



Social Fund for Development, Faj Ettan, P.O. Box 15485, Sana'a, Republic of Yemen

Republic of Yemen | Social Fund for Development | Annual Report 2004

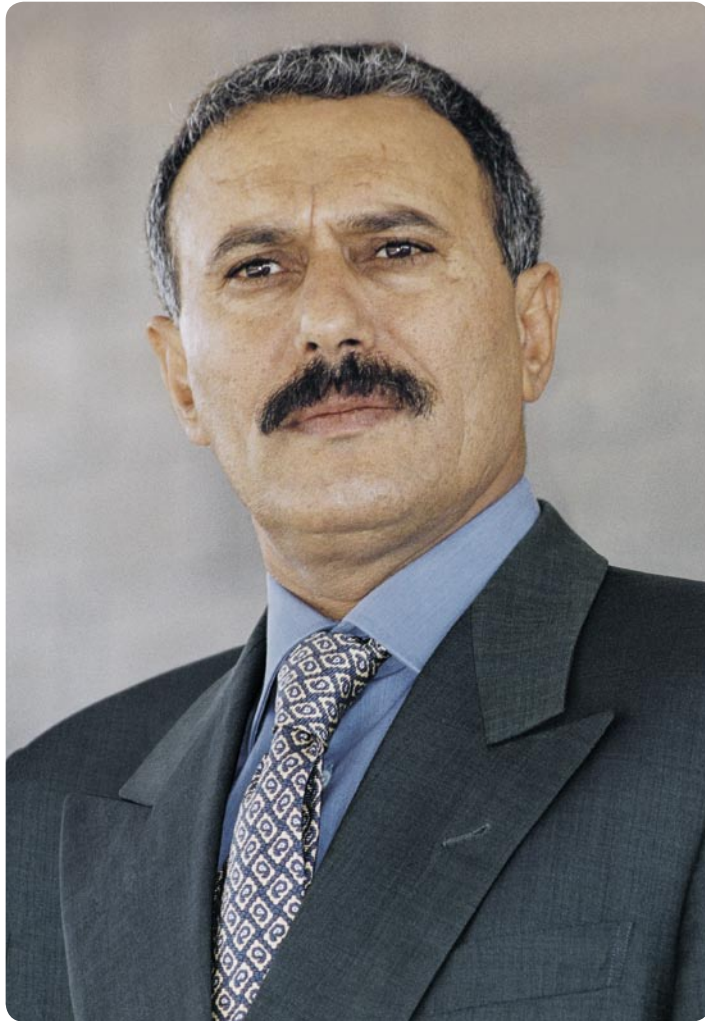
Republic of Yemen

Social Fund for Development



Annual Report 2004

In the Name of Allah, the Gracious, the Merciful



His Excellency Ali Abdullah Saleh
President of the Republic of Yemen

Imprint

Social Fund for Development, Sana'a
Annual Report 2004


Published by the Social Fund for Development, Sana'a

Photos: Social Fund for Development staff, Anthony Latham, Volker Mantel

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 Printed by: PrintArt, Sana'a

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The Social Fund for Development - A Brief Profile

The Social Fund for Development (SFD) was established in 1997 to contribute to the implementation of the government's social and economic plans and to help mitigate the effects of the economic reform program. The SFD is an administratively and financially autonomous agency, governed by a Board of Directors under the chairmanship of the Prime Minister. The Board—with members representing the government, civil society and the private sector—defines SFD strategies and general policies, and monitors their implementation and overall performance.

The SFD's main goals include reducing poverty and improving living conditions for poor people by providing access to basic services in education, health, water and microfinance, as well as creating job opportunities and building the capacity of local partners. The SFD uses a bottom-up, participatory planning approach that enables communities to prioritize their needs and participate in all phases of the

project cycle. Moreover, the SFD is a modern, efficient, transparent development institution that applies best practices and respects traditional local knowledge.

The SFD achieves its goals through three main programs:

- The Community Development Program increases access to social and economic basic infrastructure.
- The Capacity Building Program helps build the capacity of local partners, including communities,

nongovernmental organizations (NGOs), government agencies, consultants and contractors.

- The Small and Microenterprise Development Program provides microfinance services—through intermediaries such as NGOs—and develops financial and nonfinancial services for small entrepreneurs.

By the end of 2004, the SFD had committed about \$337 million to 4,330 projects, and disbursed \$238.5 million. These projects provided access to basic services for 8.7



million direct beneficiaries—about half of them female—and generated 12.6 million days of employment.

The SFD's first phase of operations ran from 1997–2000 and involved \$90 million in costs. During its second phase, from 2001–03, costs reached \$175 million. Remarkable outcomes were achieved throughout both phases. During 2004, the first year of its third phase (2004–08), the SFD built on lessons and experiences from the first two phases.

SFD 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 Japan, the Netherlands, and the United States. In addition, communities that benefit from SFD interventions contribute to project costs by providing labor, construction materials, other in-kind contributions and cash.

In recent years, the SFD's remarkable track record has been carefully studied by the donor community. For example, the Global Conference on Scaling Up Poverty Reduction—sponsored by the World Bank and hosted by China in May 2004—selected the SFD as a case study for learning. And in a 2003 assessment, the Bank called the SFD “a model agency of best practice, as it consistently and positively affects the process of development in Yemen.” The Bank also said that the SFD's “demonstration effect, as well as its direct capacity-building activities to government and non-government agencies that are directly relevant to poverty reduction, has been very successful.”



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. H. Al-Joufi
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

The SFD's Board of Directors held four meetings in 2004. At the first, in January, the Board discussed and approved the SFD's Plan of Work for the year. During the second meeting, in April, the Board discussed and approved the audit report for the fiscal year that ended on 31 December 2003.

The Board of Directors convened its third meeting in July 2004 to discuss and approve the Credit and Project Agreements on the Social Fund for Development—Phase III, which was signed in July 2004 between the World Bank's International Development Association (IDA) and the government of Yemen and the Social Fund for Development. In addition, SFD Managing Director Abdulkarim Ismail Al-Arhabi briefed the Board on Yemen's active participation in the Global Conference on Scaling Up Poverty Reduction, held in Shanghai, China, in May 2004.

At its fourth meeting, in September 2004, the Board discussed and approved the SFD's 2005 budget and the projects it planned to implement in various governorates, covering all the sectors and programs involved in SFD interventions. The meeting also thoroughly discussed issues related to the financial resources required for 2005–08, the remaining years of the SFD's third phase.

Statement of the Chairman of the Board of Directors



During 2004, the first year of its third phase, the Social Fund for Development (SFD) continued to be efficient in its operations and interventions. It also succeeded in addressing some major national concerns, mainly involving the provision of basic services and improvement of living conditions for poor Yemenis. In addition, the SFD deserves credit for adopting and advancing a number of national strategies—the most significant being the small and

microenterprise development strategy, through which the government strives to create jobs and ease unemployment.

The SFD's successes have been widely acknowledged—particularly by the World Bank, which selected the SFD as a case study for discussion at its Global Conference on Scaling Up Poverty Reduction, held in May 2004. The SFD's selection to participate in this international event confirms that Yemen has the capacity and qualified staff required to create and manage modern institutions that, in turn, can make proper use of donor resources. This recognition should increase donors' confidence in the country and its institutions, and encourage channeling of additional resources to finance development projects and fight poverty.

Abdulkader Abdulrahman Ba-Jammal

Prime Minister,
Chairman of the Board of Directors

Statement of the Managing Director



During 2004, the SFD achieved its goals for the year, which was the first in the third phase of its operations (2004–08). It continued to ensure high-quality performance of its projects and programs, with a focus on accelerating, monitoring and following up on their implementation. In addition, the SFD strived to increase cost efficiency, improve targeting and build its capacity and that of its partners.

Moreover, the SFD conducted a number of evaluation studies (both quantitative and qualitative) that analyzed how communities and other targeted beneficiaries responded to SFD projects—to better understand reasons for project success or failure, and review policies and improve interventions accordingly.

In a validation of its effectiveness, in May 2004 the SFD was presented as a useful case study at the World Bank's Global Conference on Scaling Up Poverty Reduction. The conference chose a number of models and institutions that have been effective in reducing poverty, based on evaluations performed by the Bank worldwide.

In 2004, the SFD focused on

supporting the development of several national strategies. These included the National Small and Microenterprise Development Strategy (and its related action plan), a comprehensive effort designed to create jobs and raise poor people's incomes by fostering small and microenterprises. The strategy's main components involve supporting interventions in rural economic infrastructure and providing financial and nonfinancial (business development) services for such enterprises.

The SFD has also helped design and fund the National Childhood and Youth Strategy. In addition, the SFD—in partnership with the World Bank—provided financial and technical support to help the government (represented by the Ministry of Social Affairs and Labor) prepare the National Strategy for the Care and Rehabilitation of the Disabled.

At the sector level, the SFD continued to pay special attention to education, since it forms the basis for the entire development process. Education of rural girls was an area of particular focus. The SFD also continued to support the Ministry of Education in implementing the Basic Education Development Strategy. It approved financing to establish the ministry's Education Evaluation and Measurement Center and assisted a variety of other ministry efforts.

The SFD continued to support projects that provide water to remote and isolated communities as well as projects that help preserve the

environment, including campaigns to raise hygiene and environmental awareness. The SFD pays attention to revive local spirits in community initiatives and enhancing project ownership, to ensure project maintenance and service sustainability. In 2004, the SFD also conducted an environmental review of ongoing and implemented projects that it had supported in 2003.

In health, the SFD focused on improving reproductive health care, access to primary health services and training for health workers. Efforts were also made to increase absorption capacity, improve curriculums and strengthen training in health institutes.

The SFD continued to apply best practices when integrating groups with special needs in mainstream society, by implementing projects that target these groups and supporting organizations that work with them. Within this context, the SFD's program for the disabled was evaluated, and a strategy was developed. The SFD has also developed and implemented community-based rehabilitation as a pilot program in some governorates. In addition, an evaluation of the SFD's Integrated Interventions Program is under way—aiming to identify the program's lessons, measure its impact and explore the potential for extending it to other areas.

When it came to rural road projects, in 2004 the SFD continued to give priority to remote and isolated areas with high poverty indicators, to help

improve living conditions. The SFD implements its interventions for such roads using clear criteria that are regularly reviewed. In addition, beneficiary communities are deeply involved in these projects, by sharing costs and performing maintenance, to ensure their sustainability.

With regard to preserving cultural heritage, the SFD continued to support the conservation and restoration of historical monuments and archeological sites of significant cultural value—especially those threatened by deterioration or destruction. Moreover, the SFD has been building its own as well as local capacity in this field.

The SFD also continued to emphasize the importance of training and building the human and institutional capacities of its consultants, project officers and development partners.

As part of its efforts to devote more attention to microfinance and small and microenterprise development, in 2004 the SFD organized the Small Enterprises Week. This event aimed to raise awareness about the importance of small and microenterprises in the national economy and to attract attention—both official and popular—to their potential, as well as to the problems they encounter. The event included lectures and discussions on the sector as well as marketing of the products of some participating enterprises. The Small Enterprises Week was remarkably well received by its audience.

The SFD continued to support a

wide range of initiatives addressing women's needs and concerns. To that end, the SFD assessed gender dimensions of development and gender mainstreaming in its programs and projects.

As in years past, in 2004 the SFD's progress was aided by the ongoing expansion of its absorptive capacity, continuous development and improvement of its databases, information technology and management information system, and emphasis on training its staff and consultants.

During 2004, the SFD committed financing for 949 projects worth an estimated \$79 million, while disbursements reached about \$60 million. Since its inception in 1997, the SFD has financed 4,330 projects (approved, ongoing and implemented), with total commitments exceeding \$337 million and total disbursements reaching \$238.5 million.

In closing, I wish to express my heartfelt thanks, appreciation and gratitude to Yemen's political leadership, under the guidance of H. E. Ali Abdullah Saleh, President of the Republic; to the government at large; and to the members of SFD's Board of Directors—headed by H. E. Abdulkader A. Ba-Jammal, the Prime Minister—for their continuous support and cooperation.

I also want to thank the SFD's financial supporters, particularly the World Bank, Arab Fund for Economic and Social Development, European Union, OPEC Fund for

International Development, Islamic Development Bank, Saudi Fund for Development, and governments of Germany, Japan, the Netherlands, United Kingdom and United States. Thanks are also extended to the SFD's development partners, including government bodies, NGOs and community committees.

Finally, I greatly appreciate my colleagues' efficiency, faithfulness and dedication in exerting strenuous efforts to fulfill the SFD's goals.

Abdulkarim Ismail Al-Arhabi
Managing Director



The Social Fund for Development: A Model in Scaling Up Poverty Reduction Efforts

Since its creation, the Social Fund for Development (SFD) has practiced a number of important development principles and concepts. In its efforts to increase access to social and economic services, the SFD uses an integrated approach based on expanding infrastructure, building capacity and providing microfinance.

Scaling up

The SFD has developed into a model institution for reducing poverty, as well as a source of innovation—introducing new, successful approaches to development that can be replicated on a larger scale by line agencies. Across the developing world, reducing poverty and achieving national development objectives—including the Millennium Development Goals (MDGs)—require such scaling up of past successes (box 1; tables 1 and 2). SFD concepts of scaling up include:

- Promoting nationwide access to services, including in the most remote areas;
- Expanding services using a proactive approach—including by providing microfinance, working with

NGOs, ensuring the protection of cultural heritage and making active efforts to serve society's most vulnerable groups (such as those with special needs);

- Becoming an agent of change through demonstration effects and capacity building programs for partner NGOs and institutions, affecting how services are delivered and contributing to sector policy reforms.

Several features have contributed to the SFD's success in scaling up its poverty reduction efforts (box 2). First, it has relied on outsourcing: to keep a lean structure and at the same time expand its capacity to support local development projects, the SFD has contracted local consultants and invested in providing them with needed training. Second, SFD operations are decentralized, occurring at regional branch offices (including recruitment), while the central office provides technical support and ensures quality. Finally, there has been a focus on institutional capacity. The development of an integrated management information system (MIS) and financial system have facilitated decentralization to regional offices as

well as reporting to donors, increasing the SFD's credibility. In addition, investments in training have ensured that staff are capable of handling projects.

An independent evaluation of the SFD's development impacts, conducted in 2003, found that in SFD project areas:

- 44% of SFD resources went to the three poorest deciles, and only 4% to the richest decile.
- Girls' enrollment in basic education increased from 42% in 1999 to 58% in 2003. During the same period, the overall enrollment rate rose from 59% to 70%.
- Sick individuals who received health care rose from 55% in 1999 to 68% in 2003.
- Over the same period, access to household water taps increased by 35%, while the distance to fetch water fell by 19% and the time by 14%.
- Rural road projects reduced journey costs and times by 40% and increased daily trips by 180% over the same period (ESA Consultores International 2003).

Box 1. Yemen and the Millennium Development Goals

A 2003 progress report found that Yemen is unlikely to achieve 5 of the 7 Millennium Development Goals (MDGs)—as well as 9 of the 11 related targets—by 2015. The first goal sets two targets: halving the proportion of people living on less than \$1 a day and halving the proportion of people suffering from hunger. Yemen is unlikely to achieve either target by 2015. To do so, the country would have to achieve economic growth of 8% a year—an improbable outcome given its limited capacity to foster an attractive investment environment, its difficulties in sustaining low inflation, its lack of infrastructure, its low agricultural productivity and scarcity of water resources, and its weak human resources.

The second MDG, achieving universal primary education, seems attainable. Although Yemen's education indicators are weak in terms of quantity and quality, efforts to expand education infrastructure, increase the supply of (male and female) teachers and boost education quality may lead to (or come close to) realization of this goal. The data do not seem promising for Yemen to achieve the third MDG: promoting gender equality and empowering women. In 2002, only about 56% as many girls as boys were enrolled in basic education, and in secondary education only 37%. In addition, women lag in political participation and in paid economic activities. Moreover, difficulties imposed by poverty and traditions favor boys in education, training and other areas.

The fourth MDG is to reduce under-five mortality by two-thirds between 1990 and 2015. Although Yemen has achieved improvements in this area—with under-five mortality dropping from 122 per 1,000 live births in 1990 to 94 per 1,000 in 2000—tremendous challenges remain. Health care coverage remains low and of poor quality, as do water and sanitation services. Moreover, widespread poverty inhibits sufficient, decent food intake. But the government is committed to achieving this goal, and is pursuing policies and programs that may make its achievement more likely.

The fifth MDG is to reduce maternal mortality by three-quarters. Despite some recent improvements in reproductive health indicators—such as the ratio of maternal mortality, prevalence of modern contraception and level of prenatal care—Yemen lags behind other countries in this area. In 1997, the maternal mortality ratio was 351 per 100,000 births, while the prevalence of modern contraception was just 10%. With insufficient coverage and quality for such services, meeting the MDG for maternal mortality is unlikely.

Yemen is also unlikely to achieve the sixth MDG, the target of which is to combat HIV/AIDS, malaria and other major diseases. There are no data on the prevalence of HIV/AIDS. Limited reporting on the disease reflects the stigma associated with it, lack of awareness among the population and decisionmakers about its spread and weak institutional capacity in monitoring it. Meanwhile, reported cases of malaria rose from 1,263 per 100,000 people in 1990 to 1,532 per 100,000 in 2000. On the other hand, tuberculosis control programs have been established, and coverage rates for contagious tuberculosis have increased significantly—from 28% in 1990 to more than 70% in 2000. Nevertheless, such services are limited and face challenges in terms of resources, coordination and institutional capacity for diagnosis and monitoring.

The seventh MDG involves ensuring environmental sustainability and integrating the principles of sustainable development into country policies. To that end, environmental resources must be mobilized and enhanced. Yemen seems unlikely to attain the target of halving, by 2015, the proportion of people without sustainable access to safe drinking water. It also faces enormous challenges in halting and reversing deforestation, the depletion of water resources, the erosion of agricultural terraces and the collapse of biodiversity, as well as problems related to wastewater and solid waste management.

Population, 2004	19.7 million
Population under 15, 2003	46%
Rural population, 2003	74% (of which 80% are in scattered settlements with fewer than 500 people)
Population growth, 2004	3.02%
Population forecast, 2021	33.3 million
GDP growth, 2002	3.9%

Source: Central Statistical Organization, various years; Arab League and Republic of Yemen 2004

INDICATOR	NATIONAL	RURAL	URBAN
Population living under the lower poverty line, 1998	41.8	45.0	30.8
Population with access to safe water, 1999	35.9	21.5	80.9
Illiteracy (age 10 and above), 2003	47.0	53.2	27.7
Female illiteracy (age 10 and above), 2003	67.1	75.7	40.5
Net enrollment in basic education, 2002	64.5	57.4	85.4
Girls' net enrollment in basic education, 2002	48.1	38.1	80.9
Working children, 2003	12.0	-	-
Population with access to health services, 1999	48.5	-	-
Infant mortality (per 1,000 live births), 1997	75.3	79.0	63.4
Under-five mortality (per 1,000 live births), 2000	94	112.0	80.0
Maternal mortality (per 100,000 live births), 1997	351		

Source: World Bank 2002; Central Statistical Organization, various years; Central Statistical Organization and Macro International 1998

The SFD has also achieved impressive outcomes in other areas. For example, before the SFD began operating, Yemen did not have a formal microfinance sector. The SFD helped lay the foundations for an emerging microfinance industry and raised awareness among policymakers on issues such as interest rates, sustainability and best practices.

