

Social Fund for Development (SFD)

SFD – IV Plan (2011 – 2015)

DRAFT

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Acronyms

AGFUND	Arab Gulf Program for United Nations Development Organization
BDS	Business Development Services
BRAC	Bangladesh Rural Advancement Committee
CB	Capacity Building
CLD	Community and Local Development
CLTS	Community-Led Total Sanitation
DPFR	Development Plan for Poverty Reduction
DFID	Department For International Development
EC	European Commission
EIA	Environmental Impact Assessment
EU	European Union
ELD	Empowerment for Local Development
EMP	Environmental Management Plan
FM	Financial Management
GDP	Gross Domestic Product
GIS	Geographic Information System
GoY	Government of Yemen
HBS	Household Budget Survey
HE	His Excellency
IDA	International Development Association
IE	Institutional Evaluation
IIP	Integrated Interventions Program
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LIWP	Labor Intensive Works Program
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFI	Micro Finance Institution
MIS	Management Information System
MOU	Memorandum of Understanding
MOLA	Ministry of Local Authorities
MSAL	Ministry of Social Affairs and Labor
MSE	Micro and Small Enterprise
NGO	Non-Governmental Organization
OFID	Organization of the OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PWP	Public Works Project
RAWFD	Rural Advocates Working for Development
SFD	Social Fund for Development
SMED	Small and Micro Enterprise Development
SMEPS	Small and Micro Enterprise Promotion Services
SNG	Special Needs Group
SWF	Social Welfare Fund
TOSU	Training and Organization Support Unit
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UK	United Kingdom
USA	United States of America
WB	World Bank
YR	Yemeni Rials

1 Executive Summary

Development efforts in Yemen face significant challenges including a population growth rate of 3% annually which is among the highest in the world. Yemen also suffers from a widely dispersed population which exacerbates the development of human resources, illustrated by the country's high illiteracy rate of 45%. The country also faces a severe water scarcity crisis; with the per capita share being 120-150 m³ compared with regional average of 1,250 m³. Furthermore, approximately half of the population survives on less than US\$2 per day and unemployment among youth is estimated at 53%. The Yemeni economy largely depends on decreasing oil revenues which represent about 75% of the Government of Yemen (GoY) budget. Finally, public service providers suffer from acute weakness in the planning, management and implementation of activities.

SFD was established in 1997 in response to these challenges, as well as to mitigate the negative impact accompanying governance and fiscal reforms undertaken by the GoY. Since inception, SFD has served poor communities by helping them to access basic services, improve living conditions and provide temporary and permanent work opportunities. SFD is characterized by a high degree of administrative and financial autonomy with a Board of Directors headed by the Prime Minister. Additionally, SFD is characterized by transparency and a deep commitment to partnership with various development stakeholders including strong participation from local beneficiary communities.

At the conclusion of SFD's Phase III Operations the organization has built and rehabilitated about 27,000 class-rooms with 2.3 million student beneficiaries, trained more than 3,600 health care workers (male and female). Additionally, SFD constructed 1,175 rainwater harvesting systems with the capacity of 7 million m³ and benefiting more than 2,500,000 individuals and improved 1,900 kilometers of rural roads benefiting about 2 million citizens. These efforts have included the creation of more than 36 million days of employment thus representing an important part of the national effort to combat poverty.

In accordance with achievement of the three preceding phases, SFD has prepared its Phase IV Operations for five years (2011-2015) implemented through four main programs:

1. Community and Local Development: aiming at improving the access of poor communities to basic services (education, water, health, rural roads, sanitation, etc....) this program will continue to respond to primary needs expressed by local beneficiary communities, paying particular attention to vulnerable groups (women, children and special needs groups). This aspect of SFD programming will also continue to contribute in preserving the country's rich cultural heritage. Additionally, this component will build the executive capacities of select local authorities - gradually enabling them to implement projects financed by SFD.

2. Development of Small & Micro Enterprises: through this program SFD will continue to support micro finance programs and institutions enabling them to provide effective and sustainable financial services, as well as encouraging new players at the local and international levels to contribute to this sector. Additionally, this component will continue to provide non-financial services for developing small and micro enterprises.

3. Capacity Building: SFD efforts under this component will be directed toward the transformation and exchange of know-how with its partners and continue to build the capacities and develop the skills of local and urban NGOs, the private sector and the local communities.

4. Labor Intensive Works: recently established during SFD Phase III of operations, this program contributes in the reduction of unemployment and mitigation of shocks within poor communities as a result of climate change and other crisis. While this program will be increasingly directed toward producing a longer-term impact on the living conditions of targeted poor communities, it will also maintain the capacity to assist select communities suffering from dire poverty during critical times.

2 Background

2.1 Development Context

Yemen's population is about 23.6 million (2010), with more than 3% average annual growth and expected to reach 38 million by the year 2025. This demographic reality is the outcome of extremely high fertility rates, in fact, one of the highest in the world. A further demographic reality is that Yemen is a country of youth with nearly 50% of the population under the age of 15 and 75% of the population under age 25. Furthermore, 73% of the population resides in rural villages or clusters of homes often in mountainous terrain or flat desert areas making the provision of infrastructure and services extremely difficult and costly.

The Yemeni economy depends primarily on decreasing oil resources. Oil represents 30-35% of GDP, provides 75% of the GoY budget and 90% of export revenues. It is expected that revenues from the sale of oil and gas will sharply decrease during 2009-2010 and may even cease completely by 2017.

Although the poverty rate has decreased from 40% in 1998 to 34.8% in 2005-2006, in rural areas the decrease has been more limited reaching only 40% in comparison with 42.5% in 1998. On the other hand the unemployment percentage (including disguised unemployment) has reached 35%.¹ About 47.6% of the population survives on a less than US\$2 income per day.

The latest Yemen Poverty Assessment (2007) concluded, “*Crafting a growth strategy that enables rural Yemen to also participate in prosperity is vital for the success of poverty reduction... Such a strategy needs to be tailored to suit the needs of Yemen's special socioeconomic context. Orienting development towards the rural areas and correcting policies such that the poor in rural areas are able to participate is essential*”²

Reducing poverty in Yemen remains a major challenge and increasingly requires diverse and localized approaches addressing the needs of poor communities. Human development indicators in many areas are clearly below national averages and distant from MDG targets. This situation calls for a multi-dimensional multi-sector response, especially in light of the geographical diversity, various needs and immediate priorities of scattered and often isolated poor settlements. However, an integrated approach is an expensive and lengthy one and could be politically challenged in Yemen's context, which requires at least a possible response from a relatively long menu of interventions corresponding to the most urgent needs.

2.2 Government Response

Since 1995 the GoY has adopted a range of economic, financial and administrative reforms to address economic deterioration and to achieve stability and security. This was enhanced by the implementation of the National Reform Agenda in 2006. A key objective of this reform agenda is to enhance the developmental role of local authorities. The reform agenda also includes addressing judicial, administrative, financial and economic weaknesses. Such efforts aim to improve the investment and business climate, address corruption and enhance transparency and accountability and improve good governance. Although the GoY has not yet realized its reform objectives, it is recognized by the Government, Yemeni citizens and donors that the current progress is considered as a basis for constructing a positive development environment at all levels.

¹ Ministry of Planning & International Cooperation. January 2010.

² Yemen Poverty Assessment Report (GoY, United Nations and World Bank). November 2007.

Additionally, the government has sought to understand and address poverty in the country through the Development Plan for Poverty Reduction (DPPR) 2006-2010. A key objective of this Government plan is to improve living conditions and social indicators. Over the past few years, the government has successfully focused on expanding access to basic services in a context of rapid demographic growth. But improving living conditions in Yemen will require taking sustained action on a number of fronts, through a combination of sector and cross-sector approaches. Building on existing programs and partnerships, implementing community level development activities and enhancing the social protection system are all key elements in the poverty reduction strategy.

During the last few years, the GoY has focused on expanding the access to basic services in a context of a rapidly growing population and limited natural resources. Also, as part of this strategy have been efforts to implement projects at the community level and reinforce social protection measures. Additionally, the GoY has sought to address structural and development challenges with significant support from regional and international donors. SFD, with its implementation capacities and rich experience represents a valuable part of the national absorptive capacity for reform and poverty reduction.

3 SFD Institutional Position and Alignment

3.1 SFD Institutional Positioning

SFD is an autonomous government institution supervised by a Board of Directors chaired by the Prime Minister and composed of members representing the government, the private sector and civil society. The establishment of SFD in 1997 was at the forefront of government strategies to alleviate poverty and provide a social safety net for the poor to cushion the adverse impact of economic reforms. Since that time SFD has emerged as a meaningful development partner with the GoY, donor community, local civil society and beneficiary communities. A central aspect of this position is to provide a range of capacity building activities with relevant Yemeni partners to empower development particularly in rural and underserved communities.

