultural heritage, special needs, training and organization support, integrated interventions, and agriculture.

Source: SFD Management Information System, July 2013.

environment (14 per cent), rural roads (12 per cent), health (6 per cent), and microenterprise (3 per cent).

Table 3 gives SFD's estimated costs and actual expenditures by sector and phase of activity. The share of the education sector (in terms of percentage) has been declining, while that of the Labour-Intensive Cash for Work Programme (LIWP) has been increasing rapidly, reaching 35 per cent of total expenditures in the current fourth phase. This reflects the rising importance of social protection in SFD's agenda and of interventions that generate income from donors. By contrast, the share of the health sector has been declining due to shortages in the human resources that operate the infrastructure built by SFD.

SFD is a national programme, and by 2012, it had reached about 10,000[5] villages out of the country 40,300 and 3,700 urban neighbourhoods located in 1976 sub-districts within the country's 333 districts in the 21 governorates of Yemen.

SFD operates through nine regional offices covering the whole of Yemen. The branches are covering a variety of population and geographical areas, which means that the branch office could cover one governorate or up to four adjacent governorates based on population size and the resources allocated for each governorate. SFD distributes its resources at the beginning of each phase based on the number of poor people in each governorate and at the level of each district. While most of the administrative staff is located in the headquarters, the project officers and implementation staff are concentrated at the regional level. In 2013, the number of core staff reached 334 along with 165 consultants whose contracts are tied to specific tasks and projects. Along with this, SFD heavily outsources short-term activities to local consultants who assist in carrying out tasks such as needs assessment, project design, training sessions, or supervising fieldwork.

3 Evaluation of SFD's performance

This section draws on SFD's three major external evaluations, as well as on donors' joint mission reports and other publications to evaluate SFD's performance. SFD went through three major external evaluations in 2003, 2006, and 2009.[6] These evaluations followed a mixed methods approach, including both quantitative and qualitative components. The quantitative evaluation methodology in 2003 and 2006 followed the pipeline approach as a means of comparing outcomes in communities already treated with outcomes in communities not yet treated with panel data. In 2009, the evaluation applied the difference-in-differences approach to selected measurable variables based on asking recall questions on the situation prior to intervention in the pipeline communities. Both the 2006 and 2009 evaluations included return visits to communities and households included in earlier evaluations in order to assess the sustainability of interventions; therefore, the evaluation sample continued to increase in each round of evaluation to include older project areas and households. Each evaluation assessed the effectiveness of SFD in terms of poverty targeting, community consultation, and participation; the efficiency of SFD in terms of unit of costs and coverage; and SFD outcomes in the areas of education, health, water, rural roads, and microfinance. In

[5] This figure might be underestimated as sometimes the main village where the project located was registered in the management information system.

[6] Data collection, analysis and report finalization were completed in 2010, however, the evaluation title is the S2009 Impact Evaluation as the process started in 2009.

Table 3: SFD's estimated costs and actual expenditures by sector and phase of activity

Sector	Estimated costs (1,000 US$)	Percentage of estimated costs	Expenditures (1,000 US$)	Percentage of expenditures
Education	728,370	43	525,513	44
1	37,523	52	38,489	54
2	85,158	54	91,455	54
3	407,145	47	357,625	47
4	198,544	33	37,944	21
Water and environment	248,384	15	163,355	14
1	15,177	21	17,646	25
2	23,562	15	27,991	17
3	95,994	11	90,548	12
4	113,651	19	27,170	15
Rural roads	186,765	11	143,302	12
1	1,877	3	2,458	3
2	9,350	6	10,154	6
3	119,912	14	114,824	15
4	55,626	9	15,865	9
Labour-intensive cash for work	151,791	9	96,108	8
3	33,036	4	31,861	4
4	118,755	20	64,248	35
Health	96,251	6	72,793	6
1	6,624	9	6,550	9
2	12,603	8	12,558	7
3	60,057	7	49,851	7
4	16,968	3	3,834	2
Micro-enterprises	51,346	3	38,719	3
1	2,381	3	1,435	2
2	3,540	2	1,996	1
3	24,287	3	21,248	3
4	21,138	3	14,040	8
Other sectors	231,090	14	151,891	13
1	6,430	9	5,343	7
2	24,152	15	25,045	15
3	121,043	14	99,531	13
4	79,464	13	21,972	12
Total phase 1	72,481	4	71,922	6
Total phase 2	158,365	9	169,199	14
Total phase 3	861,474	51	765,488	64
Total phase 4	604,145	36	185,073	16
Grand total	1,696,466	100	1,191,681	100

Note: The above amounts do not include SFD's operation costs and costs of project identification and other studies that serve more than one sector. Other sectors include six sectors: cultural heritage, special need groups, training organization support, integrated interventions, and agriculture. Estimated costs are substantially higher than actual expenditures in the ongoing fourth phase as the majority of projects are still under implementation or waiting to be assigned to available donors. The duration of the first phase was 3 years (1997-2000), the second 3 years (2001-03), and the third 7 years. The first and second phases were cut shorter than originally planned in order to raise funds. The third phase was extended to benefit from funds made available at the 2006 Friends of Yemen Conference. The above are statistical data that may slightly differ from actual financial data due to exchange rate conversions. In addition, the reconciliation made in the project system is different from that of the financial system.