In addition, the SFD was the first institution in Yemen to address capacity building in a systematic manner: its demand-driven, community-based approach was new. The SFD has also become a major tool for reducing poverty—efforts characterized by their transparency, community-based approach and performance standards drawn from the private sector. In the process, it has had a tangible effect on line agencies and helped introduce concepts of community participation in project operation and maintenance. In addition, the SFD has initiated some innovative, NGO-based social program activities to deal with the needs of the most vulnerable groups.

Contributing factors

Several factors have helped enhance the SFD's role and evolution, including:

- **Political commitment and autonomy.** The SFD has received enormous support from Yemen's top leadership—starting with Law 10 of 1997, which established the SFD as an autonomous entity. This autonomy has contributed to the SFD's efficiency and effectiveness by enabling it to recruit highly motivated, well-paid staff. It has also allowed the SFD to establish special accounts for donor funds in commercial banks, giving it ready cash for rapid disbursement and response to community projects.
- **Continuous development and flexibility.** The SFD has adjusted its organizational setup and operational policies and practices in line with lessons learned in the field. In addition to implementing activities to demonstrate results, the SFD supports sector reforms to ensure sustainable impacts.
- **Focus on service delivery and results.** This factor has earned the SFD a strong reputation in rural communities, and increased the demand for its services.
- **Donor support.** Over time the donor community has progressively increased its funding and technical assistance to the SFD.



A classroom in Amran's Higher Institute for Health Sciences

Box 2. SFD preparations for and participation in the Global Conference on Scaling Up Poverty Reduction

Several activities paved the way for the SFD's participation in the Global Conference on Scaling up Poverty Reduction: A Global Learning Process, which was organized by the World Bank and held in Shanghai, China, on 26–27 May 2004.

Videoconference and documentary

In January 2004, a videoconference between Yemen and the World Bank was held in Sana'a. Participants demonstrated and analyzed the experiences of the SFD and other development programs supported by the Bank. The Bank also organized visits by a British Broadcasting Corporation (BBC) team to areas of SFD interventions. The team prepared a documentary on the SFD's projects and activities that was shown at the Shanghai conference and on BBC World TV.

Visit by international media delegation

In January 2004, a group of journalists from Denmark, France and Russia visited SFD-supported projects involving education, water, training, and groups with special needs. In addition, the journalists met with a representative of the Ministry of Planning and International Cooperation, the Mayor of Capital City, and representatives of various NGOs. After the visit, the journalists published several articles and essays on SFD activities, reflecting their positive impressions.

Field visits by international delegations

In late February and early March 2004, high-ranking officials from the World Bank and several international delegations—from Bangladesh, Morocco, Nicaragua, and Sri Lanka—visited Yemen. The visit was one of eight made to organizations chosen to participate in the Shanghai conference. The first day of the three-day trip focused on discussions of the SFD and its operations, and was opened with a speech by H. E. Abdulkader A. Ba-Jammal, the Prime Minister, and attended by several ministers, the Chairman of the Arab Fund for Economic and Social Development, a number of ambassadors and other members of the diplomatic corps in Sana'a and representatives of international development organizations.

This was followed by two days of visits to SFD projects involving service delivery (water, education, health and cultural heritage restoration) for rural tribal communities and activities for vulnerable groups in urban areas (a center for blind girls, a center for street children, a women's training facility and microfinance operations). The World Bank assessed the event as a rich learning experience for all participants and a strong case meriting high prominence at the Shanghai conference and beyond.

Visit by international parliamentary delegation

In April 2004, a multinational delegation of parliamentarians—representing Brazil, Canada, Egypt, Finland, India, Ireland, Lebanon, Pakistan, and Tunisia—visited the SFD's main office, where it was briefed on SFD support for development and service delivery projects. The delegation also visited several SFD projects in the Al-Mahweet governorate. The parliamentarians praised the SFD's community-driven approach to its interventions.

Participation in the conference

Yemen was an active participant in the Shanghai conference, which focused on ways of fighting poverty and optimal policies and strategies for implementing development projects and reducing poverty levels. Yemen's delegation was led by Abdulkarim Ismail Al-Arhabi, Minister of Social Affairs and Labor and Managing Director of the SFD, and included officials from the Ministry of Planning and International Cooperation and civil society organizations.

The conference attracted more than 700 participants from all over the world, including representatives of governments, international organizations, private companies and civil society organizations. Participants shared views and experiences from their efforts to reduce poverty. During the conference, the SFD's experience was evaluated using international criteria applied by major donors, including the World Bank. These criteria included efficiency in implementing plans and executing community-driven development projects and programs—measured in terms of their high quality and low operating costs—as well as success in targeting the poorest, neediest areas and communities. The evaluation confirmed the progress that Yemen has made in building capacity and moving toward international standards for managing development institutions. The SFD was widely discussed at the conference, and the attention that Yemen received will likely boost the confidence of donors and increase their financing for its development projects and poverty reduction efforts.



2004 Operations

The projects and programs in the SFD's 2004 action plan were implemented by its six executive units: Education, Cultural Heritage and Rural Roads, Water and Environment, Health and Social Protection, Training and Organizational Support and Small and Microenterprise Development.

Targeting efforts

SFD projects 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. Within districts, a demand-driven approach is used, though again the SFD favors poorer villages and neighborhoods.
- Sector targeting focuses on redressing problems such as low girls' enrollments, health worker shortages in rural areas and weak institutional and technical capacity among local NGOs. The SFD tailors its responses to the problems faced—for example, implementing training programs to provide health workers in underserved rural areas,

designing capacity building programs for NGOs and creating microfinance programs.

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

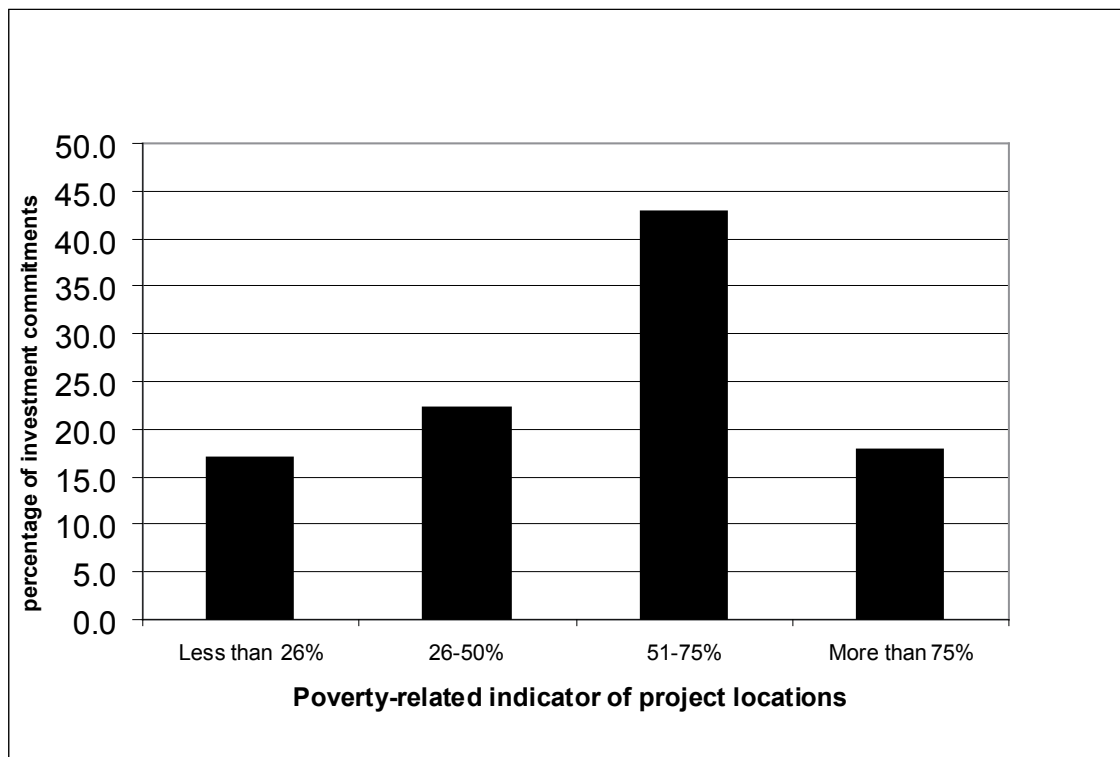
In 2004, the SFD approved 949 projects with an estimated cost of \$79 million. Of these investment commitments, 72% was allocated using geographic targeting and 28%

using sector and social targeting.

To assess the geographic targeting of SFD investment commitments in 2004, 485 project locations with \$44 million in commitments were chosen and split into four groups based on a poverty-related indicator that reflects living standards and the availability of basic services. (Locations were selected based on projects that serve only one village or neighborhood, and the analysis focused on education, road, water, environment and health projects.) Poverty-related data came from the 1994 Census (at the time of the analysis, the only source of village-level data), and the indicator is based on a simple average of seven basic indicators for a location's population: illiteracy (age 10 and above), non-enrollment in basic education (ages 6–15), households relying on wood and coal for cooking, households lacking safe drinking water, households lacking electricity, households living in temporary (shanty) dwellings and households lacking access to appropriate sanitation. The higher a location's poverty-related indicator, the worse are its living conditions.



Figure 1. Distribution of SFD investment commitments by poverty level, 2004



Source: SFD management information system

Only 17% of the geographically targeted investments were allocated to the least poor settlements—those with a poverty-related indicator of 0–25% (figure 1). About 22% of investments went to the second category, where the poverty-related indicator ranges from 26–50%. The largest share of geographically targeted investments (43%) went to areas with a poverty-related indicator of 51–75%. (Nearly half of the country’s poor population falls into this category.) Finally, 18% of investments were earmarked for the poorest category of Yemen’s population, where the poverty-related indicator exceeds 75%. Thus about 61% of the year’s geographically targeted investments were allocated to poorer areas (with poverty-related indicators above 50%), and just 39% to less poor areas (with poverty-related indicators below 51%).



Education

Education projects in 2004 reflected the SFD's vision for its third phase of operations and the geographic targeting policy indicators for areas found to be in greatest need of education services.

The SFD's education interventions for the year supported the goals of the national Basic Education Development Strategy by conducting interventions aimed at addressing challenges facing basic education (formal and informal), with a focus on developing infrastructure, providing institutional support and building capacity (box 3). The plan also:

- Supported national efforts to positively change education concepts, methods and practices.
- Contributed to efforts to develop education systems, including those by the Ministry of Education to expand pre-school (kindergarten)—an essential precursor to basic education.
- Worked with the Ministry of Education to create a mechanism to increase the community's role in improving school performance.
- Sought to narrow gender gaps in enrollment and ensure a favorable educational environment that helps boost rural girls' learning and leadership capacities, to prepare them to participate in community development.



Students are strongly encouraged to learn and compete from a young age

Box 3. The Wadi Al-Hubaishi school—expanding education in a needy area

We thought that only ministers could visit the SFD, until the SFD team came to inform us that we have access to it and helped us fill out applications for projects. Now the SFD's branch manager is my friend, and every time I go to Sana'a, I stop in Amran to visit him and check on the status of our other requests for projects.

Ali Jubari Al-Shumari, Director of Wadi Al-Hubaishi school

Wadi Al-Hubaishi village and its satellites are situated in the subdistrict of Ruba' Al-Shumari, about 4 kilometers from the center of Bani-Kais Al-Tawr district in Hajjah governorate. The village is one of the poorest in the governorate, with living standards falling in the bottom quintile and an adult illiteracy rate of 88%. The village's 1,211 people subsist on rainfed agriculture and goat raising during the dry season, and many young villagers migrate to nearby cities for job opportunities.

The SFD's first visit to the area

During an office screening, the local SFD branch realized that, despite its low development indicators, the village had not submitted any requests for projects. So, a team of researchers was sent to the area to promote SFD interventions, assess the population's priorities and develop requests for projects. The population indicated that its most pressing need was for a school building. The village had a one-classroom school with an inappropriate structure that the community had built in 1992; other classrooms were conducted in the open air. The school had 126 students enrolled in grades 1–6, including 24 female students—who usually stopped attending at grade 4 due to the lack of a separate classroom for girls.

The intervention

Based on priorities set by the community, the SFD built a school with four classrooms, three of which were split into six divisions. The new school also has an administration room, teacher dormitory, student toilets, a fence and a water harvesting reservoir.

Outcomes

Monitoring visits after the first year of the project's operation found that enrollment had increased from 126 to 192 students, with the number of female students rising from 24 to 68. The number of teachers had increased from four to eight, and the school had expanded to cover grade 7.

Operation and sustainability

The school's parent council formed a committee to oversee the school's operation and maintenance. Monitoring visits found that the school is running well and has been well maintained, and that the area surrounding it has been planted with trees.

In 2004, the SFD contracted financing for 404 education projects with an estimated cost of nearly \$41 million (table 5). Since its inception, the SFD has supported 2,083 education projects, with commitments approaching \$170 million. Basic education accounted for nearly all of the sector's projects (380). The rest were distributed among four subsectors: supporting education policies and trends and promoting preschool education, girls' education and education quality.

Table 5. Indicators for the SFD's Education Unit, 2004 and cumulative

<i>Indicator</i>	<i>2004</i>	<i>Cumulative</i>
Number of projects	404	2,083
Commitments (millions of U.S. dollars)	40.8	169.9
Disbursements (millions of U.S. dollars)	24.2	113.5
Direct beneficiaries (millions)	0.2	1.3
Female share of direct beneficiaries (percent)	41.7	44.0
Temporary employment created (millions of days)	1.5	6.8

Basic Education Infrastructure Expansion and Development Program

This program aims to increase basic education enrollments, expand the geographic spread of education services based on poverty and education indicators, narrow the gap between the number of boys and girls enrolled in basic education, and improve the education environment. During 2004, 380 projects were developed to support 379 schools—constructing 2,373 new classrooms, renovating 433 others and providing 36,400 chairs. About 145,000 students—42% of them girls—are expected to benefit from these projects.

Since its inception, the SFD has constructed and furnished 1,972 schools, and furnished 72. Overall, the SFD has supported 14,517 classrooms, building 11,119 new ones and renovating 3,398. These projects have directly benefited 1.3 million students, 44% of them female (see table 5).

Preschool education support

With the launch of the SFD's third phase, preschool education became an additional subsector covered by its Education Unit. The unit prepared designs and specifications, which were then reviewed by the

Ministry of Education, for two models of kindergartens: large (with six classrooms) and small (with three classrooms), both with annexes, administration rooms, activities rooms, toilets and storage areas.

Financing was provided to build five kindergartens based on the new specifications: one in Al-Sheikh Othman (Aden), two in the districts of Al-Dhihar and Al-Mashannah (Ibb City), one in the city of Ataq (Shabwah) and one in the city of Tareem (Hadhramaut). The SFD has also worked with the Ministry of Education to update kindergarten bylaws.

Education Quality Program

This pilot program is being applied in 18 schools across 10 governorates. It aims to enhance concepts of comprehensive education quality based on efficiency and performance, and to improve the performance of school staff by developing a spirit of and skills for cooperation. The program's goals also include improving the work of administrators, instructors and other staff by providing continuous training, involving activities related to all components of the education system.

In addition, the program aims to enhance and support the capacities and

skills of the schools' social workers, create channels for open communication and coordination between the schools and their communities, attain a qualitative improvement in education, document programs and procedures, enhance the application of systems, upgrade students' learn-



Students in Al-Hamza school (Amran)

ing levels, communicate with relevant government and private agencies, and cooperate with concerned departments, firms and institutions willing to support the program.

Schools were selected for the pilot program using specific criteria. These included the school's efficiency as an integrated unit (along with its



Girls-only classrooms encourage female students to continue attending school

readiness and capacity for change), participation by school principals as an essential component of the education process, the school's administration and community participation—whereby the school serves the community and the community provides materials and services to the school. Although most of the selected schools were built by the SFD, some were established by other agencies, and are distributed among neighborhoods with different population structures and living standards, serving poor students, less poor students and marginalized groups. In addition, half the schools in the program are for girls only.

The schools were chosen with the help of governorate education offices. Needs were identified, and plans and training programs prepared and implemented. Training to improve administrative and technical performance was provided to school staff, parent councils and local communities.

Schools were given tools and equipment to help improve education quality. For example, some schools received office, administrative and laboratory equipment. In addition, field visits were conducted and experiences shared on quality education, and several coordination meetings

were held for concerned parties to review plans.

Two intensive two-month courses were held for 12 male and female English-language teachers in eight of the program's schools in the Capital City. In addition, 472 teachers attended courses on modern education concepts and approaches, including learning technology, school activities, class and annual plans, measurement and evaluation, education and learning strategies, relationships between students and school communities, care for students with special needs or talents, and teacher characteristics and roles.

Rural Girls Education Program

The SFD has implemented a pilot program in 2002–06 (as a first stage), and will measure its impact and use its lessons to develop a program that aims to raise to the national average the average enrollment of rural girls in the basic education age range. The Rural Girls Education Program seeks to increase the average enrollment of girls by 20% in five areas: Al-Soudah (in the governorate of Amran), Weld Ayyash (Sa'adah), Al-Ramya Al-Uliya (Al-Hudaidah), Al-Azareq (Al-Dhale) and Al-Maga'eshah (Taiz). The program's components have included a

survey and other studies, community-based groups, infrastructure support and capacity building.

Studies

The SFD carried out a participatory rural assessment (PRA) to evaluate activities conducted in the selected areas during 2002–04. The PRA included interviews with community committees and community members (men, women and children). The SFD found some favorable changes that support continuing the program, such as higher girls' enrollments in basic education (especially in grades 1–3) and increased willingness to continue attending school if education services improve (existence of girls-only schools and availability of sufficient numbers of female teachers).

These changes were the result of enhanced efforts to raise awareness about the importance of girls' education, conducted by the SFD team while preparing for the study. Another factor that contributed to the positive changes was an increase in access to water by expanding and improving rainwater harvesting cisterns and *al-mawajel* (natural areas lower than the land where rainwater collects)—efforts that were initiated under the program in Al-Soudah (Amran). (Increased access to water makes it more likely that girls will attend school because they no longer have to spend as much time fetching water.)

The SFD also conducted economic and social studies involving community participation in the districts of Maqbanah and Mawiyah (Taiz), designed to learn the reasons for girls' low enrollments. In addition, parent councils and community committees have been established in the Al-Maga'eshah subdistrict (Maqbanah, Taiz).

Community-based groups

In 2004, the SFD created a community participation mechanism to support rural girls' education. Parent councils and beneficiary committees were established in eight of the schools covered by the pilot Rural Girls Education Program. In addition, local volunteer groups were formed to support education in the targeted governorates and to communicate and coordinate with government agencies and nongovernmental organizations (NGOs) working on education and local development in the governorates.

Infrastructure support

The SFD has developed eight projects to build and renovate classrooms in girls-only schools in the governorates of Sa'adah (three schools), Al-Hudaidah (three), Amran (one) and Al-Dhale' (one). In addition, 14 water harvesting cisterns have been renovated in Al-Soudah (see above), in coordination with the Water and Environment Unit.