3.2 SFD Alignment

SFD has demonstrated its adherence to technical criteria established by GoY entities responsible for providing basic social services. Additionally, SFD has actively participated in developing a number of key national strategies and currently works within their framework including: the National Strategy for Local Administration where SFD is represented on committees concerned with implementing this strategy at all levels; the National Strategy for the Development of Small and Micro Enterprises; the National Strategy for Basic Education; the National Strategy for Children and Youth; and the National Strategy for Water.

At the same time SFD is working within the framework of national development plans. The five-year plan for poverty reduction clearly articulates the role of SFD in its overall plan and the organization's Phase III Operations was extended from 2008 to 2010 in order to synchronize with the national plan. As concerns the level of operations, SFD and its branches exchange information and the list of proposed projects with the authorities concerned, annually. Hundreds of agreements at the level of each project are signed with the government agencies concerned and the beneficiary communities. The approval of these agencies is considered as a prerequisite for final signing of projects and beginning their implementation.

3.3 SFD Characteristics

The following attributes characterize SFD's work:

- § Targets the poor and vulnerable groups through various methods (geographic, sector and social);
- § Responsive to and inclusive of community participation during all phases of program implementation;
- § Maintains high quality performance supported by financial and technical systems that achieve transparency, efficiency and accountability benefiting from international best practices in including evaluation and monitoring (annex 3);
- § Continuous learning and adaptation in structure and mechanisms based on lessons learned;
- § Ensures a policy of partnership and coordination with relevant parties in each field.

4 Legacy of SFD Phases I, II and III

With the development and expansion of SFD's implementation capacity, its geographical coverage scope has also expanded and operations increased. A significant number of donors have become committed to the SFD approach and capacity reflected in the following table:

Output Per Phase	Phase I 1997-2000	Phase II 2001-2003	Phase III 2004-2010	Phase IV 2011-2015
Size of Investment (million US\$)	90	200	960	1,126
Number of Projects	1,615	2,014	6,774	6,800
Number of Beneficiaries	2,889,916	4,046,774	12,000,000	13,000,000
Number of Temporary Work Opportunities (work/ day)	2,981,359	7,717,100	29,000,000	56,000,000
Number of Donors	6	8	16	-
Number of SFD branch offices	5	7	9	9

Over the last thirteen years, capacity was built gradually to identify, prepare and supervise the implementation of development projects. At present, SFD has a capacity to implement thousands of projects annually and to disburse on a monthly basis around US\$14 million distributed among thousands of small transfers.

During this expansion SFD has been able to maintain both high operations standards and low overhead expenses which were less than 6% of total investment costs. In order to facilitate the implementation of these efforts, increasingly the bulk of daily management has been delegated to the nine SFD branches located throughout the country. These branch offices make decisions and perform activities related to operations in their areas in most sectors, although the final approval of projects continues to remain the responsibility of the Project Approval Committee located at SFD headquarters. This mechanism is designed to ensure the quality of interventions and adhere to policies and selection criteria, as well as to avoid pressure on SFD branches.

The accumulation of SFD expertise, as well as integrating lessons learned from its operations has strengthened national development capacities. Thus, SFD contributes to capacity building, organizational support and expertise transfer paving the way for an increasingly important role in supporting local authorities and the national decentralization process. Additionally, SFD has strengthened the social safety net through the Labor Intensive Works Program (LIWP) which is developing with accelerated momentum, as shown in the allocation of two programs in SFD Phase IV.

During the past phases, SFD has diversified its operations and deepened sector expertise in addition to adapting its administrative structure and work in readiness for handling the quantity and quality of expected operations during the coming phase, which will continue through 2015.

5 SFD IV

SFD has developed its vision for Phase IV (2011-2015) benefiting from experiences and lessons learned during the previous phases and with broad participation from within SFD and its partners in government agencies, civil society organizations, private sector and other development stakeholders. In this new era of operations SFD intends to play a catalytic role for positive change in strategic policies and capacity building at the central, local and social levels. To achieve this objective SFD will continue to strengthen its organizational structure and integration into national development investments.

The main trends of SFD work during Phase IV will include the following

- § Continue to participate in improving living conditions of the poor with their participation;
- § Enhance SFD's role as part of the social safety net;
- § Contribute to increase and diversify sources of income and job creation;
- § Contribute to strengthening the decentralization process and developing local government;
- § Transfer knowledge and information as well as develop pilot programs through various partners.

5.1 Objectives

1. Improve access to basic services;
2. Enhance economic opportunities;
3. Reduce the vulnerability of the poor;
4. Enhance partnership and empower SFD partners.

5.2 Phase IV Expected Results

SFD Phase IV investments are expected to produce the following highlights of results (see Annex 5 for results framework):

- § 6 million male and 7 million female direct beneficiaries of SFD projects;
- § 56 million person days of employment created, of which 30 million through the LIWP;
- § 9,000 classrooms constructed or rehabilitated accommodating 201,600 male, 158,400 female and 5,000 Special Needs Group (SNG) students;
- § 100,000 active clients for micro credit services, with 60% female.

Basic Services Improved	Results
Number of classrooms constructed or rehabilitated	9,000
Number of pupils enrolled in SFD supported primary schools	365,000
Health	
Number of health facilities constructed, rehabilitated or equipped	800
Number of health professionals trained	2,900

Water, sanitation, agriculture, integrated interventions, cultural heritage & roads	
Number of households provided with new/improved drinking water sources	60,000
Volume of water stored in protected facilities m ³	1,100,000
Number of households provided with new/improved sanitation facilities	26,000
Number of hygiene and sanitation campaigns completed	5,000
Total length of roads built or upgraded	1,825
Number of remote rural villages which will be connected by feeder roads	2,920
Number of people directly benefiting from rural roads	438,000
Number of sites and monuments documented saved/conserved	50
Economic opportunities created	
Active number of clients	100,000
Reduced vulnerability for the poor	
Number of people directly benefiting from workfare assistance	300,000
Number of days employment created under workfare assistance program	30,000,000
Number of community projects (by type)	791
Stakeholders capable and empowered	
Number of district authorities which are certified and implementing development projects funded by SFD	40
Percentage of village councils in pilot areas which are functioning effectively	1,500
Number of people and organizations trained in M&E, participatory methods, planning or other strategic information management disaggregated by gender and type of organization	7,720

5.3 Programs

SFD shall achieve the objectives and outcomes of Phase IV by implementing the projects through the following four main programs:

1. Community and Local Development (US\$713 million)

This program will be the largest in terms of the size of investment and number of transactions compared to other SFD stages, as it responds directly to the significant needs in various fields of poor communities. SFD shall continue through this program to foster the participation of communities and development partners in implementing all infrastructure projects that meet critical needs of beneficiaries. Simultaneously, during Phase IV SFD will seek to deepen partnership with local authorities through building their capacity and increasingly involving targeted districts in the implementation of development projects. Work in this program will integrate the same approach of earlier stages fostering high levels of community participation as well as encouraging the transparent, accountable and sustainable management of resources.

A. Community Development

This component aims to improve access to basic services (education, water, health, rural roads, sanitation – for more details about sectors see Annex 5). This program will also directly contribute in the implementation of government poverty alleviation plans, as well as various sector national strategies, in coordination and partnership with other relevant stakeholders. The focus will be to empower communities to identify available resources, prioritize needs, plan and implement initiatives to address ongoing needs such as the development of social capital. In addition, concern for communal accountability shall be pushed to the maximum extent possible. Furthermore, the

program will facilitate beneficiary contribution towards project costs focusing on innovation, optimum utilization of available local resources and the sustainability of initiatives.

B. Local Development

SFD shall directly support local development as part of its commitment to support the National Strategy for Local Administration, through the technical and operational capacity building of several local authorities, in three stages depending on the capacities of the targeted local authorities. The main features of this support are: (1) sign a memorandum of understanding with the Ministry of Local Authorities on expanding the implementation of the Empowerment for Local Development (ELD) Program which shall represent – after implementation - the first phase of support for a number of local authorities; (2) develop at the beginning of Phase IV, in partnership with relevant government entities, training modules that qualify local authorities in public expenditure management. The necessary indicators for the successful measurement of performance and assessment of public resource management abilities shall also be designed. Such relevant government parties shall participate in the implementation of select activities of the program closely related to their functions in auditing, monitoring and evaluation. When the third stage is concluded, they shall certify the ability of local authorities to successfully manage public resources and be presented as models for learning worthy of funding for local development.