Source: SFD Management Information System, 4 August 2013.

addition, two institutional assessments were conducted focusing on SFD's indirect contribution to national public/private implementation capacity, through both 'expertise transfer' and co-operative arrangements for implementation and policy development.

These major evaluations were conducted at the end of each phase in order to measure the outcomes of the respective phase. While the first impact evaluation was supported by a trust fund managed by the World Bank to cover the costs of international expertise, these costs for the second and third evaluations were commissioned by DFID. It is important to note that DFID has become a major SFD donor since 2004. Since 2008, new programmes were added to SFD's portfolio of interventions including the Labour-Intensive Works Programme (LIWP) and the Rainfed Agriculture and Livestock Project (RALP), both of which were rigorously evaluated with the support of a trust fund managed by the World Bank. The LIWP evaluation was based on a community matched-pair randomized design. The randomization was possible as the LIWP cash-for-work approach was only employed by SFD and there was no possibility that other programmes would intervene in the control areas. Additionally SFD's capacity to intervene in both control and treatment areas at the same time was limited. As the LIWP was rolled out, control areas would become eligible for interventions after completion of the evaluation.

The evaluations confirmed SFD's capacities at targeting poor and deprived communities and at meeting their priority needs. The findings of these evaluations also confirmed consistent benefits of its interventions for beneficiaries in its five major sectors of intervention: education, health, water, rural roads, and microfinance. The evaluation of LIWP confirmed SFD's organizational ability to target communities affected by the crisis and to deliver benefits to mitigate the impact of economic shocks.

All evaluations also evidenced SFD's ability to improve its interventions over time, as areas identified as problematic in an evaluation were no longer cited as problems by respondents in the subsequent survey.

The institutional assessments added other dimensions to understand how SFD is operating in its fragile environment and how its practices contribute to the country's institutional development. SFD's operations have reached about 25 per cent of Yemen's 40,000 villages[7] that include more than 50 per cent of the rural population.[8] SFD is the only development actor in Yemen with such coverage. As such, dealing with conflicts and tensions is relevant to SFD's operations particularly in troubled geographical areas. The institutional evaluations attributed SFD's ability to work in difficult areas to its clear work procedures, employing local staff, and close relationship with communities and local authorities that assisted SFD to overcome insecurity and conflict situations.

The institutional assessment described some of SFD's practices that attempted to raise the quality standard of development initiatives as well as the capacity of public administration. Some of these practices include continuous measuring of the efficiency of interventions as part of results-based management, targeting investment through the use of data and objective information, a participatory approach to decision-making regarding projects, and responsiveness to beneficiary needs (Jennings 2009).

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[7] SFD Management Information System (July 2013).

[8] Based on the 2004 Yemen Population Census, 73 per cent of Yemen's 19.3 million population live in rural areas.

During Yemen's 2011 economic and political crisis, SFD continued its operations with implementation of 82 per cent of its projects in 300 districts out of the country's 333.[9] This is attributed to many factors including the fact that SFD is relying on multiple sources of funding. SFD was funded by a multiplicity of donors and several of them did not stop their funding during the crisis. At the implementation level, SFD's resilience is attributed to the diversification of its approaches which rely not only on SFD contractors but also on contracting by the community. With the crisis, SFD had to re-prioritize its interventions, giving priority to the labour-intensive cash-for-work and water projects not only because these interventions touch people's livelihoods, particularly the cash-for-work programme, but also because they depend heavily on local materials and are implemented directly by beneficiaries who have interest in protecting the project operations.

The following section gives detailed information on the findings from the SFD Impact Evaluations (IEs).

3.1 Operational efficiencies

Cost efficiency

In terms of cost efficiency, SFD successfully scaled up its operations, as financing increased from US$80 million for the first phase (1997-2000) to US$175 million in the second phase (2001-04), around US$900 million in the third phase (2004-2010), and US$1.1 billion in the fourth phase (2011-15). The World Bank made comparisons of cost efficiencies among its projects in 2000 and 2004 and found SFD to be the most efficient agent in building classrooms at equal technical specifications. The 2006 institutional evaluation asked a group of contractors the following question: 'If the price that you offer SFD was 100 in a specific item, what would be your price for the next five actors including ministries and projects supported by donors under the supervision of ministries'. All contractors agreed that they would give SFD the lowest unit price, attributing this to not having hidden costs when bidding for SFD-supported projects (Jennings 2006). A more recent study (that was commissioned by KfW in partnership with the education ministry) on the provision of educational facilities, found SFD to be the most efficient in terms of procurement performance. The same study also found that SFD costs are at least 20 per cent lower than the education ministry and its PIUs.[10] SFD's cost efficiency has been mainly attributed to its operational autonomy, rapid payment process, and transparent procurement practices.