Capacity building

The SFD has conducted two capacity building programs, one to train 20 consultants (half of them female) on community participation and one to train 26 trainers (male and female) on the education environment. The trainers were screened and selected to provide training to teachers (again, of both sexes) in the schools covered by the program. The SFD has also organized five workshops for 90 local volunteer teams supporting education at the governorate level as well as five coordination and consultation meetings with agencies and organizations working on education and local development in the governorates targeted by the Rural Girls Education Program.

Institutional support to the Ministry of Education

The SFD provides institutional support to the Ministry of Education to help develop the ministry's administrative and institutional structures—and reap the benefits of the results through ministry assistance for SFD interventions. SFD assistance also contributes to the development of the ministry's education measurement and evaluation centers, supports its centers for school learning resources and supports its Education Statistics and Planning General Directorate and School Map General Directorate.

SFD support to the ministry takes three forms:

- Construction—building education centers in governorate capitals, constructing facilities for teacher training centers, building facilities for learning resources in schools.
- Equipment—providing technical equipment, preparing programs that meet specific technical needs, providing office furniture to support technical aspects of work.
- Training—for administrative staff in sectors directly involved in the education process, such as planning, curriculums and school evaluations.

Some of the SFD's 2004 activities involving institutional support to the

Ministry of Education are described below.

Education Facilities Improvement Project

This project, developed with the Ministry of Education, aims to set and apply design standards for all the agencies involved in constructing school buildings. In cooperation with the ministry's Projects Sector, the SFD held a workshop to discuss proposals for upgrading school buildings to meet the requirements of modern curriculums and related activities inside and outside the classroom, as well as the appropriateness of various traditional building patterns associated with the diverse climate throughout Yemen. About 86 participants (engineers and educational staff) attended the workshop, representing the concerned agencies in all the governorates. A number of recommendations were made and included in the workshop documents, which (following the ministry's approval) will be binding on all agencies involved in constructing school buildings.

The SFD also equipped the ministry's Project General Directorate (Projects Sector) with computers and other equipment to facilitate and improve staff performance. In addition, 18 engineering staff have been trained to use software related to



Some basic education classes in SFD-supported schools teach boys and girls together (Al-Irshad School, Amran)



SFD-supported school in Kuhlan Afar, Hajjah

their work, which will help improve their performance and efficiency, and should ameliorate problems with the design and construction of school buildings.

District Education Administration Decentralization Support Project

To help the Ministry of Education decentralize its operations and deliver services more effectively, the SFD approved seven projects to construct education offices in the districts of Al-Qaherah, Al-Mawaset, Al-Qafir, Al-Saddah, Mudhaikherah, Tuban and Al-Qabbaitah.

Education Measurement and Evaluation Project

Recognizing the role that education measurement and evaluation play in improving the quality of education, the SFD supported this project, which had been adopted by the Ministry of Education because it contributes to implementation of the national Basic Education Development Strategy. The SFD agreed to finance construction of the national Education Measurement and Evaluation Center and provide it with technical and institutional support. As a result of this support, the ministry established a Measurement and Evaluation Unit.

School Map Support Project

This pilot project aims to help the Ministry of Education's School Map General Directorate develop an updated database on the education system. The database will help ministry decisionmakers (central and local) make determinations on the distribution of education facilities, deploy education workers to help settlements in need and provide education opportunities in rural and urban areas to both girls and boys.

The project has been implemented in the governorates of Dhamar and Al-Baidhah, using scientific and methodical approaches that can be replicated in other governorates. The project reviewed these standards, and the Ministry of Education ratified them. As part of this effort, a workshop was conducted for 70 participants, including heads of School Map Directorates and Statistics and Planning Directorates from all governorates, researchers and university professors. In addition, a symposium was held to introduce the school map to local councils.

SFD support has also included two courses for field researchers from the School Map General Directorate and the School Map Directorates in Dhamar and Al-Baidhah on using handheld Geographic Positioning

System (GPS) equipment and transferring the resulting data to computers of local ministry offices. Another course was held for school map staff on using the Geographic Information System (GIS). In addition, the SFD financed a field survey and provided central and local school map staff with equipment such as computers, map plotters, projectors, cameras, photocopiers, GPS sets and GIS software.

Building staff capacity

As part of its education-related efforts in 2004, the SFD conducted numerous workshops, organized study visits, attended symposiums and participated in a range of local and regional events and activities. For example, a workshop was held for branch managers and education project officers on the relationship between community education and development concepts. The SFD also sponsored field visits for sharing information among branch project officers—to exchange experiences, study effective interventions, redress problems and develop future interventions.

In addition, a workshop on strategic planning was held for branch office managers, and included visits to community-based education projects in Egypt. The SFD also organized study visits to Bangladesh (to learn about its successful projects in formal and informal education, community schools, kindergartens, rural libraries and partnerships between the government and local organizations) and Jordan (to observe its experiences with education measurement and evaluation).



Cultural Heritage and Rural Roads

In 2004, the Cultural Heritage and Rural Roads Unit approved 72 projects, with investment commitments totaling about \$7.7 million (table 6).

Indicator	Cultural heritage		Rural roads	
	2004	Cumulative	2004	Cumulative
Number of projects	34	98	38	143
Commitments (millions of U.S. dollars)	3.5	14.1	4.2	16.2
Disbursements (millions of U.S. dollars)	2.5	6.0	2.9	11.0
Direct beneficiaries (millions)*	0.06	0.3	0.2	1.1
Female share of direct beneficiaries (percent)	44	46	50	50
Temporary employment created (millions of days)	0.2	0.7	0.2	1.1

* This indicator is not applicable for most cultural heritage projects.

Cultural heritage

SFD cultural heritage projects safeguard Yemen's cultural and historical legacy, which forms the core of the country's identity. Interventions include historical sites, cities, monuments and other significant assets, many of which are threatened by increasing urbanization and other factors. Such assets are also deteriorating because of the limited capacity and weak performance of relevant agencies.

In 2004, the SFD committed \$3.5 million in financing to 34 projects in the sector. Cultural heritage interventions rely on three main strategies:

- Building and expanding the capacity (particularly technical capacity) of organizations and individuals at various levels to document, restore, renovate and protect Yemen's cultural heritage.
- Supporting national efforts to preserve World Heritage historical sites of aesthetic and cultural value (as designated by the United Nations Educational, Scientific and Cultural Organization), such as Shibam (Hadhramaut), Zabeed

(Al-Hudaidah) and the old city of Sana'a.

- Helping to develop an inventory of cultural heritage assets. For example, the SFD has supported the creation of an inventory for the National Museum, to be incorporated into the Ministry of Culture's general database on antiquities and museums.

During 2004, completed and ongoing preservation projects included the Maqashem (green areas and small gardens adjacent to mosques) in the old city of Sana'a, the walls in the historical city of Sa'adah, the National Museum, the Shibam (Hadhramaut) Historic Program, restoration of the southern gate in the city of Zabeed and the Shibam (Kawkaban). In addition, photogrammetry (precise documentation of monuments performed with real dimension photography, using advanced instruments and sophisticated software) was conducted to provide architectural documentation of the two Great Mosques of Sana'a and Shibam (Kawkaban). Other, smaller administrative and software support projects were also implemented.



Street paving increases access to cities of historical value, as here in the old city of Amran

Rural roads



SFD-supported rural road in Al-Maqatera, Lahj

SFD road interventions focus on linking villages to subdistricts and linking isolated areas to markets and services (such as education and health care). During 2004, the SFD approved 38 road projects—32 for feeder roads, 5 for street paving and 1 for training—worth nearly \$4.2 million. The length of feeder roads constructed and improved during the year totaled 265 kilometers, while street paving in urban areas covered 48,700 square meters. Since the SFD's inception, it has supported 143 road projects with an estimated cost of about \$16.2 million. The length of roads built or improved by these projects runs 1,115 kilometers, and the area of street paving projects approaches 214,000 square meters.

In 2004, implementation responsibilities for road projects were increasingly decentralized to branch offices, with the head office continuing to provide policy and technical support as well as supervision. Decentralization efforts were preceded by rigorous training for the staff of branch offices. In addition, the unit's operation and technical manual for feeder roads was updated with assistance from international expert, to mainstream and standardize project implementation in SFD branches.

Box 4. The Bani-Hat road—easing isolation, providing enormous benefits

Using a direct implementation approach, the SFD has helped construct a rural road in the subdistrict of Bani-Hat (Al-Udain district, Ibb governorate). The road, 9 kilometers long and an average of 3 meters wide, is in the final stages of completion. The project's cost is about \$105,000, or \$13 per capita among the beneficiary community's 8,000 residents. The community contributed about 5% of the cost.

Local beneficiaries have responded enthusiastically to the road improvements. They say that because of the road, many previously unavailable basic services—electricity, education, telephony—have started flowing into the subdistrict. The project has connected this remote, isolated area to the asphalt road linking the center of the Al-Udain district, the city of Ibb and Al-Garrahi (Al-Hudaidah governorate), where markets, health centers and basic services and commodities are available. According to Hamoud Abdo Bin Ahmed Saree', a local taxi driver, "the difference that the project has made in our lives is huge—so huge that one cannot compare the situation before and after."

Ahmed Ali Mahdi, a member of the beneficiary community, said that the project has eased many of the sufferings faced by local people, particularly poor people. Moreover, before the project, a limited number of vehicles—all from the area—were seen in the subdistrict. "Now," he says, "we see more cars visiting our subdistrict."

Traffic volume in the subdistrict is expected to increase from 9 cars a day (all four-wheel drive) before the road construction to 50 cars (of almost any type) after, and the cost of basic commodities is expected to fall substantially. In addition, the project provided jobs for local unemployed workers (skilled and unskilled), such as implementing protection works, retaining walls and water drainage components. Reflecting the community's strong support, a three-member maintenance committee was elected even before project implementation was complete, to begin arranging maintenance for the road and so ensure its sustainability.

Another local driver, Muhammad Ali Hassan Al-Husam, said that before the project he refused to transport people or goods outside the subdistrict for fear of damage to his car—even though some people offered him a lot of money to make such trips. And another community member, Muhammad Abdo Sa'eed Al Shay'e, said that "SFD interventions, including this project, are 200% successful! All aspects of the road project reflect this fact, including the community committee, the project's quality, the employment created and the speed of the road's construction... In the past, when I traveled for hajj (pilgrimage) or *umrah* (visit to the holy site in Mecca any time of the year), I used to be anxious about the trip home. But I was not concerned about traveling the long distance from Mecca to Sana'a, and then to Al-Udain. Rather, I was worried about the remaining distance from Al-Udain to my house and family in a village near Bani-Hat.



Many SFD projects are executed using community contracting approach (Al-Dukhainah, Lahj)

Community Contracting Program

The Community Contracting Program is a pilot in the Cultural Heritage and Rural Roads Unit aimed at building the capacity of communities to manage resources and local contracts. Beneficiary communities participate in the program throughout the project cycle. The program initially involved four governorates and was managed by the main office, then expanded to three others where it was managed by branch offices.

In 2004, the program focused on training and capacity building. Six workshops were held for 125 consultants and project officers, as well as 30 members of local councils. In addition, 44 members of community committees shared experiences through field visits and office discussions.

At the end of 2004, an evaluation survey was conducted of households in beneficiary communities. Fifteen experienced male and female consultants carried out field visits and collected data through 1,100 questionnaires. The survey's findings are expected in the first quarter of 2005.



Beneficiaries of both sexes and all ages elect community and maintenance committees when implementing community contracting projects (Al-Masajed, Adeem, Al-Mawaset, Taiz)



egy and provide renewable, low-cost water. But the SFD has learned that such projects cannot be implemented the same way in certain coastal areas as in mountainous areas. Thus, it is exploring solutions to help those coastal areas gain access to sustainable water sources.

During 2004, the SFD approved projects to build 127 cisterns and water tanks in 14 governorates. These projects are expected to increase water storage capacity by about 39,000 cubic meters and benefit 84,000 people. Since its inception, the SFD's support for traditional water harvesting schemes—using cisterns and karifs (basins dug by moving soil until impervious soil is reached, without any masonry work except for inlets and outlets)—has increased storage capacity by about 550,000 cubic meters and benefited more than 900,000 people.



Water-supply scheme (Ain-Bait-Qeera, Al-Mahweet)

In 2004, the SFD introduced a new approach to rainwater harvesting projects involving higher cost sharing and participation by beneficiary communities. The SFD pays for materials that are not available locally (such as cement, steel reinforcement and plastering mesh), while communities provide other materials, water and labor, and implement projects in accordance with required specifications. This approach enhances community ownership of projects and enables the SFD to implement more projects. In addition, because community contributions are relatively high, beneficiaries tend to choose optimal but low-cost options. Such projects—like the one implemented in Al-Mahweet governorate—have proven quite successful (box 5).

Water and Environment

In 2004, the SFD approved 173 water and environment projects worth about \$14 million (table 7)

Table 7. Indicators for the SFD's Water and Environment Unit by sector, 2004 and cumulative

Indicator	Water		Environment	
	2004	Cumulative	2004	Cumulative
Number of projects	146	716	27	110
Commitments (millions of U.S. dollars)	10.0	45.6	3.9	14.9
Disbursements (millions of U.S. dollars)	0.6	31.6	0.03	8.3
Direct beneficiaries (millions)	0.3	1.8	0.4	3.6
Female share of direct beneficiaries (percent)	50	50	50	50
Temporary employment created (millions of days)	0.5	2.0	0.1	0.5

Water

During the year, the SFD approved 146 water projects worth nearly \$10 million. It continued to give high priority to rainwater harvesting (94 projects) and small dams and irrigation (24), because such projects operate by gravity and rely on renewable water sources. Other projects involved potable water (26) and training and hygiene awareness (2).

Rainwater harvesting

The SFD focuses on rainwater harvesting projects—accompanied by hygiene and environmental awareness campaigns—because they are the main traditional source of water in rural areas, conform to the National Water Strat-



SFD-supported rainwater harvesting projects give communities sustainable sources of water (Al-Sawdah, Amran)

Box 5. Piloting a new approach to providing water

In 2004, the SFD implemented a rainwater harvesting project that provided 19 cisterns in various villages in the subdistricts of A'bs and Al-Ammariyyah (Al-Khabt district, Al-Mahweet governorate). Before the project, households in the area had obtained water through a mechanized, piped system. But this supply was subject to interruption—sometimes for as long as 20 days.

The SFD helped beneficiary communities construct and renovate traditional cisterns, effective ways of collecting and storing water during rainy seasons for use during dry seasons. In some areas, traditional cisterns were renovated; in others, new ones were built (as in the villages of Al-Nesserah and Al-Qasabah). Each cistern serves a single village, and most are covered to protect water from dirt and pollution.

Beneficiary communities provided excavation works, stones, water, equipment and other locally available materials, and helped with implementation. (In some cases, the community contribution reached 50%.) The SFD provided cement, steel reinforcement, plastering mesh, sand and aggregate. In addition, the SFD started experimenting a fish, called A-Disbar, that feeds on malaria-transmitting mosquito larvae.

The project has one elected community committee consisting of 19 members representing each participating village, as well as 4 women who agreed to join the committee. In addition, the committee elected two subcommittees: one for monitoring and auditing (with three men and one woman) and one for women's affairs. The committees facilitate interactions with community members of both sexes and help implement community contributions.

The project has also included hygiene campaigns and water purification efforts (using slow sand filters, low-cost bucket filters and even solar disinfection). In addition, the project has sought to raise awareness about diseases such as malaria, bilharzia and diarrhea. Because of high illiteracy rates, awareness raising campaigns rely heavily on a participatory approach, and use illustrative drawings and pictures. Female and male participants alike are encouraged to attend awareness-raising courses by involving them in preparing the awareness campaigns program, as well as by awarding them certificates verifying their participation.



Natural methods for wastewater treatment, using oxidation ponds and constructed wetlands (Shibam, Kawkaban)

Small dams and irrigation

Small dam projects are important for supplying the large quantities of water that beneficiaries (mainly farmers) need—including for irrigation—to raise their incomes and improve their economic, social and health situations. Most of the dam and irrigation projects implemented by the SFD serve multiple purposes, as they provide water for drinking, household use, animals, irrigation and recharging aquifers.

The small dams developed by the SFD in 2004 have a storage capacity of 119,000 cubic meters and are expected to benefit 73,000 people. Cumulatively the additional storage capacity is expected to reach 903,000 cubic meters and 184,000 people.

Potable water

The SFD implements projects designed to provide drinking water from sources such as springs, from which water can flow by gravity. Such projects provide renewable sources of drinking water, with affordable operation and maintenance costs for beneficiaries. The SFD not only helps implement such projects, it also trains project management committees (elected by communities) in operation and maintenance, book-keeping, water tariff calculation, accounting and other project manage-

ment issues to ensure sustainability.

In 2004, such projects accounted for about 15% of SFD water projects, and were conducted in villages and subdistricts in 10 governorates. Potable water projects include improving water sources, renovating or constructing water networks and building distribution tanks and basins to collect water from springs.

When it comes to mechanized water projects, whether implemented by the SFD or other agencies, the SFD restricts its interventions to providing organizational support to minimize water losses and improve administrative performance. Such interventions include creating an accounting system for a project and providing the accounting books and sheets required for a year, supplying and installing water meters for wells, tanks and networks, and supplying and installing valves to control water distribution and protect pumps.

Training and hygiene awareness

In September 2004, a training course was held on the SFD's new approach to water harvesting projects (see above). The course was attended by water project officers and consultants from all of the SFD's branch offices, and included a visit to the water harvesting project in A'bs and

Al-Ammariyyah to learn from its success (see box 5).

In addition, the SFD produced a number of publications, including a 2004 calendar that promotes appropriate hygiene practices to gain the maximum benefit from water harvesting projects. In addition, the SFD produced three short films on hygiene and environmental awareness related to water harvesting projects. The first was on health awareness in water harvesting projects, the second on water pollution sources and ways to avoid them and the third on hygiene awareness, particularly water borne diseases and how to cut their cycles of transmission.

An SFD-sponsored health awareness campaign in Bani-Nouf (Amran) offered encouraging results. Three months after the campaign, diarrhea cases had decreased considerably, and the number of households installing and using their own water-purifying bucket filters had increased from 0 to 40.

Environment

During 2004, the SFD sponsored 27 environment projects worth nearly \$4 million. The projects fell into four areas: wastewater management (10 projects), solid waste management (8), training and awareness (5) and water and soil conservation (4). In addition, the SFD solicited an environmental review of its 2003 projects to ensure that branch offices were committed to its environmental plan and to quickly resolve any problems that may arise.

Wastewater management

The largest share of SFD environment activities involved wastewater management. These interventions are being evaluated to draw lessons, ensure sustainability and attain the maximum benefit from such projects. Projects included establishing sanita-

tion networks and wastewater treatment plants, renovating sewer lines and building public toilets.

Solid waste management

This subsector included projects to build and equip slaughterhouses in Mareb, Khamer (Amran) and Zabeed (Al-Hudaidah), as well as to collect solid waste in the old city of Sana'a and in Bajel and Bait Al-Faqeeh (Al-Hudaidah). In addition, two projects were developed to manage hazardous medical waste in the Capital City. One involves constructing the hazardous medical waste management building in Al-Azrakain dumping site; the other involves supplying and installing equipment related to collection, transportation and treatment of such waste.