As SFD cannot support all 333 district authorities during this stage, it will focus on supporting the operational capacity of a maximum of 40 districts, to be selected from among the 80 districts which would be covered by the enabling program as a first phase of support. Separate agreements will be reached with the governorates on the selection of targeted districts which will include obligations by the governorates to provide the necessary cadres in the selected districts.

In the second stage districts will be selected that have developed participatory plans, are prepared to improve their executive capacities and are engaged with SFD in the implementation of projects. Thus, SFD provides funding and participates in implementation, monitoring and evaluation process together with the local authorities. This mechanism allows the staff of the local authorities to learn through working with the cadre of SFD during the implementation of projects in an applied manner.

In the third phase, local authorities that have proven their capacity to plan, implement and follow-up and have demonstrated capacities to use funds efficiently, effectively and transparently will begin guiding some financial allocations approved by SFD towards projects included in their plans. Such activities will be in compliance with SFD policies and conform to conditions contained in a binding agreement signed between SFD and the local authority including that the Fund will monitor and follow up the use of funds during implementation handled entirely through the local authority. The successful performance of the local authorities and assessment of their ability to manage public resources efficiently will be made by the relevant government agencies (see Annex 5 for details on these phases).

2. Small and Micro Enterprises Development (US\$36.6 million)

Small and micro enterprises development is one of the most important active tools to alleviate poverty, reduce unemployment and contribute to the increase and diversification of income. Since its inception SFD has focused on small and micro-enterprise development and microfinance as an essential element for economic growth and job creation. SFD has established several microfinance institutions in order to provide sustainable financial services. Recently SFD established Yemeni microfinance network in partnership with the United Nations Development Program (UNDP) to

provide specialized training and technical support to microfinance institutions and programs. Al-Amal Bank, the first microfinance bank, was established in partnership with the Arab Gulf Program for United Nations Development (AGFUND) and the private sector. SFD encourages and supports key new initiatives in the microfinance sector including those by the private sector.

Aware of the importance of non-financial services, SFD established the Small and Micro Enterprise Development Support (SMEPS) Agency to facilitate access to business development services by small and micro-entrepreneurs. This program aims to build and enhance the capacity of current local funding providers and rehabilitate them to provide diverse financial and non-financial services for the targeted groups. It also aims to create a favorable environment for the growth and spread of this industry and encourage the establishment of specialized financial institutions to provide services according to best practices.

SFD's Small and Micro Enterprise Development (SMED) Program will continue during Phase IV to support existing Micro Finance Institutions (MFIs) by the funding lending operations and providing technical support. It will also continue the process of integrating small programs and turning them into financial institutions capable of providing financial services efficiently and effectively. Moreover, SMED supports the entry of international microfinance service providers and will seek to enable a select local financial institution to develop into a microfinance bank.

This Program will also continue its work to create an appropriate environment for the growth and expansion of this industry, focusing on participating in the creation of legislation and regulations to establish a credit information bureau, as well as consumer protection mechanisms to protect borrowers. The Program will also continue to support and development of SMEPS by funding its operations and the development of business development services.

3. *Capacity Building (US\$155.6 million)*

This Program is concerned with providing institutional support, capacity building and promotion, the transfer of knowledge and skills, and human and institutional resources development of SFD and its partner agencies, institutions and organizations at the central level and local levels. During this phase emphasis will be placed on strengthening regulations, transferring expertise and skills, promoting mutual learning and disseminating knowledge of poverty mitigation. Such activities will support efforts that seek to achieve good governance, support decentralization and activate local development within the National Strategy for Local Administration.

SFD will continue to support associations and cooperatives that serve poor families, young people, the unemployed, those with special needs and women and children in areas that lack basic services. SFD supports the qualifying of a national cadre to contribute to the development process through stimulating voluntary work among young people. Such programs help to build cohesive communities and models of solidarity, provide the basis of stability of society, promote the tributaries of "social capital", develop the personal skills of youth and direct them toward meaningful development programs.

ELD promotes effective participation of local targeted authorities and develops skills in assessment and analysis of local conditions, constraints, opportunities, capacities and locally available natural, economic and human resources. Additionally, the program promotes understanding of social groups and institutions and encourages the active participation of members of the community in local self-help plans through the formation of cooperation councils in all the villages of the targeted districts. Furthermore, community representation structures are

trained in identifying local needs which form the basis for input into district plans and enable communities to follow implementation and monitor performance together with local authorities.

All this shall be achieved through the following interventions:

- § Initiatives that develop the capacities of partners in areas relevant to the activities of SFD, through the provision of grants, goods, training and consultancy services.
- § Develop capacities in the field of community participation and implement projects based on the analysis and prioritization of targeted community needs through the formation and training of community entities (village cooperation councils and development and beneficiary committees). Such activities will be achieved through the development and preparation of programs and training manuals and the qualification of male and female trainers in the selected methodology.
- § Transfer the experience of implementing the ELD program in governorates and districts selected according to agreed upon criteria in full partnership with the local authorities, whereas implementation contracts and agreements are signed with SFD.
- § Provide support to public libraries to enhance community cultural development, especially among young people and children.
- § Conduct institutional development studies which emphasize the transfer of all implementation expertise and skills to staff of the relevant authorities.
- § Strengthen the institutional capacity of SFD itself, including the ability to handle projects, including monitoring, assessment, management and transparency through the provision of goods, training, consultant services and costs.

4. *Labor Intensive Works Program (US\$221 million)*

LIWP was launched in mid-2006 to implement the directives of H.E. the President to provide temporary jobs for unskilled and semi-skilled unemployed. Implementation began in predominantly urban areas with annual funding from the public budget of US\$25 million. LIWP was developed further in 2008 and the implementation of interventions was initiated through targeting some of the poorest rural communities and those most affected by the crises in global food prices and climate change. SFD seeks, in both types of interventions, to integrate lessons learned during the assessment phase and to promote and simplify the targeting and implementation mechanism in preparation for scaling up the program.

During Phase IV this program shall develop, particularly in its rural interventions, to provide a social safety component of cash for work aimed at enabling poor families to bridge the gap in food consumption during climatic shocks and agricultural seasons, while aiming at the same time to increase the productive assets of communities and families. LIWP will also aim to raise awareness among the targeted communities on alternatives to face the negative impact of qat on nutrition and the environment. LIWP will also enhance skills in targeted communities and build the capacity of residents to more effectively respond to future shocks. This aspect of the program will be implemented by providing grants to targeted communities for the implementation of labor-intensive projects in the following areas: irrigation; rainwater harvesting; rehabilitation of agricultural terraces; improvement of agricultural land; maintenance and improvement of rural roads; improvement of drinking water and watershed management; and in other priority areas, according to the needs of each community.

During Phase IV SFD shall progressively adopt an approach on labor-intensive work programs in poorer rural communities which extends activities for 3-5 years in order to have a longer-term impact that reduces the exposure of targeted communities to recurrent shocks to their livelihoods and living conditions. This approach will also explore the possibility of launching short-term responses and interventions in critical times in response to climate and other shocks that are experienced by the most vulnerable and poorest communities. Additionally, LIWP will continue to development of the urban version of this program.

5.4 Risk mitigation

It should be noted that there are several implementation risks possible during this phase of operations. However, the successful implementation record of SFD over the last thirteen years, as well as its existing mechanisms that will continue to be enhanced, will serve to mitigate these risks and reduce their impact to the best possible levels.

Table 3: Potential Risks and Mitigation Measures		
Risks	Mitigation Procedures	Risk Level After Mitigation³
<i>Project Development Goal</i>		
The difficulty facing the SFD in reaching the poorest groups	Use diverse targeting mechanisms based on the national statistics & indicators & field verification & fund allocation mechanism according to indicators.	Moderate
Program effectiveness might be less due to increasing pressure on its implementation capacity	Expand working staff according to needs while training, capacity building & institutional development continue. Additionally, enhance supervision of administration. Enhance quality control procedures	Low
Possibility of SFD independence influenced	SFD law & continuous support by government & Development Partners	Low
<i>Program Outcome</i>		
Micro enterprises unable to grow due to capacity weakness of mediators	Capacity building of microfinance mediators. Encourage new players to join.	Substantial
Weak sustainability of services in projects that depend on communities for their operation	Build on community successes in operation & maintenance. Successive visits to the completed projects. Build capacity of operation & maintenance committees.	Moderate
Districts supported by SFD unable to implement projects effectively, efficiently & transparently	Build capacity of local councils to supervise, monitor & involve communities in making local authorities accountable & monitor them. Intensify SFD monitoring of projects implemented by local authorities.	Substantial
Projects may have inappropriate environmental & social impacts	Implement environment management plans to confront potential negative impact.	Low
Community dignitaries & elite might seize projects	SFD's work through community participation & transparency of operations reduce elite seizure of projects. Additional procedures taken by SFD in coordination with higher authorities.	Moderate

³ Rating of risks on a four-point scale – High, Substantial, Moderate, Low – according to the likelihood of occurrence and magnitude of potential adverse impact.