Targeting investments

Both 2003 and 2006 IEs found, based on household income analyses, that most of SFD's projects are located in areas with more low-income groups (ESA Consultores 2003 and ESA Consultores et al. 2007). The 2013 Labour-Intensive Works Programme evaluation found that there has been a wide range in the distribution of wage payments across categories of households, but that it has overall been progressive, benefitting most the poorer households (Christian et al. 2013).

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[9] SFD Management Information System.

[10] GET German Education and Training GmbH (2008).

Consultation and participation

SFD follows a demand-driven approach in its community development programme. The evaluations assessed the effectiveness of this approach. In 2003, only 70 per cent of the households participating in the evaluation indicated that projects were representing their priorities (ESA Consultores 2003). This increased to 78 per cent in the 2006 evaluation (ESA Consultores et al. 2007) and to 90 per cent in 2009 (The Recovery and Development Consortium 2010). The involvement of large numbers of community members in decision-making regarding implementation of projects was clear in 2010 when 76 per cent of the households indicated that they had participated in the consultations (The Recovery and Development Consortium 2010). As for women, their participation was estimated to be none in the 2003 evaluation (ESA Consultores 2003) and increased to 26 per cent in 2006 (ESA Consultores et al. 2007) and to 34 per cent in 2009 (The Recovery and Development Consortium 2010). Communities engagement and consultation in the project initiation phase has contributed to establishing positive relationships between communities and SFD.

3.2 Effectiveness in delivering benefits to the population

The following examines SFD's effectiveness in producing services for its Community and Local Development Programme including education, health, water, and road construction in addition to its Small and Microenterprise Programme focusing on microfinance. The recent evaluation of the Labour-Intensive Works Programme (LIWP) is reviewed. This section also looks at the indirect contribution of SFD's interventions to public institutional capacity building based on the Institutional Assessment.

Education

SFD's three major evaluations reported consistent and clear outcomes regarding school enrolment, particularly among rural girls. The 2006 evaluation reported a 38 per cent overall increase in students in SFD facilities since 2003 (in rural schools the increase was 122 per cent for girls and 91 per cent for boys) (ESA Consultores et al. 2007). This trend is confirmed by the 2003 evaluation reporting that enrolment had increased by 29 per cent in the ex-post group and that the increase had been highest for girls-only classrooms (38 per cent) ESA Consultores 2003).

The 2009evaluation measured the enrolment rate from the household survey using a double differences approach. It was found that the net enrolment rate in SFD treated areas was 14 per cent higher on average for boys and girls in the same age group (The Recovery and Development Consortium 2010).

The 2006 and 2009 evaluations returned to older construction projects, confirming that SFD-built facilities continued to provide enrolment benefits over time. The 2006 evaluation reported that student enrolment grew by 62 per cent in SFD's older schools. The majority of this increase benefitted girls (ESA Consultores et al. 2007).

The 2006 evaluation recommended that SFD should place more emphasis on both enrolling and retaining female students, for instance by building more secondary schools for girls. SFD adopted this recommendation. In 2007, it expanded its education facilities from focusing only on basic education to including the secondary level.

The findings of the 2009 evaluation demonstrate that building a school effectively crowds-in other educational outcomes (The Recovery and Development Consortium 2010). In particular, building and rehabilitating schools has had an impact on the education ministry's delivery of books, staff, and other educational inputs.

In addition to the provision of education facilities, SFD also developed small special programmes in education in which it has longer engagement in very poor communities to increase enrolments among girls by overcoming barriers that prevent them from entering schools such as cultural beliefs against girls' education. Other programmes include interventions to improve the quality of education outcomes, which is a major concern in Yemen's education system. Such initiatives that are outside SFD's traditional work in building school infrastructure, are modest but indicate SFD's attempt at being more comprehensive in its development approach.

Health

In 2010, the impact evaluation results showed that 64 per cent of respondents believed that access to health care had improved due to SFD interventions. This is consistent with the findings from the 2003 and 2006 evaluations. The 2006 data show that health centres/health units in the target communities have been highly successful in providing access to medical treatment. Proximity and ease of travel to health care facilities are the most commonly reported determinants of increased use (ESA Consultores et al. 2007). The net impact of SFD intervention was modest but it has improved over time. The 2009 evaluation found a net increase in the utilization rate from 52 per cent before to 58 per cent after SFD intervention. According to the same 2009 study, the percentage of poor households not using natal health care due to long distance had been reduced by almost 50 per cent; additionally the percentage of people that did not use the services in communities without SFD intervention was 57 per cent compared to 21 per cent in areas with SFD support (The Recovery and Development Consortium 2010). The coverage level for maternal health care is very low in Yemen. As SFD supported facilities are operated by the health authorities, it is a challenge to provide adequate staffing to rural areas. SFD's approach has been to strengthen maternal and childcare through interventions to support health education and providing scholarships and training to increase the stock of community midwives who provide services to women in their homes.