Training and awareness

During 2004, the SFD continued to emphasize training and awareness activities to increase the capacities of project officers and consultants in supporting environmental interventions. These efforts included a course for 20 consultants on environmental auditing and reporting of SFD projects, conducted by a regional firm with considerable experience in the field. Some of the trained consultants helped prepare the environmental review of the SFD's 2003 projects (see below).

Three other training courses were held as well. The first, on low-cost methods for treating wastewater, lasted three weeks and was attended by 24 local consultants. The course covered theoretical and practical issues, and included visits to the wastewater treatment plants in Hajjah, Amran, Sana'a, Dhamar and Aden. The consultants considered this course extremely useful—which should be positively reflected in future SFD interventions in this sector.

The second course, on operation and maintenance of wastewater

treatment plants, lasted a week and was attended by 32 staff members, including technicians, from water and sanitation authorities in 10 governorates. This course included visits to the treatment plants in Hajjah and Amran. It also provided a week of on-the-job training for workers at the Sana'a and Ibb treatment plants.

The third course, on low-cost sewerage networks, was conducted for 5 project officers and 30 consultants. Participants were introduced to various types of low-cost systems and supporting software, and visited the Al-Mahweet sanitation system.



The SFD also produced materials to raise environmental awareness. These included a film depicting the negative health, social and water depletion effects of consuming qat, a mild stimulant. The film aims to raise awareness among students on the risks of chewing qat, focusing on the role that students can play to protect their families, society and country from such risks. In addition, an audiocassette was produced that contains several songs performed by popular Yemeni singers warning against the dangers of qat.

Finally, the SFD issued the first edition of its operation and maintenance guidelines for sanitation systems, following reviews by concerned parties

of the draft guidelines.

Water and soil conservation

Projects in this sub-sector focused on protecting settlements and agricultural lands from floods.

Environmental review of SFD projects

A local expert, trained by a firm specializing in environmental issues, conducted an environmental review of the SFD's 2003 projects. The resulting report focused on two issues. The first was the inoperational status of school toilets, a problem mainly due to scarce water and weak opera-

tion and maintenance. The second issue was health units' poor handling of hazardous medical waste, which is generally disposed of in open areas near the units—putting visitors and nearby residents (particularly children) at risk of direct exposure to it. The SFD is preparing an investigation of the problem with school toilets, to gain full knowledge of it. It will then host a workshop involving all partners involved in this sector, as it is a common problem. To improve the situation for hazardous medical waste disposal, the SFD is preparing guidelines to help minimize the problem.



Health and Social Protection

The Health and Social Protection Unit is responsible for conducting SFD activities related to health, groups with special needs and the Integrated Interventions Program. In 2004, the SFD approved 130 projects worth about \$8.2 million (table 8).

Table 8. Indicators for the SFD's Health and Social Protection unit by sector, 2004 and cumulative

Indicator	Health		Groups with special needs		Integrated Interventions Program	
	2004	Cumulative	2004	Cumulative	2004	Cumulative
Number of projects	55	354	65	230	10	36
Commitments (millions of U.S. dollars)	4.2	23.7	3.8	15.6	0.2	1.6
Disbursements (millions of U.S. dollars)	0.5	17.6	0.5	10.0	0.04	1.7
Direct beneficiaries (millions)	0.7	2.1	0.03	0.1	0.002	0.04
Female share of direct beneficiaries (percent)	54	54	30	40	97	54
Temporary employment created (millions of days)	0.1	0.7	0.1	0.4	0.02	0.07

Activities under the SFD's third phase of operations (2004–08) are focused on improving targeting mechanisms to reach the poorest and neediest communities, promoting decentralization efforts and generating the greatest benefits from its expertise in building the capacity of communities, nongovernmental organizations (NGOs) and government agencies. During 2004, the SFD continued its efforts to reach underserved areas and address shortages in health services, social workers and health staff in such areas.

The SFD's social targeting also continued to provide health, education and rehabilitation services for the disabled, children at risk, women at risk and other socially marginalized groups. These efforts are supported by encouraging volunteer initiatives, promoting community participation, respecting social traditions and enhancing review and evaluation initiatives.

Health

In 2004, the health unit approved 55 new projects with a total cost of about \$4.2 million. Interventions focused on providing primary health care and training health workers, especially in deprived areas. The SFD targeted both

female and male staff, providing training in various medical specialties. Projects also focused on health training institutes, to expand their capacity, improve their curriculums and strengthen their training. Some of the year's interventions are described below.

Expanding access to primary health care

The SFD developed 14 projects to expand access to primary health care by building, equipping and renovating health facilities.

Training staff

To overcome shortages of health care workers, the SFD continued to identify areas in need of pre-service training. Twenty-five projects were developed, targeting districts in 15 governorates, including Al-Jawf, Shabwah and Sa'adah. Training was provided to 40 men and 284 women, including community midwives, general nurses, general physicians, neonatal nurses and psychiatric health workers (box 6).

Improving the quality and capacity of health training institutes

Efforts in this area focused on the quality of health training, the appro-



The SFD improves access to health services in needy areas, as at the Health Centre in Al-Ahjur

priateness of curriculums, the supply of training materials and scientific resources, the adequacy of space for theoretical and practical training and the living conditions of boarding students. The SFD developed 7 projects in 2004. One trained 40 teachers to attain Bachelors of Science degrees in community health. Another focused on developing better teaching methods and adopting modern health education technology to improve the performance of health institute trainers. Another project helped develop the infrastructure of health institutes by expanding them and renovating hostels for male and female students in Ataq (Shabwah governorate), while another renovated and equipped the lab of the health institute in Al-Mukalla (Hadhramaut governorate). The remaining projects focused on revising curriculums, upgrading health institute libraries and creating links to Web-based resources.

Strengthening partnerships between communities and local health authorities

The SFD developed a project to support the District Health System in six districts in the Sana'a and Al-Hudaidah governorates, in partnership with an international NGO, International

Cooperation for Development. This project complements a pilot program launched in 2002 and aims to link community agencies and district health authorities, raise community awareness about reforms adopted by the Ministry of Health and promote partnerships in health care management.

Enhancing community-based health management

This program, targeting SFD-financed health centers and units, is designed to enhance health care management by increasing community participation. That goal has been pursued by training consultant teams to facilitate community selection of health committees and by training those committees, along with health workers, to implement health systems with community participation. In 2004, the SFD evaluated the program and made proposals for its further development.

Promoting reproductive health and neonatal care

SFD interventions for reproductive health care have been developed in response to demands for expanded services, higher-quality services, family planning services and staff training. The SFD has also developed projects to improve care for

premature babies, focusing on training and equipment needs. In 2004, five projects were developed in this field: two targeting maternal care, one supporting family planning, one supporting neonatal care and one providing both maternal and neonatal care.

Supporting psychiatric and mental health care

In 2004, the SFD developed two projects: one to renovate, build additional rooms and furnish the Psychiatric Sanatorium in the city of Taiz and the other to support one-year training course for 20 nurses in psychiatric health. In addition, it has followed up on similar projects developed in previous years.

Other activities

The SFD prepared a health care training manual to unify its procedures for training health workers, and created a database to follow up on its projects in this area. In addition, 22 consultants specialized in medical equipment (from all governorates) received updated training to help them select appropriate equipment for future SFD projects.



The SFD supports those working with groups with special needs—including organizations, like this one in Dhamar, that care for the hearing impaired—to integrate these groups in mainstream society

Box 6. Developing “transient” units with permanent health services

Until recently the Al-Taweelah district and its nearby villages (Al-Mahweet governorate), with a population of nearly 44,000, suffered from a lack of midwives and female health workers. As a result, women in the area often sought help from untrained birth attendants—and experienced serious complications during and after delivery.



The SFD responded to a request from the district’s health office to provide pre-service training for 20 female health workers in the area. The training, which lasted nearly a year, was completed in October 2003. Trainees had to have completed at least primary education (grade 6). But many are now completing secondary school, while at the same time providing a range of health services in several villages and subdistricts of Al-Taweelah. These services include mother and child care, neonatal care, family planning and health education.

Most of the trainees are volunteers. One, in the Husn-Al-Mukhayyar subdistrict, has converted part of her house to an outpatient clinic “transient health unit,” where she and another trainee offer their services to women in the area. The volunteers do not wait for women and girls to come to health units. Rather, they take the initiative to visit households, and strive to raise awareness on issues such as breast-feeding. They also follow up on prenatal cases, vaccinate newborns against the six most fatal childhood diseases and help ensure safe delivery at home (a practice strongly encouraged by the Ministry of Public Health and the SFD).

Many trainees have affirmed the theoretical and practical importance of the SFD’ training course, emphasizing its benefits for themselves and their communities—particularly women. Similarly, several officials in the district’s health office have rated the course “very good” and its impact and results “excellent,” providing the area’s villages and subdistricts with long-needed female health staff. “The training course was quite beneficial for both the trainees and the local community,” says Ali Ahmed Al-Gharasi, director of the district’s health office. He added that coordination with the SFD has been helpful.

The increase in female health workers has encouraged more women and unmarried young girls to visit health units to immunize their children against diseases and to be vaccinated against tetanus. In addition, health awareness campaigns conducted by the trainees in the units and at households have helped set schedules for such vaccinations, ensuring that women bring their children in a timely manner.

The district’s health office is preparing to organize nursing courses to further educate the trainees to become community midwives. All parties are looking forward—and endeavoring—to making the “transient” health units permanent, and to making the volunteers employed staff (in coordination with local authorities).

Groups with special needs

In 2004, the SFD approved 65 projects for groups with special needs, at an estimated cost of \$3.8 million. The SFD defines groups with special needs as the disabled, children at risk (orphans, children in trouble with the law, street children, children of imprisoned women, child laborers), women at risk (women in prison and coming out of it) and other socially marginalized groups (institutionalized psychiatric patients, institutionalized elderly people and slum dwellers, including the Al-Akhdam; see below).

Since 2002, the SFD has strived to develop a national vision for organizations working with groups with special needs, especially children and youth. It has worked at various levels and with different agencies, including the Motherhood and Childhood Higher Council, Ministry of Social Affairs and Labor and related ministries, government agencies and donors. In addition, the SFD developed a strategy for the disabled, along with a three-year action plan, focusing on community-based rehabilitation that has been piloted in several governorates. The SFD has also continued to implement other programs and projects in this sector.

Guided by a Cabinet resolution to develop a national strategy for children and youth, the SFD continued its efforts—working with the Ministry of Youth and Sport, Ministry of Social Affairs and Labor, Ministry of Planning and International Cooperation and Motherhood and Childhood Higher Council—to coordinate activities in this area. The SFD is helping to prepare for a national conference to ratify the strategy in 2005. In addition, the SFD—in partnership with the World Bank—is providing financial and technical support to the Ministry of Social Affairs and Labor to prepare the National Strategy for

the Care and Rehabilitation of the Disabled.

SFD Strategy on Disability

As noted, in 2004 the SFD hired an international expert to review its programs for disabled people. The SFD used the findings from the review to develop a strategy and three-year action plan for its efforts in this area.

Implementing projects

The SFD has diversified its interventions for groups with special needs, with a focus on integrating them with mainstream society by supporting inclusive education, providing education support to disabled chil-

educate children with special needs. Short training workshops have provided limited benefits because trainees often lack appropriate experience. Moreover, Yemen's higher education system does not offer classes on special education. Thus, in 2004 the SFD visited the universities of Aden, Ibb and Taiz to explore the potential for introducing faculty and classes in this area.

Improving services for the disabled

During the year the SFD supported 39 projects to improve services for disabled people, focusing on rehabilitation and integration. Training



Sign language is used to teach deaf and mute students at the 26 September Integrating School

dren and providing training and institutional support to organizations that work with groups with special needs (box 7). In addition, the SFD has strived to improve the living conditions of these groups by implementing projects that provide social protection, improve housing conditions and support health services.

Promoting inclusive education

In 2004, the SFD developed three projects in several governorates to train teachers in inclusive education and raise their awareness about concepts of special education. The small number of teachers trained to provide special education severely impedes efforts to rehabilitate and

covered areas such as management, means of communication (including sign language), integration, pre-integration rehabilitation, early disability detection and interventions, rehabilitation of the mentally disabled, speech therapy for the hearing impaired, and education and mobility for the blind.

The SFD is also training 30 teachers of kindergarten and grades 1–3 in government and nongovernmental institutions working with the deaf in the Capital City and the governorates of Taiz, Hadhramaut, Aden, Al-Hudaidah, Dhamar and Ibb. Trainees are being prepared to be national trainers in speech correction and



The Special Needs Groups Society in Al-Mansourah (Aden) encourages girls with hearing impairments to participate in a variety of activities

therapy. This training, the first of its type in Yemen, is occurring in two phases. The first phase was completed in 2004; the second will be conducted in 2005.

Similarly, the SFD trained 11 such teachers in institutions working with the blind in these governorates. Again, the trainees were prepared to be national trainers in mobility and orientation techniques. This introductory training was part of an intensive program that addresses other aspects of mobility. In addition, during 2004 SFD projects created foundations that provide activities and services for the disabled, rehabilitated buildings to make them more accessible to people with disabilities and provided administrative equipment to several organizations serving the disabled.

Meeting the needs of street children, juvenile delinquents and orphans

The SFD continued to provide physical and technical support to centers serving these children recently established in Sana'a and Aden by the Ministry of Social Affairs and Labor, and to expose their staff to international best practice in this field. In addition, the SFD is supporting the creation of new centers in major cities such as Al-Hudaidah, Taiz and

Dhamar—providing institutional and technical support as well as required infrastructure.

During 2004, the SFD helped formulate bylaws for some orphanages and developed four projects for at-risk children in the Ibb, Taiz and Al-Hudaidah governorates, aiming to improve the services provided by the orphanages and increase the capacity of two NGOs—Al-Rahmah, in the Capital City, and the Orphan Welfare Society—working with such children.

Supporting prisoners and other socially marginalized groups

The SFD continued its interventions to improve situations in prisons. Two such projects were developed

in 2004, both to strengthen health care for prisoners in Sana'a and Aden. The SFD also supported four projects for other socially marginalized groups, focusing on the Al-Akhdam—a minority group traditionally engaged in scavenging and garbage collection. The Al-Akhdam tend to keep to themselves and live in slums and shanty housing, with no access to basic services. As a result, they remain on the periphery of the social mainstream. Projects were aimed at improving the living conditions of these groups and supporting the NGOs that represent them and address their issues.



Helping the deaf to learn

Box 7. Groups with special needs—and their right to lead decent lives

The idea of serving groups with special needs emerged in the late 1990s in the city of Ibb. A breakthrough came when a group of the city's physically disabled girls, when asked why they did not attend school, said that public schools were not suitable for them and intensified their feelings of weakness, isolation and withdrawal. The first spark of hope occurred in 1999, when an association was established in Ibb to serve disabled girls. Attracting attention from—and gaining the trust of—the handicapped girls required a year of various activities, including training in sewing, embroidery and the like.

In late 2000, the Al-Amal (Hope) Special Needs Groups Association was established in the Ibb governorate. Its motto: “Faith in the right of groups with special needs to lead decent lives free of frustration, repression and isolation.” The association's objectives include freeing the disabled from isolation, training and rehabilitating members of groups with special needs, integrating them in mainstream education, society and vocational activities and exploring their talents and creative potential. In addition, the association offers support for individuals suffering from chronic diseases and provides them with required medications, in coordination with institutions such as the Ministry of Health and several hospitals in Ibb and other governorates.

Sayyedah Muhammad Mus'ed Al-Shareef, Headmaster of the school created by the association (the 26 September Girls Basic and Secondary School), says that the association immediately embarked on integrating disabled female students in a single classroom on the association's grounds. The SFD later supported the construction and furnishing of a much larger school (grades 1–9)—enrolling girls as well as some physically and mentally disabled boys—that opened in the 2002/03 school year on its own grounds. The SFD also financed training for female teachers on methods of teaching physically disabled preschoolers.

In addition, the SFD supported two other training courses for female teachers—one on facilitating integration efforts, the other on teaching girls with hearing impairments—as well as a course for the association's administrative body on administrative, financial and legal rights and duties. The SFD also signed an agreement to provide two years of support for the association. This support included a rehabilitation and education project to integrate physically disabled children in mainstream public schools, training for administrative staff and teachers, coordination between the SFD and the association to integrate girls with hearing impairments in public schools and training for female teachers involved in inclusive education.

Currently, 1,264 male and female students are enrolled in the school (in separate morning and afternoon shifts) including 179 male and female disabled students, in addition to 84 students attending a morning shift on the association's grounds—including 32 disabled students (25 girls and 7 boys) receiving integrated education in an independent classroom with assistance from the 60 female teachers working at the school.

These teachers include 12 volunteers having a tremendous capacity for quietly giving of themselves, and display an utter willingness for sacrifice and self-denial—preferring to serve others.





Integrated Interventions Program

In 2004, the SFD committed \$0.2 million in financing for 10 projects under the Integrated Interventions Program. This pilot program continued to be implemented in targeted villages in four governorates (Al-Hudaidah, Abyan, the Capital City and Amran), aiming to advance social and economic development for communities and enhance self-development in these areas. The program focused on the following areas.

Paving the way for economic activities

Economic-related interventions were based on local resources and capacities, with most occurring in the districts of Al-Luhayyah (Al-Hudaidah) and Ahwar (Abyan). For example, the SFD implemented projects to train 30 farmers in modern farming methods, showing them how to protect their crops from blight and use chemical materials and fertilizers, and promoting the use of locally available organic fertilizers.

The SFD also supported training to teach 30 beekeepers basic scientific skills to increase honey production, including by improving the nutrition of bees, protecting them from diseases and recycling wax after honey

extraction to form new beehives.

In addition, the SFD approved a project to train 45 community members (22 women and 23 men) in Ahwar, Al-Luhayyah and Al-Naif about livestock production. The project started with a study to identify challenges, drawing on local experiences to develop appropriate solutions for protecting animals from diseases and increasing production.

The SFD also initiated a project to improve food preservation using surplus agricultural products. The project targets 45 female trainees in Ahwar and Al-Luhayyah to increase their self-sufficiency—particularly important for poor families. Such products can also be sold in local markets, creating a new source of income.

Empowering women

The Integrated Interventions Program continued to involve all community groups and members. Program efforts focused on women, such as literacy education and health awareness for 80 women, have been shown to empower them to actively participate in the development process. In 2004, a project was developed to train 24 local female trainers to train female literacy teachers using the “top down” learning approach

(a modern method where every word is broken into syllables, then letters, to facilitate learning among the illiterate). Increasing literacy is considered an important means of achieving social change.

Improving education in response to local needs

The SFD has been striving to improve education situations and respond to the needs of the targeted areas. To that end, certain schools were renovated and expanded in 2004. Focus was given to schools that support the program’s goal of creating an appropriate education environment for girls. This approach complements activities designed to raise local awareness on the importance of girls’ education and coordinate community efforts for change with those of local councils and education offices to provide teachers to the targeted schools.

Identifying and tackling health care shortcomings

An SFD survey of these areas found that poor maternal health care and weak health worker performance were among the most pressing problems. Thus the SFD has introduced projects to address these issues. These include training 20 traditional birth attendants and enhancing the role of health workers, as well as building and equipping a two-room health unit in the Al-Luhayyah district.

Scaling up the program

In 2004, an international expert evaluated the activities supported by this pilot program. This evaluation, expected to be completed in early 2005, will analyze the program’s impact in the targeted communities and assess the quality of its interventions. The findings will inform the SFD’s future efforts on potentials to expand and scale up the Program and link it with the local councils/local authority at the district level.