5.5 Monitoring and Evaluation

SFD's Monitoring and Evaluation (M&E) function during Phase IV will consist of four principal activities: 1) Conducting evaluation surveys and impact studies of all SFD's programs with the support of external experts; 2) Increasing use of the MIS to store baseline data and to track SFD implementation efficiency and the status of the subprojects implemented; 3) Capacity building in monitoring and evaluation for the M&E Unit, program units and branch offices, as well as among other stakeholders at the national level; and 4) Communicating SFD's evaluation results as well as promoting the use of the evaluation findings. Each of these four principal activities is described below.

1. Analysis of outcomes and impact evaluation studies. To report on the development objective, the M&E Unit will conduct impact evaluation studies at the household and community level for SFD's main programs: Local and Community Development, Small and Microenterprise Development, Capacity Building and Labor Intensive Work. The following set of studies is expected to be conducted:

§ An outcome and impact analysis since the establishment of SFD.

§ Outcome analysis for SFD support within the capacity building program.

§ Impact evaluation of the LIWP.

§ Evaluation of Rainfed Agriculture and Livestock Project (RALP).

§ Annual project survey.

2. Increasing use of the MIS in monitoring and evaluation. SFD's MIS captures most of the sectors' input and output indicators to allow for timely reporting. Further improvements will be implemented to facilitate the M&E activities, e.g., recording in the MIS the regular project follow-up conducted by the branch offices during and after implementation. This will enable the M&E Unit to analyze such data and estimate the level of project operations.

3. Capacity Building in Monitoring and Evaluation. Priority will be given to increasing the M&E capacity of staff, focusing on data analysis, using both quantitative and qualitative methods. Workshops and training will also target SFD staff at all levels. The M&E Unit will seek to increase awareness and understanding of the importance of evaluation at the national level.

4. Communications and use of evaluation findings. The findings of the various studies will be presented to SFD staff in detail. The M&E unit will request responses to the findings, including how they could be used to improve or refine the interventions. The findings of evaluation studies will also be communicated to a wider audience, including parliamentarians, central and local authorities, donors and media.

5.6 Funding Management

Donor Support Phases I-III

SFD has built a strong partnership framework over the course of the past 13 years of implementation. The success attributed to SFD in phases I to III has engendered considerable donor support for its activities. During this time successive impact evaluations have provided evidence that SFD provides social and economic services to the poorest populations in Yemen in response to community-driven demand, while operating as a transparent and efficient implementing entity. As a result, SFD now enjoys support from 15 financiers from both the region as well as from traditional international donors. It has also been able to scale up its program in each successive phase, reaching close to US\$1 billion in Phase III (see table 2 below).

Donor	Amount (Thousands of US\$)		
	Phase I (1997-99)	Phase II (2000-03)	Phase III (2004-10)
World Bank	28,079	75,317	96,966
Yemeni Government	1,165	3,467	175,000
Arab Fund for Economic & Social Development	19,067	50,181	52,631
Saudi Government	-	-	120,000
UK Government	-	2,886	109,600
Netherlands Government	13,486	25,919	58,979
Abu Dhabi Fund	-	-	80,000
EC	13,777	-	45,555
Kuwaiti Fund	-	-	50,000
OPEC Fund	5,845	-	29,000
USA Government	13,676	4,890	8,582
German Government	-	-	67,584
IFAD	-	-	16,400
Islamic Bank	-	6,300	10,000
Oman Government	-	-	5,000
Others	-	199	4,163
Community contribution 5%	4,755	8,458	44,348
Total Financing	99,849	177,617	973,808

Funding Requirements for Phase IV

Over the past three phases, SFD's capacity to implement a large number of projects has grown substantially. It can now commit to the implementation of 1,400 projects annually, disbursing in average some US\$14 million per month with operating expenses of approximately 5%. Based on this record, SFD has projected the total cost of Phase IV activities to be approximately US\$1.1 billion (see tables 5 and 6).

Program	2011	2012	2013	2014	2015	Total	%
Community & Local Development	147,262,380	142,638,255	145,255,980	141,713,430	136,531,180	713,401,225	63%
Capacity Building	31,358,020	31,114,645	31,252,420	31,065,970	30,793,220	155,584,275	14%
SMED	5,225,145	5,864,063	7,508,092	8,457,819	9,513,903	36,569,023	3%
LIWP	18,425,000	36,850,000	55,275,000	55,275,000	55,275,000	221,100,000	20%
Total:	202,270,545	216,466,963	239,291,492	236,512,219	232,113,303	1,126,654,523	100%

Sector	2011	2012	2013	2014	2015	Total	%
Education	62,000,000	62,500,000	62,500,000	62,500,000	62,500,000	312,000,000	28%
Environment	1,474,200	1,474,200	1,474,200	1,474,200	1,474,200	7,371,000	1%
Water	26,031,200	26,031,200	26,031,200	26,031,200	26,031,200	130,156,000	12%
Health	30,186,000	26,936,000	26,156,000	23,712,000	20,072,000	127,062,000	11%

Special Needs Groups	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	16,250,000	1%
Training & Org Support	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	27,300,000	2%
Cultural Heritage	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	24,500,000	2%
SMED	5,225,145	5,864,063	7,508,092	8,457,819	9,513,903	36,569,023	3%
Rural Roads	14,300,000	14,300,000	14,300,000	14,300,000	14,300,000	71,500,000	6%
Integrated Interventions	5,949,000	3,631,500	6,867,000	4,182,000	2,367,000	22,996,500	2%
Agriculture	6,170,000	6,370,000	6,670,000	8,070,000	8,070,000	35,350,000	3%
LIWP (Cash for Work)	18,425,000	36,850,000	55,275,000	55,275,000	55,275,000	221,100,000	20%
SFD Inst Dev & M&E	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000	2%
Operating Cost (7%)	14,400,000	14,400,000	14,400,000	14,400,000	14,400,000	72,000,000	6%
Total	202,270,545	216,466,963	239,291,492	236,512,219	232,113,303	1,126,654,523	100%

Indicative Financial Commitments to Date

Phase IV of the overall SFD Program will span 2011-15. As such SFD is still at an early stage of obtaining firm commitments from its potential and likely financing partners. Nevertheless, table 4 below provides information on the indicative financing commitments that SFD has already received.

Donor	Phase IV (2011-15) US\$
World Bank	60,000,000
Yemeni Government	100,240,000
Arab Fund for Development	100,000,000
UK Government	150,000,000 ⁴
Community contribution 5%	21,012,000
Total commitments:	441,252,000

Although the size of the notional financing gap may raise a concern that the targets specified in the Results Framework (see Annex 5) are not achievable, for a number of reasons SFD is confident that future commitments will close the financing gap fully. Firstly, SFD is expecting to have discussion with several interested donors later in 2010 about their contributions to the fourth phase. Secondly, SFD has based its expectations on the experience in the Phase III, during which donor commitments at the beginning of the phase were considerably smaller than the commitments eventually made. Specifically, although initial commitments for SFD Phase III were US\$400 million, the total cost of activities implemented ended up totaling US\$931 million. Finally, SFD has also established the scale of Phase IV on the basis of trends in government and partner contributions over the three previous phases, whereby many partners have increased their contributions substantially. This trend is likely to continue and as a result, SFD projected costs for Phase IV are likely to be financed in the years ahead.

5.7 Implementation arrangements

SFD is represented at the local level through branch offices, each covering one or more governorates and responsible for the preparation, implementation and daily monitoring of activities in their area. SFD branch offices are responsible for coordinating activities with government bodies and development stakeholder involved in their areas. Currently, there are nine

⁴ The eventual dollar amount of the £100 million will depend on fluctuations in exchange rates.