Water

In 1997-2001, SFD water projects were mostly providing rural communities with mechanised water systems based on existing wells as SFD policy does not allow the digging of new wells. The 2003 evaluation found that the proportion of households with tap drinking water in their dwelling was reported to have increased from 3 per cent to 26 per cent due to SFD interventions. At the same time, there was a cost constraint as household revenues represent 65 per cent of the total cost of these systems, indicating inability of rural people to sustain the cost of such systems (ESA Consultores 2003). SFD has consequently moved away from mechanised systems and during 2002-06 focused entirely on establishing and improving rainwater-harvesting systems. Findings from the 2006 evaluation indicated that there was a 14 per cent gain in the reduction of average distance needed to fetch water outside the dwelling and correspondingly in the time needed to fetch water (from 78.3 to 63.4 minutes, a 19 per cent decrease) (ESA Consultores et al. 2007). However, these differences are not

significant. Also communities reported good maintenance in less than 50 per cent of the cases, and that a relatively low percentage of households was contributing to maintenance or to the cleaning of the public rainwater harvesting systems. SFD has been criticized for its approach in rainwater harvesting since households still have to spend many hours to fetch water and that rainwater harvesting is not appropriate for drinking. SFD responded by introducing private and group rooftop water harvesting tanks, reserving mechanized water systems for conditions where there is no possibility of rainwater harvesting and where the underground water quality and quantity is sufficient. SFD agreed with the rural water authority on certain criteria as SFD is a complementary agency to the functions that the Authority should assume. This policy seems to have been effective as, in 2009, 86 per cent of households in recently completed projects reported that the availability of water had increased during the last twelve months due to the SFD facility (The Recovery and Development Consortium 2010).

Rural roads

The evaluations of this sector have reported that SFD's village access roads provided steady benefits. The data from the household level surveys confirm that travel times have been reduced. The time needed to get to the nearest market town decreased by 40 per cent (ESA Consultores 2003), 50 per cent (ESA Consultores et al. 2007), and 41 per cent (The Recovery and Development Consortium 2010), in 2003, 2006, and 2009 respectively. Also 100 per cent of beneficiaries recognized that the project had facilitated the transportation of people and goods, as well as in some instances other benefits such as access to health and education services, and the fetching of water.

Microfinance

SFD is considered a pioneer in introducing microfinance to Yemen. It established around 10 independent microfinance institutions and a bank that is considered the only microfinance bank in the Middle East. SFD achieved undisputable results related to microfinance. Evaluations reported that the number of borrowers by the end of 2005 was 25,588, representing four times the number of loans found in 2003 (ESA Consultores et al. 2007). In April 2010, the total number of active borrowers had reached nearly 48,000 of which approximately 72 per cent were women (The Recovery and Development Consortium 2010). At the end of 2012, active microfinance clients increased to 82,000[11]. MFIs serve the major cities in Yemen and some towns; still SFD is criticized for not serving rural areas. SFD's strategy in supporting the expansion of microfinance institutions is to put into place sustainable services. In 2006, almost all households (96 per cent) reported having had a good experience with the programme (up from 82 per cent in 2003) (ESA Consultores et al. 2007). In 2009, 52 per cent of microfinance beneficiaries believed that the loan procured through an SFD Micro-Finance Institution (MFI) allowed them to increase their income. In 2006, 35 per cent of respondents reported that the loan had created job opportunities and improved their living conditions, so the 2009 results confirm improved outcomes for borrowers (The Recovery and Development Consortium 2010).

In 2008, a study on SFD microfinance and women stated that the microfinance services offered them the opportunity of accessing financial services within a friendly environment

[11] SFD's 2012 Fourth Quarter Newsletter.

(unlike banks that are deemed to be a men only marketplace) to improve their incomes and overcome unemployment (Burjorjee et al. 2008).

The labour-intensive works programme

As stated in the introduction, the Labour-Intensive Works Programme (LIWP) was added to SFD operations in 2008 to respond to the deterioration in the livelihoods of Yemenis as a consequence of the global increase in food prices. To respond to such crisis, SFD initiated LIWP using cash for work, which was a novel approach in Yemen. LIWP was evaluated based on a rigorous methodology of randomized control trials and pre- and post-project observations (Christian et al. 2013). The evaluation found that the innovative productive safety net approach followed by LIWP created short-term income benefits via wage payments and is expected to deliver longer-term income generation and resilience capacity through community projects. These effects were only partially visible at the time of the evaluation. Programme benefits were found to have been disproportionately captured by the poor in spite of difficulties in implementing a self-targeting approach in the context of the 2010-11 economic crisis that made programme participation attractive to both poor and non-poor. Due to programme participation, beneficiaries had higher food consumption, more debt repayment, and greater durable goods ownership. Due to community projects, access to water improved for community members. In 2011, with high insecurity, the communities that benefitted from these interventions were essential in insuring protection of the LIWP field team and in accompanying them to the villages, particularly when cash-for-work payments were due.