Training and Organizational Support

In 2004, the Training and Organizational Support Unit was involved in 141 completed and ongoing projects, with 71 providing training and 70 providing organizational support. These projects cost an estimated \$4.4 million (table 9).

Table 9. Indicators for the SFD's Training and Organizational Unit by sector, 2004 and cumulative

Indicator	Training		Organizational support	
	2004	Cumulative	2004	Cumulative
Number of projects	71	222	70	259
Commitments (millions of U.S. dollars)	1.5	3.8	2.9	7.7
Disbursements (millions of U.S. dollars)	0.9	2.6	1.0	4.9
Direct beneficiaries (millions)	0.007	0.02	0.3	0.5
Female share of direct beneficiaries (percent)	29	39	46	49
Temporary employment created (millions of days)	0.02	0.06	0.07	0.2

Activities focused on enhancing community participation by raising awareness and mobilizing beneficiary and community committees, and on building the capacity of small contractors, local authorities, consultants, NGOs, quasi-NGOs and government agencies. In addition, the unit provided organizational support—such as management systems, training, equipment, database and computer networks—to government organizations and NGOs.

Training

Training projects in 2004 involved courses and activities in a variety of fields. Projects included training SFD consultants in participatory rural assessment (PRA) techniques, training small contractors, engineers and consultants in work mechanisms and technical supervision related to SFD interventions and forming, training and building the capacity of community committees.

Projects also helped build the capacity of local council members in participatory development and poverty alleviation efforts, trained trainers (project officers and consultants), built the capacity of staff of certain government agencies and private and cooperative associations and provided training for 20 NGOs on strategic planning and fundraising. Other associations received training in agricultural marketing.

Training activities also included workshops on agriculture and food processing (such as coffee production, manufacturing and marketing), hygiene, professional and environmental awareness and the role of gender in development (box 8). Other training programs targeted government agencies, including the Yemeni Center for Social Studies and Labor Research, several Centers for Productive Families and Environmental Advocate Associations in several basic education schools in the governorates of Shabwah and Aden.

Box 8. Training in food processing—providing a new source of income

The Food Processing Program, administered by the SFD’s Training and Organizational Support Unit, aims to reduce agricultural waste by promoting food processing—to create products such as tomato paste, fruit jams and concentrated juices—using agricultural surpluses in some rural parts of Yemen. The program has been guided by knowledge transferred from the high-quality, internationally marketed “Rural Delights” program implemented by rural cooperatives in Lebanon. Yemen’s program will be implemented in three stages, the first of which was completed in 2004.

The first stage trained female trainers in home economics skills and—with assistance from Lebanese experts—trained a national group of 20 female trainers on the basics of home food processing. These women, in turn, will train 600 rural women leaders and female members of rural cooperatives. In addition, a logo was created during this stage to establish a brand identity.

During the program’s second stage, the products’ high quality will be ensured through further training. This stage will also develop pilot projects to establish rural centers that host female cooperatives to produce preservative-free products using high-quality agricultural surpluses.

The third stage will largely depend on the success of the second. The goal is to develop a program for high-quality food production, initiated and managed by the women’s cooperatives in partnership with private organizations. The products are expected to be of such high quality that they will be marketed locally, regionally and internationally.

Organizational support

During 2004 the SFD’s organizational support activities involved various forms of technical and material assistance, including upgrading internal systems, improving work mechanisms, supporting information networks and updating data, and providing equipment, furniture and training to NGOs, women’s centers and government offices.

Government agencies

Government agencies received organizational support—comprising training, upgrading systems and providing equipment—through 22 projects. These agencies included the Ministry of Education, the Education Office in the Capital City, Illiteracy Eradication and Adult Education Department offices in several governorates, the Central Statistical Organization and Centers for Productive Families in various governorates. In addition, 17 school libraries were established in the Capital City, and a children’s library was completed in



Members of local councils in Hajjah receive training from the SFD

Al-Mukalla (Hadhramaut).

Nongovernmental organizations

In 2004, the unit approved 48 organizational support projects for NGOs. Projects involved developing systems and manuals, training relevant individuals in fields directly related to their responsibilities and providing furniture and equipment required for the NGOs to perform their work appropriately (box 9).

Community-based organizations

Interventions were widely expanded to form and train community committees to improve the management and ensure the sustainability of SFD projects. During the year, 29 com-

munity committees were formed and trained for rainwater harvesting and feeder road projects in the Aden, Abyan, Lahej and Al-Dhale’ governorates. In addition, three training courses were held for 61 leaders of rural community organizations in several governorates.

Community-Based Development Program

In 2004, a Cabinet decision transferred responsibility for managing the Community-Based Development Program from the Ministry of Planning and International Cooperation to the SFD. The ministry, United Nations Development Program (UNDP) and SFD signed a memorandum of understanding to guide the transfer and integrate the program with the SFD’s operations. (The UNDP has funded the program since its creation in 1999.)

The program operates in five parts of Yemen. Four are rural: Ghail-Bin-Yumain (Hadhramaut governorate), Al-Sawadeya (Al-Baidhah), Al-Ma-



The Al-Takamul Development Association provides vocational training for women

kha (Taiz) and Khamis-Bani-Sa'ad (Al-Mahweet). The fifth is urban: Dar-Sa'ad (Aden).

In the fourth quarter of 2004, the program was evaluated through field visits conducted by a national team overseen by a specialized foreign expert. This evaluation was designed to assess the program's current status and overall performance, as well as establish a baseline to help in setting plans and implementing future activities in response to priority needs. The evaluation also aimed to provide a basis and reference for future assessments. Data from the evaluation are being analyzed, and its results will be available soon.

Decentralization and Local Development Support Program

This pilot program, developed in 2004, aims to support the National Decentralization Strategy, with a focus on developing the financial systems of local authorities and building the authorities' capacity to manage available resources and contribute to local development. Activities include developing procedures and mechanisms for collecting local and central revenues, applying a participatory approach to the preparation of investment plans, setting annual budgets and implementing projects and procurement arrangements, and manag-

ing projects, services and monitoring and evaluation activities. In addition, limited financial support will be provided to the budgets of the districts targeted by the program, and some logistical supplies will be offered. The SFD has formed a partnership with the UNDP to implement this pilot program, which—if it proves successful—will eventually be extended to every district in Yemen. The SFD will support the program's implementation in 10 of the 16 districts selected for the pilot phase: 4 each in Amran and Al-Hudaidah and 2 in Taiz. The pilot will also involve 2 other projects in Taiz and 4 in Hadhramaut.

Several activities related to the program have already been carried out, including selecting the targeted districts (in coordination with local authorities), forming and training district facilitation teams and training relevant government agencies in overseeing and supporting the districts. In addition, attention has been given to identifying the equipment and furniture needs of district government offices in the three governorates involved, and the offices in Al-Ma'afer and Haifan (Taiz) have already received such support.



Training for disabled in Aden

Box 9. Strengthening the regulatory regime of NGOs

A project called “Strengthening the Regulatory Regime of NGOs,” implemented between April 2003 and December 2004 under a World Bank grant, sought to strengthen the institutional capacity of the agencies benefiting from the grant, with a view to better understanding and applying the NGOs Law 1, enacted in 2001.

The project included a number of components, including:

- Preparing executive statutes for the law. The Council of Ministers approved these statutes in May 2004.
- Training staff of NGOs and the Ministry of Social Affairs and Labor on implementation of the law and its executive statutes, and acquainting them with general legal issues.
- Developing law libraries and legal assistance centers to build the legal capacity of NGOs. Three libraries were established—two in Sana’a and one in Aden—and are open to NGOs as well as lawyers, judges, researchers and the public.
- Conducting, over a period of six months, 33 workshops and seminars to orient NGOs, lawyers and judges on the application of the law and its executive statutes.

The workshops and seminars:

- Enriched the executive statutes as a result of the extended discussions involved in these activities.
- Resulted in the preparation of model basic forms and regulations for various associations, foundations and federations, and of procedures and forms on the establishment and activities of associations and NGOs.
- Trained most staff in the Ministry of Social Affairs and Labor’s General Department of Associations and Federations and its governorate offices on methods of conducting training workshops, and acquainted staff with the law and its executive statutes—enabling them to train others on such topics.
- Enabled several NGOs to manage and implement 24 training workshops targeting about 300 associations in the governorates of Sana’a City, Taiz, Al-Hudaidah, Aden and Hadhramaut, using the framework provided by the project’s workshops and seminars. The SFD’s role in these workshops was limited to training the NGOs in methods of conducting them, with assistance from the General Department of Associations and Federations and its offices, as well as providing the necessary financing. This approach helped build the capacity of the NGOs that provided the training, deepening the needed know-how related to applications of the NGOs Law and its executive statutes, and encouraging the NGOs to become SFD partners. These benefits were in addition to those that came from enabling other organizations to manage and implement various training programs, without the need for a third party.
- Acquainted various lawyers and judges with applications of the law and its executive statutes, by preparing training material derived from them and by conducting three workshops—implemented by the Higher Institute of Judges—targeting lawyers and judges. In addition, in coordination with the same institute, an orientation manual on the law and its executive statutes was prepared for lawyers and judges, with copies sent to the High Court, Ministry of Justice and General Prosecution offices for distribution to relevant authorities.

Other activities.

During 2004, efforts were also made to build the capacity of unit staff members—including by nominating some to participate in domestic and foreign programs to train trainers, to better qualify them to implement, monitor and evaluate projects. Moreover, cooperation and coordination were enhanced with organizations implementing projects similar to SFD interventions—such as the Program to Promote Self-help and Self-reliance in Rural Areas, established with support from the German Agency for Technical Cooperation (GTZ).

In addition, the unit provided support to advance the skills of SFD branch managers and project officers in concepts of community participation. The unit also conducted a field visit to evaluate the impact of its training program on agricultural marketing and post-harvest techniques, and supported interventions related to forming community committees and using beneficiary contributions in certain SFD projects—particularly rainwater harvesting and feeder road projects.



Small and Micro Enterprises Development

The SFD's Small and Microenterprise Development Unit supported 27 new projects in 2004, in addition to those from previous years. During the year, the unit's commitments reached about \$2.6 million, making its investments since the SFD's inception total \$8.0 million.

The unit's achievements during the year included preparation of the National Small and Microenterprise Development Strategy and finalization of the establishment of two institutions specializing in microfinance—the National Microfinance Foundation and the Al-Awa'el Microfinance Company, both established with SFD support. In addition, the unit expanded implementation of pilot projects involving business development services, with five projects developed and two completed.

The SFD also continued its efforts to increase the capacity and effectiveness of microfinance institutions. Several such projects were financed in 2004, with a focus on training and capacity building. For example, to develop the

management information systems of microfinance programs, the first version of the Ma'een Loan Management System (see below) was issued. In addition, automated accounting system software was developed and a human resource management manual was prepared. Moreover, several training courses were conducted on arrears, financial analysis and interest rates.

To foster small enterprise financing, a project was developed to provide technical support to the Small Enterprise Development Fund—and, after identifying the fund's needs, several activities were implemented. In addition, the SFD provided the Small Enterprise Development Fund with funding to expand its activities.

As part of its efforts to promote small and microenterprises, the SFD organized the "Small Enterprises Week." This event drew considerable attention to small enterprises, and especially to microfinance.

During 2004, the Small and Microenterprise Development Unit's

Website (<http://www.sfd-yemen.org/smed/>) was improved and regularly updated. In addition, the unit's first management information system was introduced and tested. The system was developed based on new reporting standards and is compatible with the management information systems of the world's leading microfinance programs. Some of the system's components are being revised based on the unit's new strategy.

This new strategy was developed by the unit, and a workshop was held to discuss it. Components of the strategy include the unit's gradual withdrawal from providing direct technical support to microfinance programs, limiting its role to supervision. Instead, training and technical support will be provided by consultants. Staff responsibilities in the unit will be reorganized in accordance with the new approach.

Microfinance

Supporting microfinance is the unit's main activity. The unit has pursued this goal since 1997—a time when no formal microfinance programs existed in Yemen. The unit has provided support and technical assistance to many organizations in an effort to develop sustainable microfinance services, leading to several important experiments and mechanisms (box 10). As Yemen's microfinance industry has grown, the unit has increased its assistance.

The unit has learned many lessons that have contributed to more efficient microfinance programs, including:

- Beneficiaries' need for microfinance services—and ability to benefit from them.
- Beneficiaries' commitment to such services—and to timely loan repayment.



Traditional men's clothes are woven in a workshop owned by a female client of the SFD's Dar-Sa'ad microfinance program in Aden

- The enormous potential for establishing sustainable programs—as long as they receive the required support.
- The need to enhance local capacity in microfinance—including upgrading supporting tools and developing training programs.
- The challenge of introducing sustainable programs in rural areas—due to risks of lending in such areas and lack of staff trained in recovering loans. The most effective alternative is to open branches of existing microfinance institutions in these areas.

Drawing on these lessons, the unit has developed a number of microfinance programs in cooperation with existing organizations. In addition, the SFD has helped establish new organizations specialized in providing microfinance services. Focus has also been given to developing supporting tools, such as automated management information systems, training courses and human resource systems.

In 2004, the SFD consolidated microfinance skills and expanded services nationwide. Since 2003, the SFD has been providing support to almost every microfinance program in Yemen, especially since it agreed

with the UNDP to participate in the Microstart project providing such programs with financial and technical support.

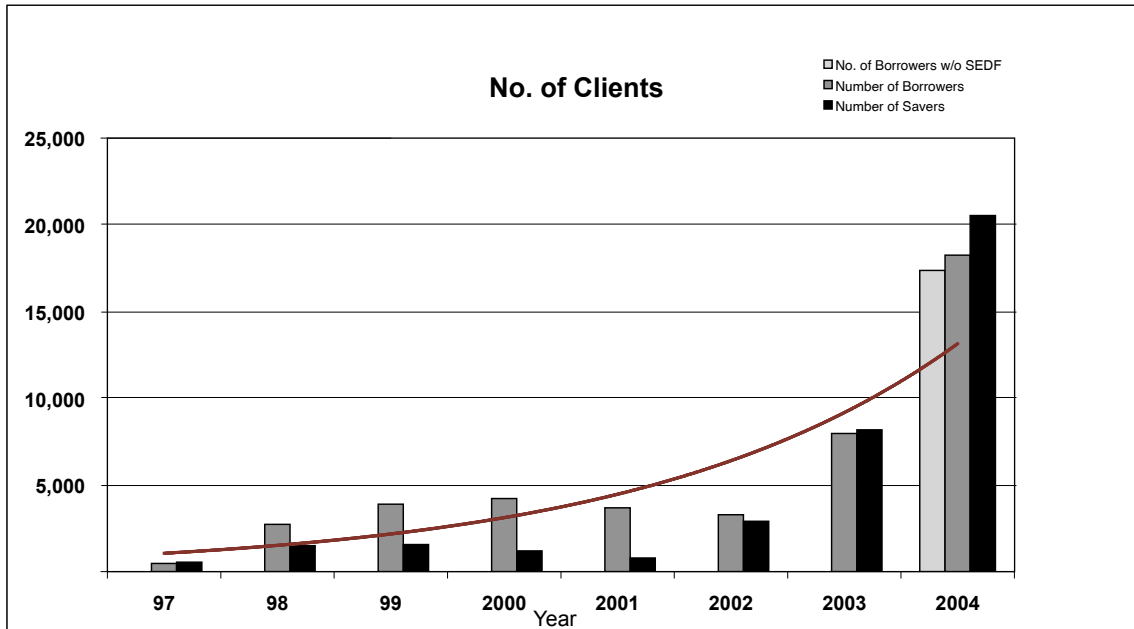
By the end of 2004, Yemen had 14 programs providing microfinance assistance—13 of which were receiving financial and technical support from the SFD, and 1 just technical support. These programs had 26 branches in 9 governorates (the Capital City, Aden, Taiz, Ibb, Al-Hudaidah, Dhamar, Hadhramaut, Hajjah, Abyan) and served 18,245 borrowers, with an outstanding loan portfolio of 732.1 million Yemeni rials (about \$4 million; table 10). The number of clients receiving savings services has also increased dramatically, reaching 20,537 by the end of 2004.

The number of microfinance borrowers and savers grew steadily during the first four years of SFD efforts (1997–2000), shrank in 2001–02, then resumed growth (figure 2). Trends were similar in disbursed loans, which increased by 160 percent between 2003 and 2004 (from 8,542 to 22,484; figure 3). Loan amounts increased from 162 million rials in 2000 to 600 million rials in 2004—and to 1,038 million rials if the Small Enterprise Development Fund is included (figure 4). Savings also increased considerably between 2003 and 2004, reflecting the growth of programs providing such services. The average loan was 27,000 rials (about \$145), indicating that microfinance programs have been successful in targeting the poorest and neediest groups.



A beneficiary of Al-Hudaidah's micro-credit program

Figure 2. Number of clients in SFD-supported microfinance programs, 1997–2004



In recent years Yemen's microfinance industry has also done a remarkable job of building capacity, enhancing staff skills and applying international best practices. Still, there remains a huge need to expand services in response to growing demand and to develop other services so that more poor people can benefit from microfinance.