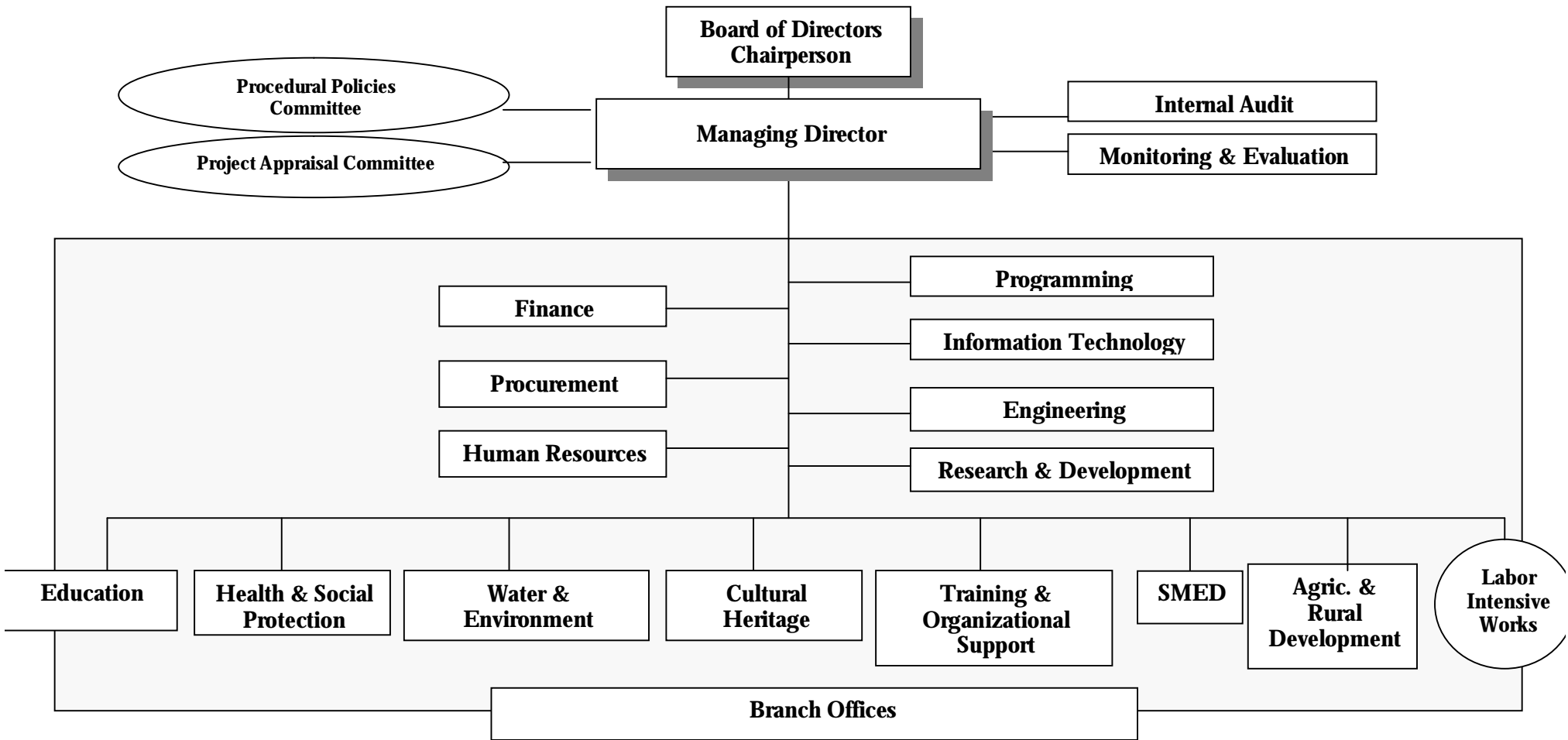
branches covering all governorates of the Republic: Sana'a, Al-Hudaidah, Aden, Amran, Dhamar, Taiz, Al-Mukalla, Ibb and the Hajjah branch offices (with the last opened in 2009).

In addition to its sector units, SFD has a strong management structure comprising seven management units that provide the following functions: internal audit, financial and administrative affairs, procurement, technical, programming, monitoring and evaluation and IT (see Annex 1 for organizational structure).

During Phase IV SFD will rely for implementation on a proven operational capacity that has been built gradually and on institutional arrangements, work systems and the ability to adapt and take advantage of national and international experience. The following facts explain this:

- § Favorable institutional arrangements by which the Governing Council supervises the policies and plans and monitors overall performance and its management enjoys full executive powers including the adoption of projects, procedural arrangements and human and financial resource management.
- § Substantial implementation capacity as a result of a highly efficient and experienced cadre at SFD Headquarters, branch offices and thousands of consultants in various fields accessible through databases that has been developed over more than 13 years of activity.
- § A variety of implementation methodologies that suit diverse operations and programs which include general contracting, community contracting and field management of projects.
- § SFD Operations Manual was recently developed and updated as result of the cumulative experience which includes financial, administrative, technical and contractual work systems to facilitate the management of a large number of operations.
- § Internal and external monitoring processes and quality control mechanisms, as well as a strict environmental plan to reduce the negative environmental, social and cultural impacts of projects (see Annex 4 for details on SFD's Environment Management Plan).

Annex 1: Organizational Structure



Annex 2: SFD Administrative Regulations

The systems described below assist SFD in managing its substantial operations while maintaining a high level of performance. These systems have been built on international best-practices, tailored to the local context and adapted to the specific needs of development in Yemen.

Financial Management

The Finance Unit at SFD's Headquarters manages all financial operations including banking transactions, preparation of financial reports and ensuring compliance with all financial policies and procedures. Additionally, this unit manages the Fund's assets, pays operating expenses for SFD Headquarters and branch offices in a timely manner and verifies all expenses. In addition, the Finance Unit facilitates the work of external auditors by providing all the required information, including financial statements and is responsible for the implementation of auditor recommendations. The unit has a manual that describes its organizational structure, payment procedures and the organization of assets.

Procurement

SFD procurement procedures aim to ensure that financial resources are used for their intended purposes, with due attention to considerations of economy, efficiency and without regard to non-economic influences or considerations. Procurement procedures for goods, civil works and consulting services are done in accordance with procedures specified in the Operations Manual, as well as detailed in the product procurement (contracts), unless otherwise stipulated in funding requirements as outlined in agreements.

The Procurement Unit is responsible for the overall management of procurement. Specific responsibilities and authority during and after procurement process may be delegated to different administrative levels based on informed decisions to be taken by the Managing Director as may be practically necessary. The following considerations generally guide SFD requirements:

- § The need to ensure that the proceeds of any of the grants or credits managed by SFD and its partners are used only for the purposes for which they were given, with due attention to economy, efficiency and transparency in contractual matters, following the conditions agreed on with the donors;
- § SFD's interest in providing all eligible bidders the same information and equal opportunity to compete in providing goods, works and consultation services;
- § SFD's interest in encouraging the development of domestic contracting and manufacturing industries in the country;
- § To promote the active participation of local communities and NGOs in the execution of subprojects.

And, according to what is detailed more in the operations manual and the procurement instruction manual, SFD uses the following competitiveness tools in contracts: international competitive bidding; national competitive bidding; pre-qualification and request for bids; shopping or purchasing; community contracting; contracts (procurement) by United Nations agencies; and direct purchase.

Internal and external audit

SFD comprises an Internal Audit Unit at its headquarters which is responsible for reviewing, auditing and examining all of operations and activities, including projects on the basis of the

sample selection. The Unit, as well, adopts the approach best suited to audit the daily and monthly and periodic reports. The financial and administrative processes of SFD and all financial statements issued by it are also subject to annual auditing, by an internationally recognized accredited external auditor acceptable to donors. SFD Operations Manual explains the core functions of the internal and external audits.

Monitoring and Evaluation

The effectiveness of SFD interventions is enhanced by the organization's results-based monitoring and evaluation system. Monitoring and Assessment indicators were identified for all interventions of the Fund. The follow up of projects is maintained through monitoring the progress of performance using indicators on a regular basis, in addition to the implementation studies to evaluate some programs, especially pilot ones. The Fund conducts an impact evaluation study at the household level every three years. The M&E Unit uses a variety of sources, including the information management system, as well as the results of household impact surveys. SFD has developed a monitoring and evaluation plan to evaluate Phase IV, that takes in consideration all the previous studies and assessments. Phase IV Plan includes also a framework of the built indicators to facilitate the implementation of strict monitoring (refer to annex 5 for the outcome plan).

Management Information System

The Information Technology (IT) Unit is responsible for the design, implementation and periodic updating of the Management Information System (MIS) including the necessary databases of all SFD vital activities. This includes a database of ongoing and pipeline subprojects, which enable monitoring of the status of approved, ongoing and completed subprojects, investments per sector and governorate, number of beneficiaries and their contribution, people trained and employment created, total number and amount of loans and rate of repayment for income generating activities and micro-finance programs.