Institutional strengthening

SFD went through two institutional evaluations to examine its indirect contributions to institutional building through its practices and capacity building activities. The 2006 assessment indicated that SFD had evolved into a successful 'model' organization in the Yemen context that operates on a nationwide basis and had broadened participatory development efforts to rural and remote areas. A particular strength is its contribution to nurturing governance structures at the decentralized and community levels for the planning and implementation of development initiatives. SFD also provided capacity-building support to selected national government agencies that have direct links to its community programmes. As the main supporter of NGOs, SFD promoted capacity development and good governance amongst NGOs. Its demand-led approach, pro-poor resource allocation on a nationwide basis, use of verified data as a basis for decision-making, participatory processes, transparency principles at all levels, and well developed procurement systems, are intended to contribute to the promotion of solid systems of governance that underscore state-building (Jennings, 2006).

In 2009, the institutional assessment observed that SFD had made considerable progress in aligning its activities with those of sectoral ministries and in contributing to the development of national strategies rather than continuing to pursue its own separate approach. SFD was perceived as innovative in embracing and piloting new approaches in development and deemed to have a comparative advantage in harnessing and transferring international best practices to the Yemeni context. The 2009 institutional assessment indicated that SFD has effectively managed conflict situations including rivalries among community interest groups over the location of a project, political divisions and the tendency over politicizing interventions, tensions over community contributions, conflicts with contractors, and also differences with line ministries over co-ordination issues.

The institutional assessment described how SFD has been dealing with such tensions in order to prevent, resolve, or minimize conflict including establishing and respecting clear criteria to avoid bias in selecting and implementing projects providing equal opportunities to access resources. Also, SFD aimed at ensuring transparency at all times, including in the formation of community committees, community contribution, or community contracting as well as access to its reports and procedures. A key factor in accessing communities was to use local staff and consultants. When it comes to resolving an already existing problem, SFD regional branches work with local leaders to address the issue.

The transparent means of allocating funds, distributing projects across the country, targeting within districts (according to objective pro-poor criteria), and actively seeking to work with communities that do not approach SFD under the demand-driven approach, are essential to promote transparency and reduce conflict over resources. The Institutional Assessment indicated that SFD has been considered to be an effective institution to rely upon when a crisis occurs; for example, it increased its investment in the Hadhramaut Governorate following the 2008 floods and loss of life. Similarly, it introduced a labour-intensive programme to create employment in local public goods projects as a response to rising food prices during the food crisis (Jennings, 2006).

4 Factors contributing to SFD's success

Yemen has received a comparatively low level of international development aid. In 2003, it received US$12.7 per capita in development aid compared to an average of US$33.4 aid per capita in the least developed countries. This low level of international development assistance has in part been due to the low absorption capacities of its state institutions, and also to donors' tendency to earmark funds to specific sectors and prescribe strict projects and financial management procedures that do not match Yemen's and other fragile states' institutional capacity.[12] Other difficulties facing the implementation of aid initiatives include the lack of security and limited state legitimacy in several parts of the county.

This section presents four factors that we believe have enabled SFD to effectively implement development interventions. They are: (1) **Ownership**: a demand-driven approach allows to establish direct links with communities and to create community ownership of SFD projects. (2) **Trust**: SFD's political neutrality has been established through objective and transparent resource allocation procedures. Such neutrality granted SFD the trust of populations and access to the most difficult places in spite of insecurity. (3) **Flexibility**: A flexible mode of funding allows SFD to respond to communities changing needs and sustain projects in spite of crisis conditions. (4) **Relevance**: The quality and importance of its interventions for the lives of beneficiaries has given SFD visibility, recognition, and support among stakeholders, the government, and donors.

4.1 Ownership through a demand-driven approach

The demand-driven approach to project definition and implementation has allowed SFD to implement projects that are directly linked to community needs. The SFD's flexibility to make decisions on allocation of resources among alternative investments both across and

12 Ministry of Planning and International Co-operation (2006).

within sectors and regions not only allowed it to invest in what are considered to be the communities' priority needs but also to follow where there are opportunities to implement projects.

SFD made the strategic option of involving communities during the process of project selection and implementation, which paid off in easing the implementation of projects and resolving conflicts that may have arisen. Evaluations indicated that the majority of communities and households interviewed considered the projects to effectively meet their priority needs. Although there is (yet) no strong evidence that the community structures created for the demand-driven approach will survive to become agents of further development after completion of the projects, the approach introduces democratic processes as the communities must decide what type of intervention is a priority and who represents them during and after implementation using elections and meetings. This process has been encouraging women to participate in public events and to become members of the community committees. SFD has always been accessing communities without a political agenda and the participatory process is not dominated by political agents. The relationship established with communities and local people during such processes was effective in facilitating SFD's access to difficult regions and such relation proved to be effective in 2011 to enable SFD's operations in a context of political mobilization and volatile security.