Figure 3. Loan portfolios and savings balances in SFD-supported microfinance programs, 1997–2004

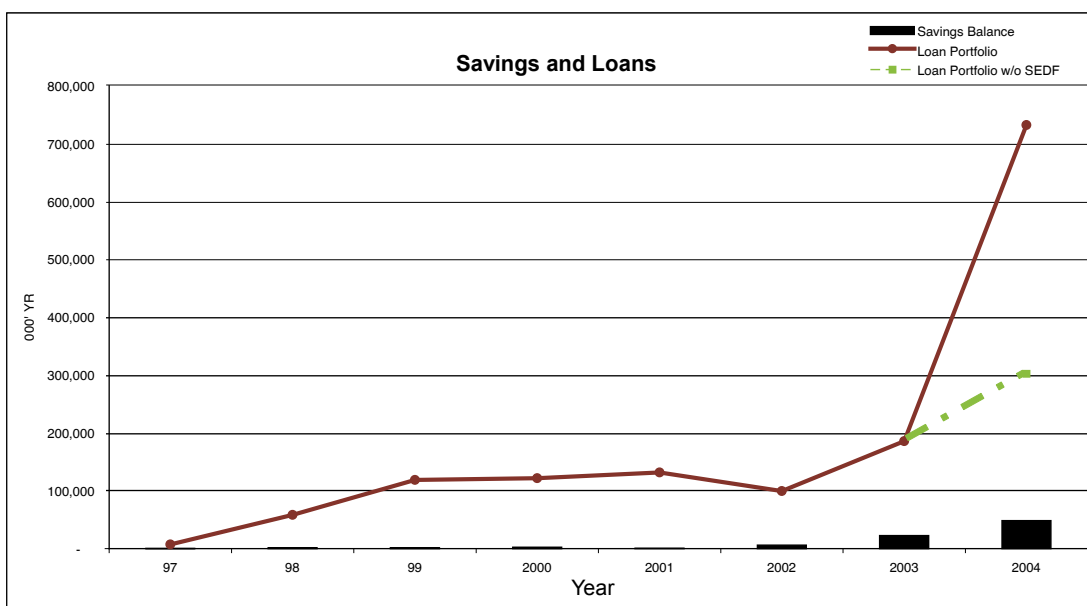
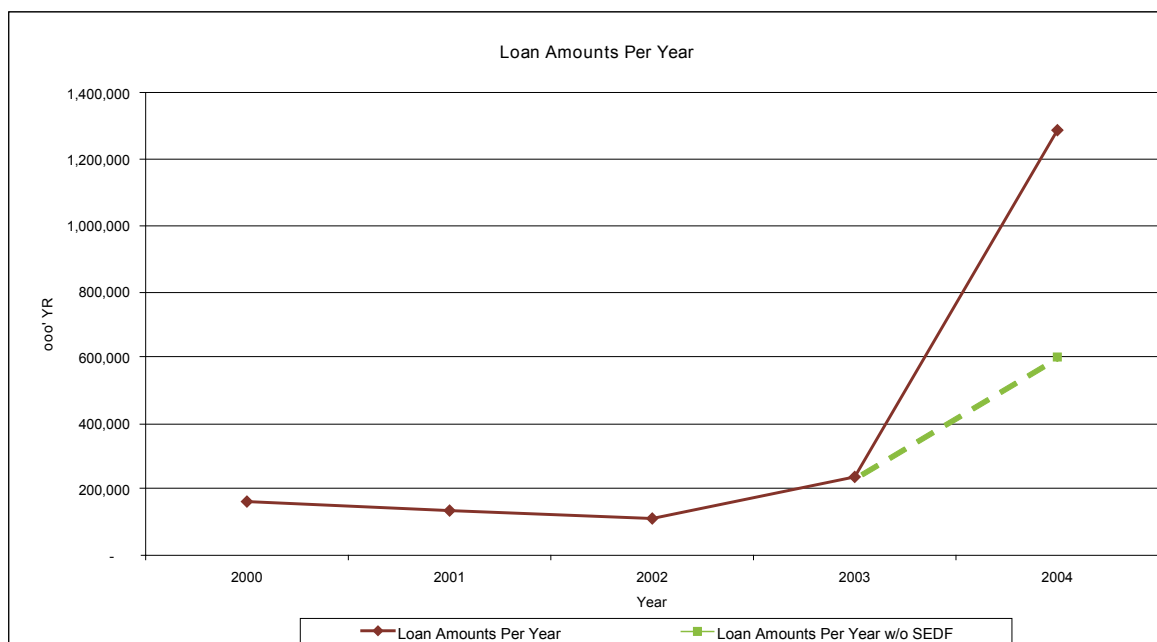


Figure 4. Loans provided by SFD-supported microfinance programs, 2000–2004



Some of the unit’s most important microfinance-related achievements in 2004 are described below.

Supporting the National Microfinance Foundation

The unit has continued to support and strengthen this foundation’s capacities since it was established in October 2003 as autonomous umbrella organization for five SFD-supported microfinance programs. The foundation’s headquarters were opened in Sana’a, a director was appointed and all the vacancies in its hierarchy were filled. The new management took over the Alif Microfinance Program, which had branches in Ibb, Taiz, Dhamar, Yarim and Al-Qa’edah. During 2004, the foundation expanded—adding new branches in Sana’a, Abs and Taiz and increasing its number of individual borrowers to 4,000 and members of borrowing groups to 8,500.

Establishing the Al-Awa’el Microfinance Company

This company was created and of-

ficially registered in Taiz. The SFD helped establish the company by investing in its capital (the SFD is the largest shareholder). The company has taken over the Microstart Program in Taiz, which had been in operation for five years.

Developing the Ma’een Loan Management System

This system is an automated, specialized tool for managing microfinance portfolios. The unit is developing it to be compatible with the needs of various microfinance programs. During 2004, the SFD and several programs formed a group to determine the system’s basic development, and the first version of the system was distributed to all Yemeni microfinance programs. The system enables the programs to perform new functions, such as producing reports that fulfill management needs and incorporating group and savings systems.

Supporting specific programs

In 2004, the Small and Microenterprise Development Unit prepared

and signed agreements to support microfinance programs sponsored by the following organizations:

- The Aden Women (Al-Ma’alla), Al-Wafa’ (Sheikh Othman) and Al-Thurayya (Dar-Sa’ad) associations, to support credit and savings programs in these towns.
- The Family Development Society in Hais (Al-Hudaidah), for a savings and credit program.
- The Women’s Society in Bait al Faqih (Al-Hudaidah), for a savings and credit program.
- The Al-Nahdha Society in Sayoon (Hadhramaut), for a savings and credit program in Wadi Hadhramaut.
- The Yemen Women’s Union (Abyan branch), for a savings and credit program.
- The National Microfinance Foundation.
- The Family Social Development Society, for a microcredit program.
- The Al-Awa’el Microfinance Company
- The Al-Islah Social Welfare Society, for a microcredit program.



At the Taiz branch of the SFD-supported National Microfinance Foundation, women earn income by drawing on hands using traditional henna designs

Sponsoring workshops and training courses

The SFD organized three workshops as part of its efforts to strengthen cooperation with microfinance providers. The workshops provided an opportunity for entities involved in microfinance to meet together and discuss various issues. The first workshop focused on expansion, obstacles and other topics. The second reviewed lessons and achievements in expansion. The third discussed the importance of cooperation and the possibility of establishing a common framework for microfinance programs.

Training also included three courses: one on financial analysis, another on sustainability and another on managing arrears and setting interest rates. The courses were organized in cooperation with the Arab Microfinance Network (Sanabel).

One of the most important SFD training courses in 2004 focused on human resource management in microfinance programs, including the issue of staff losses. Participants were also acquainted with the requirements of setting up a suitable system for human resources management in microfinance programs. In addition, courses were held on strategy planning, advanced account-

ing, credit methodologies (including group loans) and management and administration.

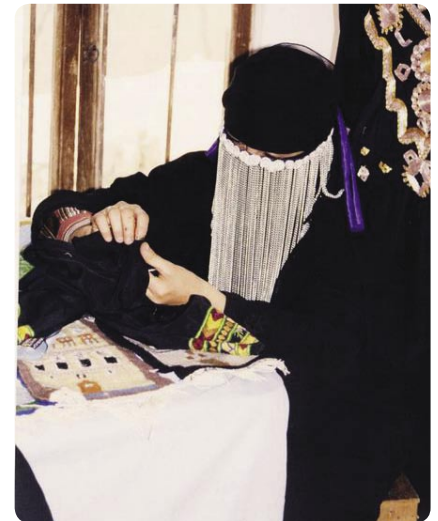
Business development services

SFD interventions involving business development services for small and microenterprises aim to encourage service providers—private and public—to support these enterprises and to establish a relationship between the demand for and supply of such services. Projects included a pilot that provided 23 training courses for small enterprise owners engaged in a wide range of handicraft and vocational activities (such as food processing, mechanics, hairdressing and tailoring). Seventeen associations of small enterprise owners participated in the training, which involved 405 male and female trainees and was implemented in cooperation with the Chamber of Commerce and the Federation of Handicraft Associations in Taiz. The Chamber of Commerce administered the project in cooperation with the federation, and consultants provided the training.

Another project focused on finding new markets outside Yemen for Yemeni handicrafts. The project started by studying products avail-

able in different parts of Yemen, gathering samples and promoting them in European markets. Several potential buyers showed interest and visited the production sites. As a result, orders were placed for a variety of Yemeni products, particularly baskets, copper lamps, traditional Qamaria windows (arched windowpanes in a variety of colors, commonly seen in Yemeni houses), incense and coffee. In addition, the project helped identify impediments to marketing Yemeni handicrafts abroad, including the poor design of some products and limited collection, packaging and shipping channels.

The SFD is also sponsoring a project that aims to assess the potential for developing Yemen's tailoring industry, and identify obstacles and needs. Another project studies the possibility and challenges of small workshops manufacturing school furniture as well as the creation of a new market for small manufacturers.



In addition, a project is being developed to conduct a survey to identify and overcome obstacles facing small contractors working with the SFD.

Financing small enterprises

The SFD has supported the Small Enterprise Development Fund (SEDF) since 2003, contributing to considerable growth in its activities. By early 2004 the SFD had identified the SEDF's needs in terms of becoming more efficient and increasing its reliance on modern economic and administrative practices. Technical support for the SEDF soon followed. Credit policies were revised, a new manual on credit policies and procedures was developed and an automated system for loan portfolio management (including a database) was designed and implemented.

Small Enterprises Week

The SFD's Small Enterprise Week involved 14 of its partner microfinance associations and NGOs representing microfinance programs nationwide (including 13 SFD-supported ones). The event was designed to raise public awareness about the economic importance of small and microenterprises—and especially microfinance—to help authorities recognize the difficulties facing these enterprises, increase official support for them and ensure a suitable environment for their activities.

In addition, the event aimed to encourage individual economic self-initiatives, foster a labor-respecting culture, mobilize sufficient public and official interest for the event to be held annually and promote the provision of financial services to such enterprises. The event also sought to initiate a broader dialogue on microfinance, its role and its potential for growth, as well as honor individuals and entrepreneurs who have actively assisted small enterprises and supported programs for them.

The Small Enterprises Week was a big success. Organized under the auspices of H. E. the Prime Minister, they attracted wide public attendance and interest. Attendees learned about financing programs for and products and services provided by small entrepreneurs.

Table 10. Small and microfinance programs supported by the SFD, end 2004

Program	Number of active clients				Cumulative						Areas of operation
	Borrowers		Savers		Outstanding loan portfolio (rials)	Savings portfolio (rials)	Re-payment rate (%)	Portfolio at risk (%)	Loan numbers	Loan amounts (rials)	
	Total	Women (%)	Total	Women (%)							
Al-Hudaidah Microcredit	1,135	89			7,967,850		100	0	6,729	340,426,721	Al-Hudaidah city and Bajil (Al-Hodaidah)
LSED- Hais	1,084	91	2,412	89	39,339,732	4,185,032	99	1	5,692	112,586,500	Hais, Khoukha, Jabal Ras, Zabid (Al-Hodaidah)
Wadi Hadhramaut	402	15			18,968,680		85	7	931	67,396,725	Seyun (Hadhramaut)
Dar-Sa'ad Savings and Credit	1,793	88	2,945	86	34,590,473	6,956,015	99	1	2,945	103,945,000	Dar Sa'ad, Al-Bureikah (Aden)
Al-Mu'alla Savings and Credit	1,031	100	1,469	100	20,587,980	4,498,590	100	0	2,040	67,363,000	Al-Mu'alla, Tawahi, Crater, Khor- Maksar (Aden)
Sana'a Microfinance (Azal)	1,250	69	1,295	100	25,937,780	822,200	66	13	3,090	121,011,000	Sana'a Capital
Sheikh Othman Savings and Credit	1,257	71	1,843	75	18,210,672	4,031,804	100	0	1,890	50,760,000	Sheikh Othman (Aden)
National Microfinance Foundation	4,785	100	8,620	100	88,769,627	22,268,410	99	0	6,942	200,734,685	Sana'a Capital, Taiz, Qaedah, Yarim (Ibb and Dhamar)
Bait Al-Faqeh Savings and Credit	675	89	675	89	7,922,905	903,750	100	0	1,031	17,824,400	Bait Al-Faqih, Mansouriyah (Al-Hodaidah)
Sana'a Microcredit (Microstart)	1,143	100			7,769,973				2,789	61,227,000	Sana'a Capital
Al-Awa'el Microfinance Company (Microstart)	1,974	100			19,592,856				4,104	102,213,000	Taiz
Abyan Savings and Credit	840	100	1,278	100	12,729,162	3,585,829	100	0	1,192	22,207,230	Abyan
Other activities and income-generating projects									6,895	260,426,012	Several areas
Small Enterprise Development Fund	876	1	0	0	429,765,655				898	687,114,000	Sana'a Capital, Taiz, Aden, Al-Mukalla, Al-Hudaidah
Total	18,245	0	20,537	0	732,153,347	48,251,630			46,270	2,215,235,273	

Box 10. Hopes and dreams of microfinance clients

Nidhal's hopes

Nidhal Saeed Abdu lives in a small house in the Al-Mualla district (Aden governorate). She is married and helps support her husband, three children and two brothers. Her husband receives a low daily wage, so she must engage in activities such as making and selling pickles and light foods (such as cooked potatoes). But until recently, her limited income was barely enough to help her husband sustain their family.



A few years ago, Nidhal heard about the Savings and Credit Program of Al-Mualla from a neighbor, who helped her contact one of the program's loan officers and join the women's loan group. In 2003, she took her first loan, for 10,000 Yemeni rials (about \$55), to expand her activities, and started selling her products to local shops. After her activities had grown, she took a second loan of 25,000 rials (\$137) and bought a sewing machine. She then took a third loan, for 50,000 rials (\$274), and bought an oven to make cakes and biscuits and sell them to shops. She employed her brother to help her in the distribution.

Nidhal says that the loans have enabled her to increase her income, which has helped her expand her business and make improvements to her house. In the future, she hopes to open a small shop next to her house and supplement her current activities.

Fatima's dreams

After moving from the governorate of Lahj several years ago, Fatima Mohamed Bahraq lived in a wooden hut in Al-Qallou'a (Aden) with her husband and children. Times were tough, because her husband's daily wage did not cover the family's needs.

In 2002, Fatima learned about the Al-Mualla Savings and Credit Program from a neighbor. She visited the program to learn about its services for poor people, then formed a women's loan group with her neighbors. The group, called "The Dreams," was accepted by the program. Fatima used part of her first loan, for 20,000 rials (\$110), to buy a sewing machine. She began sewing clothes for her neighbors, and became well known in her neighborhood for making good clothes. She then took a second loan, for 40,000 rials (\$220), and branched out into making popular foods. Her income increased; and with a third loan, for 70,000 rials (\$385), she started buying and selling clothes and household appliances. She also continued her sewing activities, and bought a new, better sewing machine.

Fatima's hard work and good reputation have raised her family's income, enabling them to build a small new house supplied with water and electricity, and she is now able to provide for her family's needs.



Internal and External Institutional Development Efforts

During 2004, the SFD played an active role in initiating, developing and supporting many national development strategies. It also conducted a variety of in-house evaluations and assessments.

National Strategy for Childhood and Youth

The SFD helped prepare and design the National Strategy for Childhood and Youth and funded some of its components. Indeed, preparation of this strategy was based on a study of disadvantaged children supported by the SFD in association with the World Bank and United Nations Children's Fund (UNICEF).

Preparation of the strategy will occur in three phases. The first, completed in 2004, focused on analyzing programs and reviewing policies. The second will involve developing recommendations and preparing the draft strategy. The third will focus on creating the strategy's action plan. These second and third phases are expected to be finalized in 2005.

National Small and Microenterprise Development Strategy

The SFD prepared the National Small and Microenterprise Development Strategy, as well as a five-year action plan for its implementation. The Cabinet discussed the draft strategy during an August 2004 meeting. The strategy focuses on the poverty-reducing aspects of small and microenterprise development and on the creation of sustainable job opportunities in both urban and rural areas. The government presented the draft strategy to the G-8 group of countries offering development assistance during a September 2004 meeting in Washington, D.C., and to the Future Forum held in December 2004 in Rabat, Morocco. Some improvements were then made to the strategy before it was resubmitted to the Cabinet for ratification—making Yemen one of the first Middle Eastern countries to have developed a strategy for small and microenterprise development.

National Strategy on Disability

The SFD—in partnership with the World Bank—has started providing financial and technical support to the Ministry of Social Affairs and Labor to prepare the National Strategy for the Care and Rehabilitation of the Disabled. In 2004, the SFD provided technical and financial support to add and modify questions related to disability and orphanhood contained in the data collection form for the 2004 Census. It also changed some definitions related to the disabled in the Census manual. The results of the Census, which will provide more data on disability in Yemen, will contribute to the development of this strategy.

Internal Capacity Building

In 2004, an international consultancy firm conducted a review to identify the SFD's needs in building capacity to meet the third phase requirements. A draft strategy was developed for enhancing internal capacity. The review assessed job descriptions, internal organizational structures, and

procedures and tools for staff evaluations, and analyzed training needs and the training policy and plan.

The review indicated that one of the key factors of the SFD success story is the organizational model which is characterized by a great deal of flexibility, open channels of communication and an absence of bureaucratic attitudes. The Management Structure has a “flat organization” which facilitates the capacity to adapt to a steadily increasing and differentiated workload. This has been instrumental in the development of mentioned features. Therefore it can be assumed that SFD has already accumulated considerable capital in terms of “capacity to manage change”, which represents a major added value to the institution as well as an asset to the country.



SFD organizational support for grassroots women's associations enables members to serve their communities, as in this computer class at the Al-Takamul Development Association in the Capital City

Strategy and action plan for supporting the disabled

The SFD hired an international expert on disability issues to review its programs in this field. The SFD used the findings of the review to develop a strategy and three-year action plan for its projects involving disabled people.

The review found that:

- The SFD is strongly committed to

and engaged in its efforts to support the disabled.

- The SFD's proactive approach has created a comprehensive, dynamic program for supporting the disabled.
- The SFD team working in this area has a good understanding of disability issues.
- SFD interventions that support (and partner with) NGOs working with the disabled are characterized by a systematic approach—focusing on appraisal of potential and capacity building as well as on provision of equipment and training.
- There is good networking between NGOs and agencies helping the disabled, with the stronger helping the weaker.
- Effective strategic use has been made of regional training opportunities, especially in education for deaf people.
- The focus on inclusive education—that is, integrating the disabled in public education—is highly commendable. Inclusive education of mobility-impaired and deaf children makes the SFD a pioneer not only in Yemen, but also in the Middle East.

Some challenges remain:

- Many institutions working with disabled people do not connect enough with their families, and are not community-based.
- The SFD has not yet provided support for community-based rehabilitation, which is the only known way of reaching rural areas and of providing a real community base for work in disability.
- Work on disability issues in Yemen is largely driven by the SFD, with a noticeable absence of leadership from the government.
- The NGO-run disability services supported by the SFD are urban-based. Rural areas are not being served.
- There remains a lack of basic data on disability, and of mechanisms to collect and process it. (The 2004 Census is expected to provide na-

tionwide data on disability, given that—with support from the SFD—specific “fields” for disability were incorporated into the basic Census form).

- Associations of the blind tend to have less capacity than do NGOs supporting the deaf, especially in education of children.
- Efforts are needed to encourage creative transportation solutions for the disabled.
- Too little attention is paid to income-generating activities for the disabled, especially after their completion of vocational training.
- Due to the lack of a community-based rehabilitation approach, centers for physical rehabilitation—in particular—serve only patients who come to them, and so do not serve the needs of many disabled people who remain stuck at home.
- Children with multiple impairments do not receive sufficient support programs.
- The SFD's role in disability is not always apparent to other agencies working in the field; there is a need for more effective public relations and activities promoting this role.

Proposed system for allocating donor funds to SFD projects

Because the SFD draws on a large, diverse range of funding sources—each with its own conditions, procedures, preferences and reporting requirements—a system for allocating funds was prepared. The proposed system focuses on reviewing the donor resources management system to automatically identify the most appropriate donor (funding source) for each subproject based on parameters specified in the SFD's financing agreements with donors. In addition, the proposed system includes a unified reporting form for all donors. The system will be further developed and implemented in 2005.