The IT Unit is also responsible for design and updating of the MIS for finance and administration, enabling follow up on disbursements and replenishments as a whole and per donor according to agreed requirements. It also develops databases for poverty data, procurement monitoring, roster of consultants etc. The IT Unit also equips branch offices with the necessary computer equipment and link them to the management unit. It also conducts training of the employees and provides technical support to both headquarters and branch offices. Over the last 13 years, SFD has accumulated significant and variable datasets that continue to evolve. These datasets include: MIS database (current and archival information on technical and financial project information); statistical database (contains 2004 census and detailed sector information); and base maps (topographical, geological and hydrological data that can be overlaid to include contour and digital elevation models).

Annex 3: Sectors of Interventions

EDUCATION

SFD aims to contribute to the implementation of the national strategies for the development of basic and secondary education and literacy and adult education through; enhancing enrolment rates, providing equal opportunities for males and females, providing models for education quality schools, offering education opportunities for girls in rural areas, enhancing decentralization of education services and strengthening infrastructure of district education offices. In addition, SFD provides capacity building and institutional support to the staff of the MoE and its governorate offices.

The above is to be realized through:

- § Providing equal opportunities for males and females in rural and urban areas to increase enrollment and retention rates by continuing to develop, expand and improve infrastructure services of basic and secondary education.
- § Narrowing the gap between male and female enrollment in basic and secondary education in rural areas, where the gap is more than 80%, through the provision of appropriate educational opportunities for girls in rural areas and offer programs to encourage enrollment and continuity and to strengthen community participation in the educational process.
- § Improving the educational process by supporting; preschool education, Gifted and Talented programs and experimenting new approaches on development of the quality of education and the introduction of new technologies, pedagogy, testing several concepts and new applications in the practice of the educational process and capacity building.
- § Developing the administrative and institutional structure for MoE sectors at the Ministry's offices, governorate and districts levels, through strengthening the decentralization of educational services.
- § Paying special attention to non-formal education and literacy and adult education through; supporting several activities in the field of infrastructure, capacity building to expand service coverage, development and updating of training programs, curriculum and manuals.

WATER

SFD helps poor communities to secure their basic water needs in a sustainable manner depending mainly on rainwater harvesting. Thus, contributing to and aligning with national water strategies. This sector includes four sub-sectors:

- § Rooftop rainwater harvesting;
- § Public rainwater harvesting;
- § Piped systems;
- § Training and awareness

SANITATION

Sanitation sector in its broad meaning covers three sub-sectors:

- § Wastewater management;
- § Solid waste management;
- § Training and awareness

SFD promotes traditional sanitation schemes with little modification as they are in harmony with the water scarcity situation, with limited interventions in conventional sanitation systems

in urban areas, particularly the poorest, most polluted, or historic zones of cities. In line with that, SFD should pilot and adopt water saving sanitation systems that can be operated efficiently under the low water consumption.

HEALTH

SFD aims at supporting the efforts of the Ministry of Public Health and Population towards achieving the national health goals, through enhancing the basic health services, system performance and human resource management

The above is to be realized through:

- § Providing infrastructure investment to increase basic health services coverage and quality with a focus on the development of an integrated approach for provision of primary healthcare services, improving access to services, and enhance community involvement.
- § Qualifying paramedical health workers to meet healthcare needs in poor and disadvantaged areas and aiming at operating primary healthcare facilities.
- § Improving the administrative and institutional capacities of the Ministry and its governorate and district offices through supporting infrastructure and institutional building as well as strengthening the decentralization of healthcare services.
- § Supporting premedical health education through increasing absorptive capacity, improving learning environment, and strengthening capacity of technical and administrative personnel.
- § Increasing coverage of reproductive health services through increasing deliveries under medical supervision, expanding infrastructure, training cadres, and focusing on improved quality of training and services outputs.
- § Expanding and improving mental health care services according to the framework of the National Mental Health Strategy.

SOCIAL PROTECTION AND SPECIAL NEEDS

SFD aims to promote an inclusive society and equal rights and opportunities for persons with disabilities and those exposed to abuse. SFD activities in this sector follows a rights-based approach in the following areas: building capacities of local entities (service providers, social supporters, consultants); increasing sensitivity and awareness for the rights of children with disabilities and vulnerable groups exposed to abuse (among local authorities, line ministries and unions); and supporting policies and strategies. These priorities will be achieved through the following:

- § Developing strategies and policies with the relevant ministries;
- § Developing new approaches to establish a methodology in programs targeting orphans and juvenile delinquents such as alternative and sequential education and the preparation of early intervention strategies;
- § Supporting government and NGO efforts to provide these groups with social, medical and educational services;
- § Encouraging organizations to begin implementing rural outreach programs;
- § Continuing to support inclusive education, partial and full integration programs and pre-integration rehabilitation;
- § Enhancing activities in private education and expanding education for children with impaired vision;
- § Continuing working with local partners on coordination and development of appropriate strategies.

CULTURAL HERITAGE

SFD's Cultural Heritage sector aims to contribute to and participate in the protection of tangible and intangible cultural heritage, focusing on the most endangered historic sites and monuments with significant aesthetic and historic value. In addition to maintaining national identity and participation in protecting an important potential economic resource, SFD's support to Cultural Heritage will also contribute to poverty reduction through labor-intensive works and encourage entrepreneurship and job creation especially for traditional artisans, both male and female.

The Cultural Heritage sector supports the documentation, conservation, restoration and rehabilitation of historic cities, monuments and built assets as the main area of intervention. The overall objective is to effectively participate in protecting diverse endangered cultural heritage assets through the following strategies to:

- § Contributing to the conservation of main historic cities especially those recognized by UNESCO as World Heritage sites and those of architectural importance;
- § Expanding the national technical, professional and managerial capacity at different levels to protect cultural heritage;
- § Assisting in the establishment of inventories of the country's cultural heritage assets;
- § Preserving the most endangered significant sites and monuments given the large number and diversity of endangered assets;
- § Exploring cultural heritage-based income generating opportunities.

The Cultural Heritage sector emphasizes achieving the highest possible quality of interventions employing local, national, regional and even international expertise. Projects are implemented using mostly onsite management mechanism whereby SFD delegates implementation responsibilities to special executive teams as detailed in the Onsite Management Manual.

AGRICULTURE

SFD's agriculture sector aims to increase productivity and income of poor farmers through their agricultural activities, enabling them to upgrade and diversify their cultivated and livestock production, processing and marketing systems. SFD focus will enhance the rational use of soil and water as natural resources through better watershed management, flood protection works, traditional irrigation systems improvement, groundwater recharge, high value crops, etc.

RURAL ROADS

This sector funds projects for rehabilitating and improving rural roads that aim to reduce time to access basic services and markets in remote areas. SFD's policy in this sector is to support those road works, which are required to allow year round traffic. This sector will insure labor intensity and temporary creating during its projects implementation.

Annex 4. Environment Management Plan

Introduction: SFD IV is expected to have important environmental and social impacts and benefits. Project components are similar to those of the previous phases, with the inclusion of a new LIWP component. In 2006, SFD began to implement LIWP as part of national efforts to reduce unemployment. Lessons learned from the first round of implementation of workfare programs will be included in this project, including enhancing the project's longer-term environmental rehabilitation impact. For public works programs, there will be greater consideration of agricultural lands and terraces that can be rehabilitated for the benefit of poorer households. LIWP includes the rehabilitation of community assets in the fields of soil protection, agricultural terraces rehabilitation, maintenance and improvement of local feeder roads, streets pavement and other types of labor-intensive work based on the demand and priority needs of each community. Cash will be provided to help mitigate the impact of increased food prices through temporary work opportunities through a well-tested community targeting mechanism, as well as supporting rehabilitation of basic community assets. The Community and Local Development program component will continue to implement subprojects in various sectors, including education, health, special needs groups (disabled persons, orphans, women-at-risk among others), water and sanitation, cultural heritage, and agriculture and rural roads. With the experience gained from SFD I, II and III, as well as with SFD's in other countries, a wide range of potential environmental issues are expected relating to solid waste, water quality, wastewater treatment, air quality, natural resources management, protected areas management, and cultural heritage.

More than five years passed since the Environment Management Plan (EMP) of the Yemeni SFD was first established in May 2004, and over these five years, three annual environmental audits have been conducted and considerable experience gained on environmental issues. As SFD Phase III is approaching its conclusion and with the beginning of SFD Phase IV it is crucial to update the EMP based on results of previous environmental audits and experience. The EMP shall cater for the environmental needs of the SFD subprojects in a simple, responsive and cost effective manner that will not unnecessarily overload or slow down the project.