4.2 Trust through political neutrality

SFD has been operating successfully in its environment because its stakeholders, both beneficiaries and donors, perceived it as being neutral and impartial. It has established systems and procedures based on the principle of transparency. SFD has used an operational manual, management information systems, and established procurement and disbursement procedures that are accountable to donors. SFD has continued to improve its operating processes, and expand its activities to reach the poor and vulnerable. Based on these merits, SFD was able to work in sometime difficult circumstances and continue to attract donor funding. SFD also prevented political interference by power groups, a characteristic that it had to rigorously defend in its early days when members of parliament were very reluctant to have an independent organization. SFD considers that its neutrality is paramount (Jennings (2009). Every district in Yemen receives an allocation from SFD based on the number of people living in poverty. As a result, SFD has reached into almost every district; it makes efforts to penetrate those districts that are remote and where other government bodies cannot reach because of geographical remoteness or political or tribal disputes. In districts where there is a high poverty rate, SFD has been creative with special programmes which are introduced to target poor communities and to top up its resources.

Effective leadership since the early years of SFD, which was politically supported, had the determination to set a high goal that moved SFD from a first phase planned for US$80 million (1997-2001) to a fourth phase expected to reach US$1.1 billion (2011-15). This leadership helped establish a politically neutral and non-partisan organization. It is believed that high level political support was instrumental in SFD's ability to survive during the first years of its establishment particularly with its unusual organizational practices such as financial and administrative autonomy, competition-based procurement, and direct relationship with communities that bypass the traditional local power structure. Following the events of 2011 and the change in SFD management, SFD has maintained the same principles to operate as a 'neutral' development actor, and this was possible because of the solid systems, procedures, and cultural organization that had been put into place and as a result of

the support of its donors. Formation of a national reconciliation government also provides the balance to maintain its political neutrality.

4.3 Flexibility

SFD's flexible mode of funding made a demand-driven approach possible. SFD has an overall flexible plan with an average five years time horizon. SFD and its lead donors set an overall budgetary estimate for the phase based on performance in previous years. During this time, SFD with support from its lead donors conducts fund raising for that phase. The flow of funds from various donors continues during the phase. It takes time for the projects to start disbursements as the participatory process and procurements take time. Therefore, SFD continuously identifies project proposals that are registered in its MIS being ready for further field assessments and procurements once the funds are made available. In each phase, the substantial amount of funding raised is provided as core funding for various lines of projects. Some donors earmark their funding for specific sectors that are among the planned phase activities.

SFD acquired visibility with communities and donors as a result of its expansion throughout Yemen. As a consequence, SFD has been able to attract the attention and support of government and donors. It expanded the delivery of basic infrastructure by outsourcing project implementation to national and community contractors who built their capacities over the years. This contributed not only to speedy disbursements but also gave SFD time to implement supply-driven interventions to build the capacities of community based groups and to progressively improve its participatory approach without the pressure of slow disbursements.

SFD has not only expanded in terms of geographical areas covered but also into new areas of intervention corresponding to the changing demand for projects. In 2007/08, new programmes and interventions were added to SFD's menu, including the Labour-Intensive Works Programme and Agriculture and Rural Development activities to respond to emerging needs as food insecurity was increasing in Yemen.

In 2008, the World Bank approached SFD to implement a project of rapid response to the international food price increase that had a heavy negative impact on Yemenis. Yemen imports more than three quarters of its grain needs from the international market. SFD responded by designing the community-based labour-intensive works, which expanded rapidly to become a major SFD programme. The programme does not involve commercial-based contractors but is directly implemented by SFD's local staff.

In the context of the 2011 crisis, SFD was almost the only national institution (along with the Social Welfare Fund, which is the government's major social cash assistance programme) that continued to operate focusing on its cash-for-work programme and on its water supply interventions that were considered top priority needs at that time.

4.4 Relevance through quality of impacts on livelihoods

The demand-driven approach allows SFD to respond to what communities believe will serve them best. Rural and urban Yemen lack basic infrastructure services when access to these tangible assets was considered priority by the majority of communities. This approach made

community and local development SFD's largest component. The three rounds of evaluations indicated that these projects were indeed priorities and the 2009 evaluation indicated that 90 per cent of respondents believed that the projects were a priority to them. SFD planned these projects with the communities and involved them in implementation, and people strongly feel that this is what they really wanted. Findings from the evaluations clearly show that these assets produced results in increasing access to school and student enrolment, particularly girls in rural areas, increasing access to health services, and reducing the time needed to fetch water or access to markets and services through rural road interventions. The LIWP projects have improved livelihoods in poor rural areas that have been constrained by limited local public goods.