Developing the Geographic Information System

To properly implement its targeting-based interventions, the SFD uses demographic and social data that reflect the poverty-related living conditions in the relevant areas. This Geographic Information System (GIS) is designed to be easily accessed and used. Recent developments in the system aim at facilitating optimal use of its data and enhancing remote sensation (assessing situations in distant areas using data from maps) and decisionmaking.

The SFD's GIS was introduced in 2000 and updated in 2004, and is now linked to data from the 1994 Census, available surveys and the SFD's management information system (MIS). The upgraded GIS is an important tool in targeting the poorest, most underserved areas. The system is also used to support decisionmaking and follow up on and monitor the distribution of SFD programs and interventions. The GIS was upgraded based on a user-friendly, flexible program, enabling it to be further developed and updated.

In addition, in 2004 a user manual was developed that includes demographic and social data from the 1994 Census at the governorate, district, subdistrict and village levels, as well as poverty (and other social) indicators from the 1999 National Poverty Survey at the governorate and district levels. The manual also includes data from periodic education surveys and data on health facilities and roads.

These activities are part of the SFD's ongoing efforts to collect, compile and display statistical data from various sources and to establish and develop multiple databases and indicators to support its operations and interventions.

Improving the management information system

A regional consultant assessed the SFD's MIS interface to improve the system's usability and produced a document with all the suggestions and recommendations. The assessment process included comprehensive and detailed documentation of the MIS with all necessary forms, tables and functions, in addition to a training guide and user manual.

Strengthening technical support and quality control

To ensure that its construction projects were of the highest quality, in 2004 the SFD:

- Visited several governorates to assess the quality of 285 ongoing projects in various sectors.
- Conducted training on quality control for engineers and consultants from various governorates. The training aimed at raising technical awareness and enhancing the efficiency of quality control engineers, and concluded with unified technical visions that led to the development of field manuals and guidelines for testing elements of construction projects.
- Provided the Technical Unit with the most modern electronic and mechanical equipment, to enhance its performance and efficiency in testing concrete elements used in SFD-supported buildings.

Ensuring cost-effectiveness

During 2004, the SFD continued efforts to ensure and improve the cost-effectiveness of its projects. Still, it faced difficulties due to occasional increases in the costs of construction projects.

Such difficulties included higher labor costs (10–15% higher than in 2003), higher prices for some construction materials (such as wood and

steel) and unstable prices for other materials (such as cement, the price of which ranged from 750–1,000 riyals per sack). Moreover, steel prices continued to increase near the end of the year, and many contractors raised costs and prices in anticipation of higher prices for fuel and petroleum derivatives. As a result the average construction cost for SFD education projects was \$167 per square meter, 8% higher than in 2003 (tables 3 and 4).

**Table 3. Average construction costs for SFD education projects, 2004
(U.S. dollars per square meter)**

One-story buildings		Two-story buildings		Three-story buildings		Average cost
Number of projects	Cost	Number of projects	Cost	Number of projects	Cost	
90	185.5	237	164.6	9	143.0	167.0

Source: SFD Procurement Unit

**Table 4. Average construction costs for SFD education projects by area, 2004
(U.S. dollars per square meter)**

Area	Number of projects	Average cost
Urban	6	149.0
Semi-urban	119	157.1
Mid-level remote	138	169.5
Remote and rugged	53	185.4
Extremely remote and rugged	20	188.5

Source: SFD Procurement Unit



Evaluations

During 2004, several highly skilled consultants evaluated the SFD's activities to derive lessons and improve performance. The evaluations included a project survey, beneficiary assessments and thematic reviews of a number of SFD programs, including those for health, the disabled, integrated interventions and community contracting. This section summarizes the findings of the project survey and the beneficiary assessments. The thematic reviews are described in previous sections on specific sectors.

The 2004 project survey

The project survey, conducted by the SFD, was mainly based on data from a February 2004 sample of 145 completed projects in six sectors: education, health, water, roads, environment and microfinance. Survey questionnaires asked about the extent of community participation and the benefits and continuity of services provided by SFD projects. Data were also extracted from the SFD's management information system (MIS), as well as from studies and statistical surveys conducted at the national level. The survey's findings

were reported in September 2004.

Efficiency of SFD operations

As of September 2004, the SFD had completed 58% of its projects and disbursed 50% of its investment commitments, compared with 56% and 44% in July 2003—indicating improvement in shortening project lifecycles.

Consultation, participation and ownership

The survey found that participation was highest in discussions held by community members prior to project implementation, occurring in 71–91% of projects (depending on the sector). Such participation was highest for water projects and lowest for road projects. Community leaders (sheikhs) and members of parliament participated in discussions on 29–71% of projects, with the highest participation for health projects and lowest for road projects.

Beneficiary communities provided cash contributions for all rural road projects, in addition to in-kind and labor contributions. Just 40% of water projects received cash contributions

from beneficiary communities, but 50% received labor contributions—the highest share of any sector.

All respondents stated that the projects being surveyed were priorities. Moreover, 76–91% of respondents (depending on the sector) said that the quality of works implemented was excellent or good, with the lowest percentage being in the water and the highest in roads. And the vast majority of respondents believed that the benefits they received from the project merited its costs, with 85–100% assessing the cost-benefit ratio as excellent.

Education sector

The education sample included 40 schools—32 in rural areas and 8 in urban. These schools contained 240 classrooms (174 rural, 66 urban).

Enrollment

Relative to the periods before SFD interventions, the overall enrollment rate increased by 27%. This increase was mainly due to the significant number of girls joining female-only classrooms, with the number of female students increasing by 36%. The survey found that the SFD's interventions had reduced overcrowding (density) in girls' classrooms.

Operations

The survey found that in the week prior to the interview, 95% of the schools had been fully operational. In the two exceptions, one school was partially closed for a day, and the other for the whole week.

Construction and cleanliness

The survey found that 83% of the SFD-supported classrooms were in good condition overall, and that cleanliness was excellent in 63%. In addition, 77% of the school toilets were in good condition, and 54% had good cleanliness. Moreover, most respondents said that their school

site was appropriate. Among the 32 schools in rural areas, 9% lacked a source of water and 22% depended on water harvesting tanks provided by the SFD.

Parent councils

The survey found that parent councils had been formed in 75% of SFD-supported schools to follow up on and oversee various school needs.

Health sector

The survey team visited 27 SFD-supported health facilities—8 health centers, 17 health units (which are smaller and provide fewer services than health centers), and 2 rural hospitals—providing curative and preventive services. About 81% of these facilities provided consultation services and comprehensive immunization services, as well as other services such as minor operations. Many facilities also provided preventive child care services, and some provide prenatal care and child delivery services.

In the week preceding the interview, 89% of the facilities had been fully operational, providing services on 92% of possible working days. In addition, in the week before, 88% of the facilities had provided consultation services, 43% had provided immunization services, 37% had provided prenatal care and 28% had provided family planning services.

Staffing

The survey found that urban health centers and units had an average of 7.0 health staff, while rural health centers had an average of 5.3 staff and rural health units had an average of 2.6 staff. Rural hospitals had an average of 38.5 staff. The analysis also found that staff were committed to attendance. About 83% of staff members were permanent, while 9% were volunteers and 7% were temporary.

The main problems cited by respondents were insufficient qualified health staff—particularly females—and auxiliary staff (messengers, guards, cleaning staff), as well as inadequate x-ray and lab services.

Equipment and support services

Of the 22 instruments and pieces of equipment that the Ministry of Public Health and Population considers essential for each health facility, an average of 85% were available, 67% of which were in good condition.

Less than half of the health facilities (41%) were connected to public water networks; 44% relied on unsustainable, external sources, and 15% lacked any source of water. Similarly, less than half of the facilities (41%) were connected to public electricity networks, while 30% depended on village or facility generators. Half of the health units in rural areas lacked electricity altogether.

Most of the health facilities (89%) burned their medical waste, the rest disposed of it using standard garbage receptacles.

Availability of medicines

The survey found that of the 42 medicines, vaccines and other medical supplies considered essential by the Ministry of Health, only 20 (47%) were available at the health facilities. But 80% of the facilities had vaccines such as DPT (diphtheria, pertussis, tetanus) and measles.

Source of medicines

The Ministry of Public Health and Population's Medicines Fund was the main source of medicines for most health facilities. Of the 17 facilities with beneficiary committees, 15 rely on the Medicines Fund, in addition to the private sector.

Beneficiary committees

As noted, beneficiary committees had been formed for 17 (71%) of

the SFD-supported facilities. (Three of the facilities are not included in this count because they are specialized units in urban hospitals.) In the year before the survey, these committees had held an average of 4.3 meetings. (One committee did not hold any meeting; three held only one and three others held two.)

Availability of Medicine Recovery System

Three-quarters of the facilities with beneficiary committees and half of those without them used a Medicine Recovery System, under which patients pay for their medicines. Among the 18 facilities using this system, 14 exempted poor people (10 of which maintained lists of such patients).

Water sector

Of the 33 water projects surveyed, 9 were water network projects and 24 were water harvesting projects. Of the water harvesting projects, 22 had an average of two cisterns and tanks and 2 were small dams. The cisterns and tanks project had an average of additional capacity of 7,176 cubic meters while the average additional capacity of small dams project was 125,250 cubic meters. The water network projects served, on average, 66 household taps.

The survey found that each project benefited an average of 773 households and 5,975 individuals. The projects increased household coverage by 34% (27% for water harvesting and 39% for water network projects) and individual coverage by 37% (27% for water harvesting and 44% for water network projects). Data from respondents indicate that the projects have resulted in a clear increase in water consumption per capita, daily operation hours and monthly operation days.

Staffing

Water network projects had an average of six working staff, four of whom were qualified (trained). Staff attendance in the five working days before each project interview averaged 96%. Staff attendance varied by profession, from 87% for administrative personnel to 100% for operation and maintenance staff. (No staff are required to run water harvesting schemes.)

Payment of service fees

Fees were collected for all water network facilities (except one); 63% were paid on a regular basis (without delay).

Implementation

The SFD implements its water projects in two ways: through contractors and through beneficiary communities (direct implementation). Contractors implemented 79% of the water harvesting projects surveyed; communities, 21%. All but one of the water network projects surveyed included plans to preserve water, as did slightly more than half of the water harvesting projects.

Operation and beneficiary committees

More than 90% of the projects visited were managed and operated by certain entities, 75% of which were beneficiary committees. Two-thirds of water network projects were managed and operated by beneficiary committees; the other third, by water authorities or local councils. Nearly four-fifths of water harvesting projects were managed and operated by beneficiary committees.

Roads

The project survey visited 20 SFD road projects, 11 involving rural roads and 9 involving street paving in cities and small towns. The average rural road project ran nearly 7.5 kilometers, covered 18 rural ar-

reas (villages and hamlets) and served 11,205 people. The average paving of streets in cities and towns covered 9,537 square meters, serving 22,061 people.

The survey found that the SFD interventions had enabled two of the beneficiary villages' access to vehicles, and reduced the costs and time of villagers' trips to nearby cities, towns and souks (traditional markets). These improvements increased the number of vehicles using the roads and lowered the prices of basic commodities such as wheat (by 28%) and cooking gas (by 39%). The lower prices of commodities and services were attributed to the 50% decrease in transportation fares.

Such findings support evidence that local efforts at maintenance are made in 91% of the SFD's rural road projects. Most such roads (80%) are maintained on a periodic basis, and 20% on both a periodic and routine basis. About 55% of these rural roads have maintenance committees. In response to the question of who is in charge of maintaining rural road projects, 50% of respondents said maintenance committees, 20% said local councils, 10% said local associations and 20% said that beneficiaries themselves are responsible. More than half (55%) of the rural road projects visited relied on local financial contributions to maintain the roads.

Environment

The environment sector involves wastewater management (sanitation), solid waste management and soil and water conservation. The project survey covered only sanitation projects, because they account for most SFD investments in the sector. The survey visited 14 sanitation projects, and found that SFD interventions in the targeted areas had increased the number of households connected to

the sanitation network by 64%, increased the proportion of connected households by 188% and raised the proportion of disposed water treated by 183%.



The survey included a sanitation questionnaire that asked about the average cost of a lebna (an area of land equal to 44 square meters) and the average rent for a local house; other questions related to the health and environmental situation before and after SFD interventions. Respondents were asked to estimate the effects of SFD-supported sanitation projects, based on their observations before and after interventions. The respondents indicated that 100% of the projects had significantly lowered levels of stagnant water and reduced the prevalence of open sewerage by 88% on average. As a result, malaria cases had dropped by 62%. (Data on malaria were collected from the health facilities closest to the targeted areas.) In addition, projects eliminated the risk of children and animals falling into pour holes (open sewage collection areas) and resolved quarrels about disposed water among local residents. In addition, the SFD projects eliminated odor problems and harm caused by insects.

Operation and maintenance

All SFD-supported sanitation projects are supervised by Water and Sanitation Authority offices in individual governorates.

Wastewater treatment

Of the 14 sanitation projects visited, 11 (79%) have means for treating wastewater. Although treatment methods vary, 7 of the 11 are based on the connection with the main network; 4 use septic tanks.

Preventive maintenance

According to the respondents, 8 of the 14 sanitation projects have maintenance systems. Of these, 4 have routine maintenance systems and 4 have dual (periodic and routine) systems.

Microfinance

The survey visited 11 microfinance programs established to provide savings and loan services through nongovernmental organizations (NGOs). In 2004, the SFD helped establish the National Microfinance Foundation (NMF), which supervises savings and loan programs established in the cities of Taiz, Ibb, Dhamar and Al-Qa'edah. The survey covered two types of programs: 9 savings and loan programs (including the 4 run by the NMF) and 2 loan-only programs.

Staffing

Each microfinance program had an average of about 12 staff members (6.7 men and 5.4 women). Monthly salaries for men and women in different professional categories averaged 19,750 Yemeni rials (about \$109).

Funding sources for loans

The SFD provided 85% of the programs' loan funds (in the form of loans and grants); savings deposits accounted for 6% (except in the NMF projects, where they provided 36%) and other sources for 9% .

During the visit, women accounted for 78% of project beneficiaries when the Al-Hudaidah program was excluded; otherwise, their share was nearly 41%.

Loan uses

Borrowers invested in a range of income-generating activities, including trade (47%), services (21%), industry (12%), animal husbandry (9%), household and personal consumption (7%) and agriculture (4%). The average loan in the programs visited was 41,104 rials (\$227) and had a nine-month repayment period. The programs surveyed relied on two types of Islamic loan programs, with five focused on *murabaha* (profit sharing, or cost plus markup) and six on *musharaka* (equity participation). Monthly interest rates ranged from 1.5–2.0%, averaging 1.75%.

Registers and accounting systems

Nine of the programs had loan registers, and ten updated their information regularly (on time). Since the 2003 evaluation, the number of programs using computerized accounting systems had increased from one to five.

Guarantees

Loans were provided to borrowers who provided guarantees that they would repay. Salary and solidarity (group) guarantees were the most

common mechanisms in the programs surveyed.

Beneficiary assessments

The beneficiary assessments, conducted by an external evaluator, documented and analyzed the responses of communities (and other targeted beneficiaries) to SFD projects to better understand the reasons for project success or failure. The assessments also assessed the different impacts of projects on different parts of the community (such as women and men), as well as problems and challenges, and ways of addressing them. The fieldwork for the assessments was completed in 2004, and its analysis indicates that:

- Most beneficiaries were familiar with the SFD through projects implemented in their region. Respondents generally considered these projects to have been successful and to have provided benefits to their region.
- The SFD has a good reputation—one that has spread beyond immediate project areas.
- SFD staff seem to relate well to local communities. Members of project committees said that SFD staff had been cooperative when problems had arisen, and beneficiaries who had interacted with staff referred to them with respect and appreciation.



The Microcredit Program in Sana'a empowers women by providing them with microfinance services



Funding Sources

The SFD's operations during its third phase (2004–08) are estimated to cost \$400 million, \$151.1 million of which had been secured by the end of 2004 (table 11).

Table 11. New external sources of SFD funding secured in 2004

Source	Agreement amount (millions)	Currency	U.S. dollar equivalent (millions)	Current funding status
German Development Bank (KfW) grant 2003 65 155	4.0	Euros	5.2	Effective
World Bank/International Development Association credit YEM-3861	60.0	U.S. dollars	60.0	Effective
British government (U.K. Department for International Development) grant 188-542-008	12.0	Pounds sterling	22.8	Effective
Netherlands government education grant 10784 and health grant 10829	8.85	U.S. dollars	8.85	Effective
European Community trust fund grant 053450	8.0	Euros	10.4	Not effective
OPEC Fund for International Development loan 959P	13.0	U.S. dollars	13.0	effective
International Fund for Agricultural Development (IFAD) loan 638-YE	4.35	U.S. dollars	4.35	Not effective
Saudi Fund for Development loan 422/24	75.0	Saudi riyals	20.0	Not effective
German Development Bank (KfW) grant ^a	5.0	Euros	6.5	Not effective
Total			151.1	

Note: The government of Yemen signs loan or credit agreements and transfers the funds to the SFD in the form of grants. 1 euro = 1.3 U.S. dollars. 1 pound sterling = 1.9 U.S. dollars.

a. Committed under the annual cooperation agreement between Yemen and Germany.

Donor missions in 2004

During 2004 several donors conducted missions to evaluate the SFD's performance, visiting its main office and numerous projects. In addition, several new financing agreements were signed, including with the World Bank, German Development Bank (KfW), OPEC Fund for International Development, Saudi Fund for Development and governments of Britain (through the U.K. Department for International Development, or DFID) and the Netherlands.

World Bank supervision visit

The World Bank conducted a supervision visit in May 2004 to assess SFD projects implemented during the second phase of its operations and progress toward its development goals. The mission also addressed issues related to the launch of the third phase, in addition to the Bank's \$60 million credit (YEM-3681) for that phase, signed in April 2004 and provided by the Bank's International Development Association.

The mission visited SFD projects in the governorates of Al-Baidhah, Hudaidah and Taiz. The mission expressed its satisfaction with the SFD's continuous progress, and issued a memorandum describing the SFD's approach in various sectors and the performance of its internal systems. This memo has been circulated to and discussed with all of the SFD's donors.

Joint mission by the World Bank, European Union and Netherlands Embassy

This mission visited the SFD in December 2004 to learn about its project-related efforts, especially in the first year (2004) of its third phase. The mission also reviewed progress on projects implemented during its second phase, and discussed moving the closing date for projects

initiated during the second phase to mid-2005—a year earlier than previously planned. In addition, arrangements were made to begin developing projects supported by the World Bank's credit for the third phase (YEM-3861). This mission also finalized the European Community grant agreement for the third phase (Trust Fund 053450); this grant will be administrated by the World Bank and is expected to become effective in 2005.

Funding sources during the second phase

World Bank/International Development Association second credit (YEM-3353)

This \$75 million credit, provided in 2001, has funded 900 projects involving water, education, health, roads, groups with special needs, the environment, organizational support, training, cultural heritage, integrated interventions, microfinance and small enterprises. The credit's closing date is expected to occur in mid-2005. By the end of 2004, disbursements under the credit totaled \$72.6 million.

World Bank Institutional Development Fund grant to support the Nongovernmental Organizations Law 1 (Trust Fund 050401)

This \$182,250 grant, signed in 2002, supports the development of civil society organizations by raising awareness about the NGOs Law 1, which was approved in 2001. The grant has been used to increase understanding of the law, prepare its executive statutes, establish law libraries and legal assistance and conduct workshops and seminars to orient NGOs, lawyers and judges on the application of the law and its executive statutes. 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 NGOs.