Basic elements of the EMP are briefly:

- § Environmental classification of subprojects;
- § A simple environmental screening and registration process using classification lists;
- § A simple environmental assessment for subprojects using environmental assessment forms, checklists and guidelines;
- § Environmental self monitoring, reporting and periodic inspection;
- § Environmental education, training and awareness;
- § Periodic auditing and reporting.

The project is classified as an environmental Category B according to the World Bank's Operation Policy on Environmental Assessment, requiring partial assessment. The project is not expected to generate any significant negative impacts, though some subprojects may result in adverse environmental impacts which could be site-specific and temporary in nature. Any potential negative impacts can be avoided or mitigated through the application of the EMP. In addition, as SFD is implementing a relatively large number of subprojects, the potential for cumulative impacts will also be considered in the design and implementation of the subprojects. SFD has well established procedures for environmental/social screening and

classifying subprojects; monitoring to ensure that mitigation measures as outlined in the EMP are implemented; and reporting on compliance with safeguard policies. SFD Phase IV is classified as an environmental category B project and consequently IDA funds will not be used towards the funding of any category A type subprojects.

The objective of the EMP is to cater to the environmental and social needs of SFD subprojects in a simple, responsive and cost effective manner that will not unnecessarily overload or slow down the project cycle. When implemented efficiently, the EMP should ensure that:

- § Any environmental or related social issues or concerns are addressed in the design phase of the subprojects;
- § Mitigation measures minimizing environmental and social impacts are being implemented;
- § Monitoring for compliance and sound environmental and social performance is continued.

The basic elements of the amended EMP are: (i) environmental classification of subprojects; (ii) a simple environmental screening and registration process using classification lists; (iii) simple environmental assessment for subproject using environmental assessment forms, checklists and guidelines; (iv) environmental self monitoring, reporting and periodic inspection; (v) environmental education, training and awareness; and (vi) periodic auditing and reporting. The EMP also includes simple social indicators related to project location and implications.

Environmental Classification of Subprojects

The subprojects of the SFD would be classified into three groups. Lists A, B, and C would represent these groups as follows:

List C:

These are subprojects, which are known to have no adverse environmental impacts, and accordingly will not require any environmental assessment or follow-up. Training, institutional capacity building, awareness, minor rehabilitation and furnishing/equipping of schools and training centers are examples of subprojects falling under this category and represent around 10% of the overall number of subprojects.

List B:

This category of subprojects represents a relatively large percentage of the overall number of subprojects (about 85%). These are subprojects that are likely to have only limited adverse environmental impacts. Subprojects falling under this category would include, but are not limited to:

- § Construction of schools, teacher's housing, training centers, etc;
- § Construction of health units, dispensaries, maternity clinics, medical research and control centers, etc;
- § Rural feeder roads (cut and fill is up to 60% of the total cost), stone pavement, bridges and water passage ways, etc;
- § Construction of dams (up to 50,000 m³), rainwater harvesting cisterns and mechanized water systems;
- § Establishing livestock markets, small slaughter houses (up to 5,000 beneficiaries), vaccination yards, etc;
- § All cultural heritage subprojects such as rehabilitation of "*Megshamat* (Mosque gardens)," Mosques, fortresses, etc;

- § Rehabilitating terraces and flood protection;
- § Wastewater systems (sewerage network and treatment plant) for population up to 2,000 capita;
- § Municipal solid waste collection and transportation;
- § Landfill up to 5,000 capita.

List A:

This list is limited only to those subprojects with significant environmental impacts, and for which a full Environmental Impact Assessment (EIA) needs to be prepared and reviewed. The list of subprojects under this category would include, but might not be limited to:

- § Landfill subprojects for over 5,000 capita;
- § Centralized healthcare waste management projects (for towns or cities)
- § Dams with capacities over 50,000m³;
- § Wastewater collection and treatment systems (sewerage networks and/or treatment plants) for population over 2,000 capita;
- § Rural feeder roads (cut and fill over 60% of the total cost);
- § Slaughter houses serving more than 5,000 capita.

Environmental Screening and Registering

Environmental screening would take place at an early stage of the SFD subproject cycle. During the “Field Appraisal” stage, the Project Officer, based on the subproject proposal and with the help of the classification lists, would classify the subproject into category A, B or C and register it in the MIS. The Branch Manger or the head of the relevant unit reviews the classification of the subprojects and might re-classify the subproject if he/she sees the necessity to do so. Subprojects classified as “C” would be further processed with no environmental assessment or follow-up. Subprojects under class “B” and “A” would be subject to environmental assessment and follow-up as described hereafter.

Environmental Assessment of Subprojects

Environmental assessment takes place during the second stage of the subproject life cycle (preparation of project document). Subprojects classified under category “B” would be subject to a focused EIA. The subproject consultant would be required to complete a simple “EIA Form B”. The Project Officer will provide the consultant with checklists and guidelines to help him/her identify and include the relevant mitigation measures. Mitigation measures indicated in the “EIA Form B” should be included in the project design and reflected in the project document. SFD has already developed the “EIA Form B” and a number of checklists including:

- § A brief and focused checklist for potential adverse environmental impacts of the following subprojects categories: roads; schools; health units; water harvesting; water supply and waste water management; small dams; and solid waste management.
- § Checklists for indicators/parameters to be included in the self monitoring plans of the above subprojects categories.
- § A brief and focused checklist for mitigation measures to be considered for the different subprojects categories.

The EIA for the category “B” subproject will first be reviewed by the Project Officer in the branch office to check for any missing data, information or unaddressed issues. The subproject document and the EIA, including the environmental self monitoring plan are then sent to the unit head who will forward a copy of the subproject document and the EIA to an

External Environmental Reviewer, or alternatively to an Environmental Coordinator within the Water and Environment Unit. The External Environmental Reviewer or Environment Coordinator will provide back to the unit head comments and opinions concerning the EIA. In particular he/she will evaluate and comment on the proposed mitigation measures, as well as the environmental self-monitoring and reporting plan. The subproject document including the EIA Form as well as the opinion of the External Environment Reviewer or Environmental Coordinator is then put forward to the Project Appraisal Committee.

The EIA for class (A) subprojects shall be conducted by a qualified consultant selected from a short list agreed with the EPA. The EIA shall be submitted to the EPA for approval. After having the approval, all subproject documents shall be submitted to the Project Appraisal Committee.

Environmental Self Monitoring, Reporting and Periodic Inspection

Construction Phase:

During this phase the subproject consultant would include in his/her periodic reports the status of the environmental concerns and the progress concerning the implementation of the mitigation measures as reflected in the EIA and subproject document. The PO reviews the periodic reports and follows-up periodically to ensure that environmental mitigation measures are being implemented.

Operation Phase:

The party assigned for implementing the self monitoring plan, would be required to prepare and present to the PO periodic self monitoring reports as stipulated in the self monitoring plan. These self monitoring activities would be simple, straightforward and would have been already agreed to in the self-monitoring plan and presented with the EIA. The Environmental Coordinator within the Water and Environment Unit will review the environmental self monitoring reports, and will periodically inspect subprojects for environmental compliance and performance.

Environmental Education, Training and Awareness

To be able to efficiently implement the EMP, it is important to provide to SFD staff as well as SFD consultants focused environmental training and awareness. The following environmental educational and training events are required as a minimum.

- § A one day event presenting to all SFD staff the EMP and explain its objectives and benefits. The process as well as roles and responsibilities will also be presented and discussed. During this event (workshop), guidelines and checklists will be provided and explained.
- § A number of three-day intensive courses for Project Officers and selected consultants on EIA. These EIA courses should not be theoretical in nature and should be tailored to address the requirements of SFD subprojects. These would be regional workshops and could include other parties associated with SFD programs.
- § A highly qualifying training course for local consultants to come to a short list of qualified consultants for conducting EIA studies for class (A) subprojects and conducting the Annual Environmental Audit.

Environmental Auditing and Reporting

Annually, an environmental consultant will be recruited to conduct an environmental compliance and performance audit. An audit report will be presented jointly by the consultant and the Environmental Coordinator and presented to SFD management. Based on the

findings of this report, the Managing Director will forward an “Annual Environmental Report” to the World Bank. The Environmental and Social Management Plan for the SFD together with the relevant institutional roles and responsibilities are depicted in a chart in the EMP.