Reviewing the external evaluations and the reports from joint-donor missions shows SFD has been able to better its interventions over time. This is in terms of policies, management, as well as coverage and technical implementation. SFD has been able to learn from its actions and to achieve sustainable pro-poor results. It is noticeable from the impact evaluations that issues that were mentioned as problems in an evaluation were no longer considered to be problems by survey respondents in the subsequent evaluation.

5 SFD's future expansion

In 2010, SFD management undertook a 'visioning exercise' to explore possibilities for its future. Management highlighted that SFD's future role should reflect both its comparative advantages in the emerging context and an appropriate positioning with respect to other agencies. Specifically, SFD should continue to play a major role in contributing to reducing poverty and to deliver social protection, and may have an equally important contribution to make to the design, testing, and adoption of national pro-poor policies. SFD's engagement with 'local development' should further build on its previous experience in fostering 'social capital' at the grassroots level and in mobilizing it for poverty reduction. These actions would also help the government move forward the implementation of its decentralization and local governance strategies.

Both SFD management and the government of Yemen saw opportunities for expansion given that donors currently have renewed interest in channelling funding to Yemen. With low capacities among government agencies to absorb donor funding, SFD is one of the country's main absorptive capacity instruments, with its flexible operating procedures, efficient delivery record, quick disbursing capacity, and internal learning ability.

SFD can still increase its implementation and outreach capacity through indirect modalities in working with local authorities, national NGOs, and Community Based Organizations. At the same time, SFD management indicated that direct implementation by SFD will continue to be necessary, particularly at the outset of new and innovative programmes until a sufficient number of local service providers and NGOs become available to be contracted by SFD for indirect implementation. It was recognized, however, that there exists a risk that SFD's expansion may affect the quality of its direct interventions. If SFD opts for more indirect implementation, it might lose its link with communities when it is SFD's greatest advantage.

It is important to note that one of the issues SFD is facing in its future expansion is predictability of funding, particularly in the current context of absence of true political

support. Lack of predictable future funding makes SFD cautious in planning its expansion in terms of staffing and organizational structure.

6 Conclusion: generic lessons for the social fund model

The Social Funds (SFs) modality in delivering foreign aid under hard conditions started in 1980. Evaluations of the performance of SFs have produced mixed results. However, the majority of SFs are known to share traits such as good management, relative operational autonomy, and flexibility to allocate budgets among alternatives investments (World Bank Operation Evaluation Department, 2002). While Yemen's SFD has its own operational details that are unique to it and to its social, political, and economic environment, the above-mentioned evidence of success suggests that the core design may be replicated in other environments, including in countries experiencing failing states, conflicts, and post-conflict transitional regimes. Examples of the overall design of Social Funds/Community Driven Approach include Afghanistan's National Solidarity Fund and Indonesia's Kacamatan Development Project. However, there are a number of issues that must be considered. Indonesia, for instance, is one of the world's emerging market economies which in turn facilitates the implementation of interventions. Project implementation in the case of the Afghan National Solidarity Fund was aided by powerful partners, mostly international NGOs. Yemen's SFD is fully operated by its own staff, aided by national and local contractors. It may have unusual operational autonomy as it is not linked to a line ministry; the chairperson of SFD's Board of Directors is the prime minister, and the Board includes NGOs and private sector representatives. While such autonomy allows SFD to establish direct relationship with communities, it may also present difficulties to co-ordinate with national and local public sector agencies.

Yemen's SFD has been thriving in its context due to its collaborative relationship with local communities, its flexible mode of project funding and operations, its political neutrality, as well as the importance of its interventions to beneficiaries. These factors involve opportunities and challenges that SFD has continuously been addressing. They include alignment with national sector strategies, SFD's position vis-à-vis other government institutions that deliver the same services, limitations of the demand-driven approach, dependency on external funding, balancing between fast disbursements and building capacities, as well as its unique role in delivering social protection with both short- and long-run development impacts.

6.1 Ownership: participation, demand-driven approach, and alignment

SFD's success with the participatory approach stems from the social and political context where it operates. Yemen is an example where state fragility does not derive from the decay of state structures but rather from a historical process of 'delayed state-building'.[13] There has never been a strong central government in Yemen, and there has been a low availability of state services in many rural areas. People have historically helped one another at the community level, and SFD's participatory approach has succeeded in 'reviving such self-help'. As mentioned by Baas and Ali (2004), 'Yemen has had a rich history of both community participation and grassroots-level community-based institutions. The tribe is the

[13] Federal Ministry for Economic Co-operation and Development, Development Education and Information Division (November 2006).

most prominent informal institution and is a crucial element of social, economic, cultural, and political life' (Baas and Ali 2004). SFD also promoted community participation in the Law of Local Administration, which recognizes informal community structures as part of local administration and governance.