Netherlands government development grant (YE 024601)

This grant, signed in November 2001, will finance 235 projects, with a focus on improving the living conditions of poor people. By the end of 2003, the entire grant had been allocated 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 2004, disbursements had reached \$26.4 million. This grant is expected to be closed in 2005.

Arab Fund for Economic and Social Development 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.

Arab Fund for Economic and Social Development grant for restoration of the Great Mosque

This \$1.5 million grant is being used to renovate the Great Mosque of Sana'a.

U.S. Donation of Agricultural Commodities Program 2000

This grant for 1.4 billion Yemeni rials (about \$8.6 million), provided in June 2001, funded 98 projects involving education (95), cultural heritage (2) and health (1).

U.S. Donation of Agricultural Commodities Program 2001

This \$5.0 million grant has been used for development projects around the country, focusing on highly tribal governorates such as Marib, Al-Jawf, Sa'adah, Amran and Shabwah. Within the framework of this program, a Memorandum of Understanding was signed between the Ministry of Culture and Tourism, Marib Local Council and SFD and the American Embassy to provide an additional \$3 million to finance the construction

of the Marib Civilization Museum, which will help enhance tourism in Marib and in Yemen as a whole.

U.S. Donation of Agricultural Commodities Program (training for health workers)

This \$581,000 grant was used to build the capacity of health workers in the Sana'a and Marib governorates. In 2003, the grant was used to train 232 male and female students in health institutes in Sana'a, Aden, Taiz, Ibb, Hajjah and Marib in a range of health specialties.

European Community grant (B7-3000/IB/97/0466)

This 15 million euro grant was provided in 1998. The EC directly managed 2.4 million euros of the grant to provide SFD with technical assistance, while the SFD managed 12.6 million euros to fund water harvesting and road projects under its Community Development Program. The grant 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. The grant, which had been used since 2000 to finance the first and second phases of SFD operations, was closed at the end of 2004.

Islamic Development Bank loan (50/YAR)

This \$6 million loan was provided in 2000 to support SFD activities, and started being used in early 2003 to finance community development projects involving education, water, health and rural roads. The total amount of this loan has been committed, and by the end of 2004 disbursements had reached \$4.8 million. This loan is expected to be concluded in 2005.

British government first grant for the SFD second phase

This grant, for £1.6 million, was provided in March 2004 to cover shortfalls in financing the SFD's second phase activities. It was allocated to support all SFD programs and closed at the end of 2004.

Funding sources during the third phase

The third phase of the SFD's operations started at the beginning of 2004. Given project needs under this phase, SFD management has increased its efforts to attract financing—resulting in new credits, loans and grants from donors such as the World Bank, Organization for Petroleum Exporting Countries (OPEC), European Commission, International Fund for Agricultural Development (IFAD), Saudi Fund for Development, and governments of Britain, Germany and the Netherlands. The \$151.1 million secured in 2004 is 46% of the external funding required for the third phase.

German Development Bank (KfW grant 2003 65 155)

This grant agreement, signed in March 2004, will provide 4 million euros (about \$5.2 million) for projects under the SFD's Community Development and Capacity Building programs during the third phase. Another 5 million euros, committed under a 2004 cooperation agreement between the governments of Yemen and Germany, will be provided in 2005.

OPEC Fund for International Development loan (959P)

This \$13 million loan, received in February 2004, will finance projects involving education, water, the environment, groups with special needs, health, roads and capacity building.

World Bank/International Development Association credit (YEM-3861)

This \$60 million credit, signed by the government in April 2004, will finance the full range of SFD activities during the third phase. The credit became effective in August 2004.

British government third phase grant 188-542-008

This grant, through the U.K. Department for International Development, will provide £12 million (about \$22.8 million) in financing for projects during the SFD's third phase.

International Fund for Agricultural Development (IFAD) loan 638-YE

The IFAD will provide \$4.35 million to finance the water component of the Rural Development Project in Al-Dhale' governorate. Negotiations on this loan have been finalized, and the agreement between IFAD and the government of Yemen will be signed in 2005.

Saudi Fund for Development loan (422/24)

In December 2004 an agreement was signed between the government of Yemen and the Saudi Fund for Development to provide a loan for 75 million Saudi riyals (\$20 million) to support the SFD's education projects during its third phase.

European Community (Trust Fund 053450)

This 8 million euro (\$10.4 million) grant will be used by the SFD for local development programs, water supply and sanitation, feeder roads and the Capacity Building Program. This grant is in form of trust fund administered by the World Bank.

Netherlands government education grant 10784 and health grant 10829

The education grant, agreed to in November 2004, will provide \$6.1

million to support SFD education projects during the third phase—with the aim of supporting Yemen's progress toward the Millennium Development Goals in this sector. Under the health grant, also signed in November 2004, the SFD will receive \$2.75 million for health projects during its third phase.

TABLE 12. SOURCES OF SFD FINANCING, 1997–2004 (U.S. DOLLARS)

Source	1997	1998	1999	2000	2001	2002	2003	2004	Total
World Bank/IDA credit 2953, first phase	2,125,976	6,237,451	14,145,398	4,555,602	2,115,281	124,867	0	0	29,304,575
World Bank/IDA credit 3353, second phase	0	0	0	0	10,386,683	21,398,527	27,609,368	13,178,312	72,572,890
World Bank IDF grant TF050401-YEM	0	0	0	0	0	0	50,000	85,496	135,496
Yemen government	0	0	588,567	567,873	865,701	838,551	1,763,429	6,177,356	10,801,477
European commodity aid	76,923	0	0	0	0	0	0	0	76,923
European Community grant (B7–3000/IB/97/0466)	0	0	0	1,149,419	946,597	2,549,190	6,851,564	1,321,395	12,818,165
Netherlands grant for Al-Hudaidah Microfinance Program	28,724	0	0	0	0	0	0	0	28,724
Netherlands grant TF020452	0	0	654,756	2,543,328	485,775	1,796,295	296,948	0	5,777,102
Netherlands grant YE 009804B	0	0	0	4,098,402	1,971,163	1,622,743	261,785	0	7,954,093
Arab Fund for Economic and Social Development loan 97/350	0	0	1,950,000	10,246,784	7,355,430	18	0	0	19,552,232
Arab Fund for Economic and Social Development loan 425/2002	0	0	0	0	0	6,641,843	8,493,867	10,176,391	25,312,101
US donation of agriculture commodity (416-b) 1999	0	0	3,130,675	0	2,170,023	0	0	0	5,300,698
US Donation Agricultural Commodity (416-b) 2000	0	0	0	0	4,254,169	4,120,750	0	0	8,374,919
US Donation of Agriculture Commodity (for training of health workers)	0	0	0	0	0	0	581,363	0	581,363
US Donation of Agriculture Commodity (416-b) Program 2001	0	0	0	0	0	0	2,500,000	0	2,500,000
OPEC Fund for International Development loan 721P	0	0	0	1,312,936	3,667,554	742,461	277,049	0	6,000,000
Islamic Development Bank loan 50/YAR	0	0	0	0	0	0	1,511,521	3,252,405	4,763,926
Japanese grant TF026373	0	0	0	0	50,000	65,394	87,359	0	202,753
Netherlands second phase grant YE 024601	0	0	0	0	5,976,096	3,500,000	10,537,007	6,422,343	26,435,446
British government grant to the SFD second phase	0	0	0	0	0	0	0	2,886,095	2,886,095
Arab Fund grant (Grand Mosque)	0	0	0	0	0	0	0	169,532	169,532
British government third phase grant 188-542-008	0	0	0	0	0	0	0	2,772,950	2,772,950
German government grant (KfW) (2003 65 155)	0	0	0	0	0	0	0	1,547,027	1,547,027
Netherlands government education grant 10784	0	0	0	0	0	0	0	3,000,000	3,000,000
Netherlands government health grant 10829	0	0	0	0	0	0	0	1,979,325	1,979,325
Total	2,231,623	6,237,451	20,469,396	24,474,344	40,244,472	43,400,639	60,821,260	52,968,627	250,847,812
Interest earned	0	76,309	43,813	434,676	431,994	436,349	372,931	647,881	2,443,953
Income	1930	21,933	204,681	343,685	682,145	865,461	1,119,158	306,159	3,545,152
Recovered expenses	0	0	0	178,022	53,013	93,349	157,280	2,632,093	3,113,757
Recovered loans	0	0	0	0	0	0	222,037	251,197	473,234
Grand total	2,233,553	6,335,693	20,717,890	25,430,727	41,411,624	44,795,798	62,692,666	56,805,957	260,423,908

Note: Equivalent amounts of funds in U.S. dollars are approximate.

Annexes

SFD commitments, disbursements, benefits, project locations, organizational structure and branch offices

SFD estimated commitments by program, 2004 and cumulative (millions of U.S. dollars)

Program	2004	Cumulative
Community Development	62.6	285.8
Capacity Building *	13.6	43.3
Small and Microenterprise	2.6	7.8
Total **	78.8	336.9

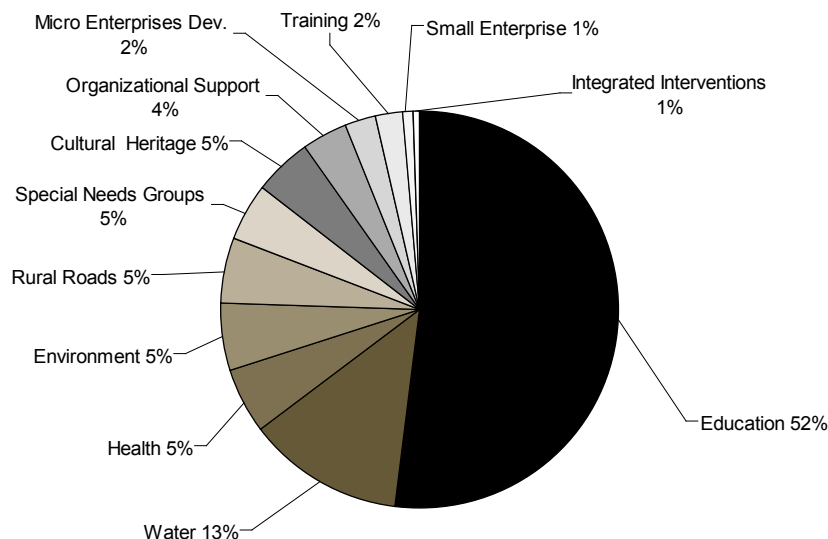
*Including budget for operating expenses and fixed assets of the SFD
 **Amounts are estimated based on the annual approved projects as well as operating and fixed assets costs

SFD disbursements by program, 2004 and cumulative (millions of U.S. dollars)

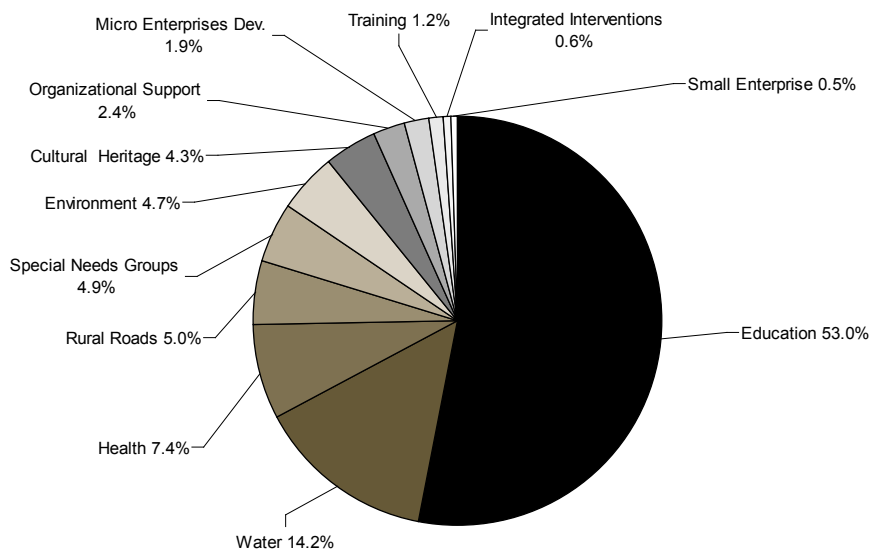
Program	2004	Cumulative
Community Development	48.2	203.8
Capacity building*	9.6	29.4
Small and Microenterprise	2.1	5.3
Total**	59.9	238.5

*Including disbursements for operating expenses and fixed assets of the SFD
 **Amounts include operating expenses for the main office and branch offices (approximately 4 percent for 2004 and 5 percent cumulatively)

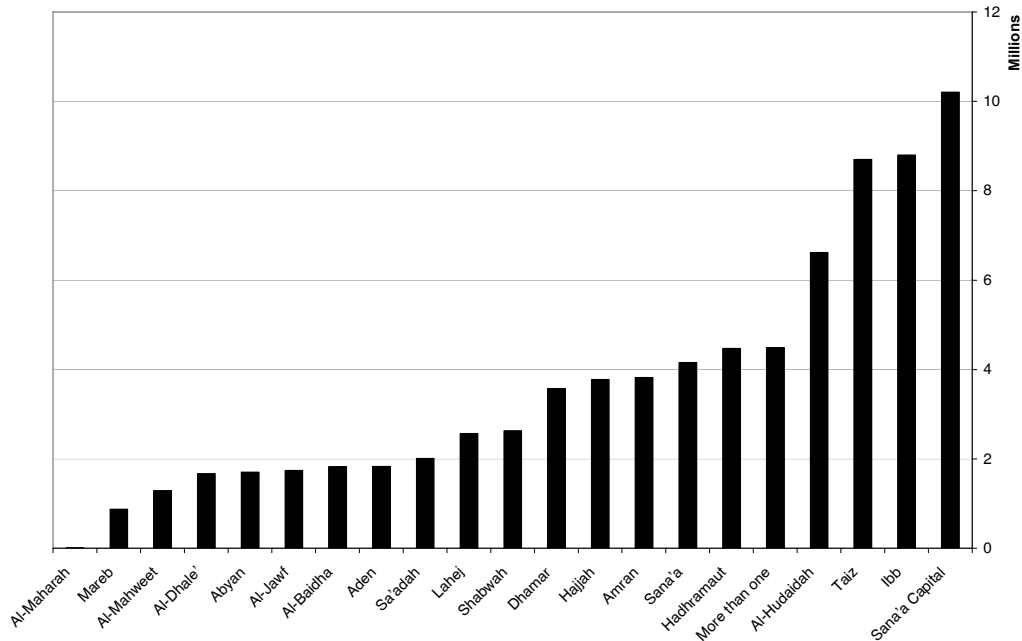
Distribution of SFD commitments by sector, 2004



Distribution of SFD commitments by sector, 1997 - 2004

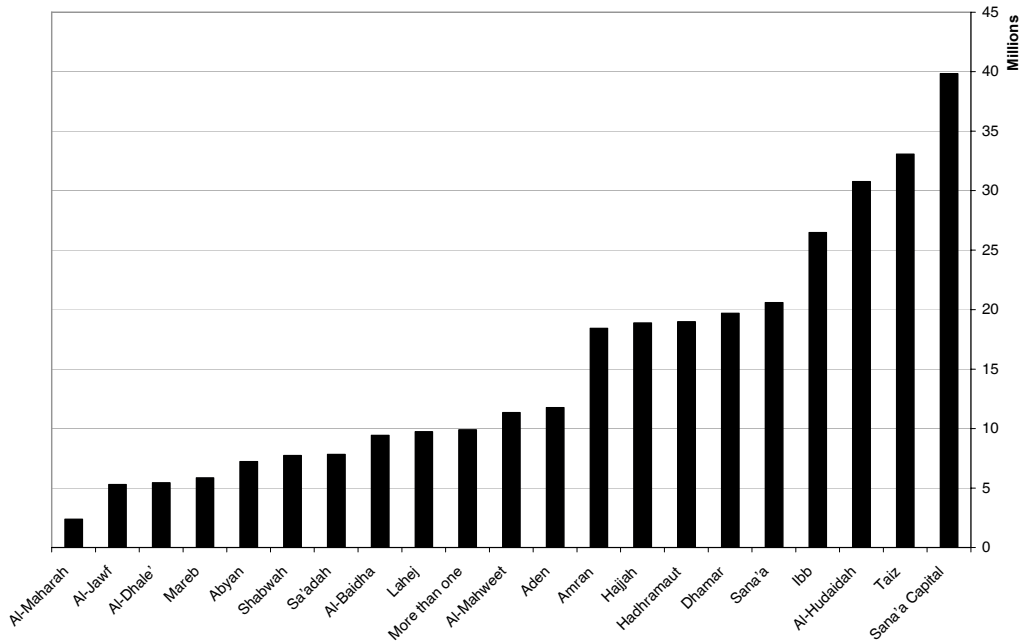


Distribution of SFD commitments by governorate, 2004 in millions of U.S. dollars



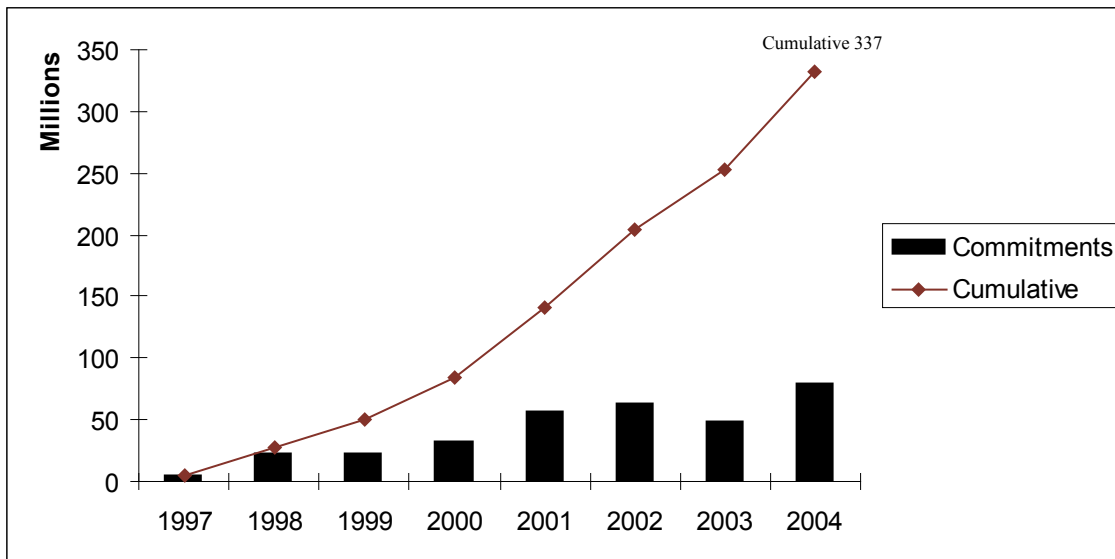
Note: Projects committed in Sana'a Capital include those which benefit also other governorates

Distribution of SFD commitments by governorate, 1997–2004 in millions of U.S. dollars



Note: Projects committed in Sana'a Capital include those which benefit also other governorates

SFD commitments, 1997–2004 in millions of U.S. dollars



SFD disbursements, 1997–2004 in millions of U.S. dollars