International experience indicates that effectiveness of the demand-driven approach as used in Social Funds has been variable. The community-based demand-driven approach may be biased toward certain sectors, in part because of the important role of those involved in formulating and submitting projects such as headmasters in schools and community leaders.[14] To some extent at least, SFD's approach to undertake participatory rural appraisals (PRAs) to identify priority needs before requests are processed may lessen such biases. However, it is difficult to always respond to a community's priorities as operation and maintenance requirements must be taken into consideration. SFD informs communities on the menu of project options and their requirements and costs. While this approach seems to work well with SFD and earned it high visibility among communities, within SFD, the issue of whether it should continue to work on supporting individual demand-driven projects or move toward becoming a more strategic resource to support local and national goals is still debated and has not yet been settled.

The demand-driven approach followed by SFD may compete with alignment with national sectoral strategies. Since 2004, there has been a call for SFD to align its interventions with national sector strategies and this has become one of SFD's priorities. The development impact and the sustainability of SFD's projects depend on progress with local institutional capacity development. For this reason, SFD has been trying to achieve a balance between support to community-led initiatives and national policies. SFD has been implementing initiatives to contribute and assist in the development of pro-poor policies and strategies for their sectors of operation as well as to assist in institutional capacity building for local governance.

6.2 Trust: position in relation to line agencies

Social funds have been tagged as 'parallel' institutions of governance that do not have the legitimacy and trust that would be insured by the regular governance process. The perception of some development practitioners and government officials is that SFD may be (i) taking over tasks that could already be carried out by other national agencies, and (ii) carrying out its activities in a way that may marginalize national and local administrations' agencies whose corporate mandate covers such activities, depriving them of opportunities to build their own capacity. Such arguments and claims have been toned down as the development and humanitarian situation in Yemen has been deteriorating and SFD has been seen as an important instrument for social protection. In a briefing paper, Oxfam (2011) thus called to, 'scale up technical and financial assistance to enable the continuation and expansion of existing social protection and welfare programmes, such as the Social Welfare Fund (SWF) and the Social Fund for Development (SFD)'. It is unlikely that strong line agencies and decentralized administrations will emerge soon in Yemen and SFD will continue to be needed for the services it delivers.

14 World Bank Operation Evaluation Department (2002).

6.3 Flexibility: sustained core financial resources

While the social funds model has often been tagged as 'parallel' institutions of governance, it has in practice sustained itself in most places where aid is hard to deliver, and governments have retained the model because of the results it produces. As de Silva and Sum (2008) indicate, 'most governments recognize that social funds have been one of the few institutions to deliver results in poor communities, and hence have continued the funds beyond their originally intended short-term horizon'. Yemen's SFD relies heavily on external aid, with foreign donors providing approximately 80-85 per cent of its financial resources. SFD believes that good performance is the key to keep the flow of funding from donors as well as diversification of the sources of funding. International experiences with Social Funds confirm this observation. In the study 'Evaluating Social Funds: A Cross-Country Analysis of Community Interventions' (Rawlings et al. 2003), it has been argued that Social Funds may be instrumental in attracting funding from different sources (foreign donors, community contributions) for investment and recurrent costs that would not otherwise exist. In a country like Yemen where absorptive and institutional capacities are an issue, an organization with the traits of a social fund is a valuable instrument for development and social protection. However, for the long term SFD may have to invest in social enterprises in order to cover large parts of its financial needs, thus pursuing a model similar to BRAC's in Bangladesh.

6.4 Relevance: short vs. long-term impact and social protection

Social Funds are being called to shift from short-term emergency programmes to agencies seeking to achieve longer-term development impact and institutional development objectives as well as sustainable service delivery. However, experience indicates that such a transition is difficult to implement (World Bank Operations Evaluation Department 2002). The World Bank's report cautions that in taking on these difficult challenges, Social Funds may lose the strengths on which their reputation has been built. For example, building capacity and social capital at the community level are time- and human-resource-intensive processes, making disbursements potentially slower and less predictable. The new focus also requires significant changes in an agency's performance incentives, staffing, and skills mix. Yemen's SFD has to some extent been successful in progressively increasing and deepening its participatory work as well as in developing targeted social development programmes in addition to its social fund-type interventions to achieve short- to long-term development objectives.

SFD is working on four programmes that provide a range of short- to long-term development services. A key issue that has been debated is how SFD can be better positioned as part of Yemen's system of social protection, with its donors and government understanding this role. One of the issues that have been questioned by some of SFD's donors is whether SFD targets the poor or the poorest communities and households. SFD is implementing a range of development and safety net interventions and the target group—all poor or the poorest—is defined based on the type of interventions. Recently SFD and its donors have agreed that SFD should take on the following roles: (a) contribute to long-term development goals by providing and improving access to socio-economic services and community assets; (b) form part of the country's social safety net by (i) alleviating impact of shocks through provision of employment opportunities, and (ii) reducing vulnerability to shocks through provision of social assets and capacity building.

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