Annex 5: Results Framework and Monitoring for Overall SFD IV

Project Development Objective (PDO)	Project Outcome Indicators	Use of Project Outcome Indicators
<p>To improve access to basic services, enhance economic opportunities and reduce the vulnerability of the poor</p>	<ul style="list-style-type: none"> * Participation: 70% of households who agree with the selection of the community demand driven project as a priority of the community * Poverty Targeting: 50 % of CLD resources go to the lowest three income deciles of households * Education usage: net enrolment rate in basic education in rural CLD beneficiary communities 60% for girls & 75% for boys * Water usage: : Percentage of households in rural CLD areas where time to collect water is 30 minutes or less * Rural roads: time taken to reach nearest market or town is 90 minutes * Microfinance access: 100,000 active clients accessing microfinance services supported by SFD directly or indirectly (gender disaggregated) (60% women) * Reduced vulnerability: at least 70% of LIWP direct beneficiary households are able to meet their basic cereals consumption. 	<ul style="list-style-type: none"> * Ensure that SFD activities respond to needs of the poor. * Demonstrate that SFD resources are targeted to poorer households * Measure improved utilization of education services in SFD's geographically targeted areas. * Measure improved coverage of water services in geographically targeted areas. * Measure improved accessibility in geographically targeted areas. * Measure performance of micro-finance activities. * Measure effectiveness of LIWP as a safety net in targeted areas.

Intermediate Outcome	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p><u>For All Components</u></p>	<ul style="list-style-type: none"> * Total number of direct beneficiaries of SFD funded projects (gender disaggregated) * Total number of indirect beneficiaries of SFD funded projects (gender disaggregated) * Total number of person-days employment created 	<p>Monitoring actual cumulative total number of project beneficiaries.</p>
<p><u>Component One: Community and Local Development Program</u></p> <p>*Improved access to basic social service (education, health, water, sanitation, environment & rural roads)</p>	<p>Education access:</p> <ul style="list-style-type: none"> * Number of classrooms constructed or rehabilitated <p>Education usage:</p> <ul style="list-style-type: none"> * Number of pupils enrolled in SFD supported basic schools (disaggregated by gender & children with special needs) <p>Education quality:</p> <ul style="list-style-type: none"> * Number of teachers trained (gender disaggregated) * Number of educational professionals trained (gender disaggregated) <p>Health access:</p> <ul style="list-style-type: none"> * Number of health personnel trained (gender disaggregated) * Number of health facilities constructed/renovated and/or equipped 	<p>Monitoring improved access to basic social services.</p>

	<p>Water access:</p> <ul style="list-style-type: none"> * Number of households using improved water sources * Volume of improved drinking water stored (m³) * Volume of unimproved drinking water stored (m³) <p>Sanitation access:</p> <ul style="list-style-type: none"> * Number of households using improved sanitation facilities * Number of Open Defecation Free project communities <p>Rural roads access:</p> <ul style="list-style-type: none"> * Total length of roads improved and/or built <p>Cultural heritage:</p> <ul style="list-style-type: none"> * Number of sites and monuments documented and/or saved or conserved * Number of Master builders trained and/or gained skills * Number of professionals trained and/or gained skills (Architects, Archaeologist, Engineers) * Number of master builders trained and gains skills through conservation 	
<p><u>Component Two: Small and Micro Enterprises Development Program</u></p> <p>MF providers have better capacity to provide access to sustainable finance</p> <p>BDS subsidiary/intermediaries provide services to MSEs</p>	<p>Outreach:</p> <ul style="list-style-type: none"> * Number of active borrowers <ul style="list-style-type: none"> - Percentage active female borrowers - Percentage active rural borrowers <p>Loan Portfolio Quality:</p> <ul style="list-style-type: none"> * Portfolio at risk > 30 days (of total Loan Portfolio outstanding) <p>Financial sustainability:</p> <ul style="list-style-type: none"> * Percentage of active borrowers served by microfinance providers that are financially sustainable (i.e. number of MFIs that are financially sustainable) <p>Enabling Environment:</p> <ul style="list-style-type: none"> * Number of good practice Greenfield initiatives that have entered the market * Legislation/regulation submitted to the government regarding credit bureau & code of conduct developed regarding consumer protection <p>Business Development Services:</p> <ul style="list-style-type: none"> * Number of small enterprise sub-sectors that have diversified product/market & enhanced value added 	<p>Monitoring increased institutional capacity of micro finance providers, and development of an enabling environment for small and micro enterprises.</p>
<p><u>Component Three: Capacity Building Program</u></p> <p>Building the capacities of SFD partners (local communities, local authority, civil society organizations, etc) whose activities are related to the reduction of poverty & local development.</p>	<ul style="list-style-type: none"> * Number of district authorities which are certified & implementing development projects funded by SFD * Percentage of village councils in pilot areas which are functioning effectively: <ul style="list-style-type: none"> - Meet regularly - Participate (gender disaggregated) - Initiate self-help initiatives * Number of people trained in M&E, participatory methods, planning or other strategic information management disaggregated by: <ul style="list-style-type: none"> - Young volunteers (gender disaggregated) - Government organizations - NGOs & cooperatives 	<p>Monitoring whether capacity of local entities, including local & central government bodies, NGOs & communities has improved.</p>

	- Beneficiary communities - Local authorities - Private sector and/or individuals	
Component Four: Labor-Intensive Works Program Provision of cash assistance to beneficiaries (households) Provision of improved road & water access Increased available land for cultivation Improved awareness of the beneficiaries (households) of the negative impact of qat	* Number of people/households directly benefiting from workfare assistance * Number of working days employment created under workfare assistance program * Indirect beneficiaries: Number of people benefiting from community livelihood assets * Land: Total area of agricultural rehabilitated land & terraces * Percentage of resources transferred to beneficiary households on a timely basis * Average length of payment delay (number of days)	To monitor whether LIWP is bridging consumption gap & protecting/increasing the productive assets of communities & households

¹ This target value reflects a conservative estimate by SFD given changes in methodology used to collect data and measure the achievement of this target.

² Baseline values in LIWP areas are not directly available for this indicator. The baseline value provided here is based on SFD's M&E and Programming Unit estimates for communities covered by the RALP, adjusted downwards to reflect the focus of the LIWP on the poorest communities.

Results Framework and Monitoring for Overall SFD IV

	Baseline	YR1 2011	YR2 2012	YR3 2013	YR4 2014	YR5 2015	Total
Results Indicators for All Components	SFD III Total (end-2009 or projected)						
* Total number of direct beneficiaries of SFD funded projects (gender disaggregated)	Male 5.8 m Female 7 m	0.6 0.7	1 1.2	1.2 1.4	1.4 1.7	1.8 2	6m 7m
* Total number of indirect beneficiaries of SFD funded projects (gender disaggregated)	Male 3.5m Female 4.2m	0.22 0.3	0.3 0.4	0.4 0.6	0.6 0.8	0.7 1.1	2.2m 3.2m
* Total number of person-days employment created	26m person*day	6	6	6	6	6	30m
Component One: Community and Local Development Program							
* Number of district authorities certified & implementing development projects funded by SFD	0	0	0	5	15	20	40
Education access: * Number of classrooms constructed or rehabilitated	13,852	200	2,200	2,200	2,200	2,200	9,000
Education usage: * Number of pupils enrolled in SFD supported basic schools, disaggregated by: - Boys - Girls - Children with special needs	Boys: 304,744 Girls: 249,339 SNGs: 5,500	4,480 3,520 500	49,280 38,720 1,125	49,280 38,720 1,125	49,280 38,720 1,125	49,280 38,720 1,125	201,600 158,400 5,000
Education access: * Number of teachers trained (gender disaggregated)	Male: Female:	20 20	20 20	20 20	20 20	20 20	100 100
* Number of educational professionals trained (gender disaggregated)	Male: Female:	156 120	156 120	156 120	156 120	158 120	782 600
Health access: * Number of health personnel trained (gender disaggregated)	Male: Female:	200 200	350 350	350 350	350 350	200 200	1,450 1,450
* Number of health facilities constructed renovated and/or equipped	213	200	200	200	150	50	800

	Baseline	YR1 2011	YR2 2012	YR3 2013	YR4 2014	YR5 2015	Total
Water access:	12,000	9,600	9,600	9,600	9,600	9,600	60,000
* Number of households provided with improved drinking water sources							
* Volume of improved drinking water stored (m ³)	0.0	220,000	220,000	220,000	220,000	220,000	1,100,000
* Volume of unimproved water stored (m ³)	0.0	52,000	52,000	52,000	52,000	52,000	260,000
Sanitation access:	17,000	5,200	5,200	5,200	5,200	5,200	43,000
* Number of households using improved sanitation facilities							
* Number of Open Defecation Free project communities	21	0	50	60	60	70	261
Rural roads access:	846	365	365	365	365	365	1,825
Total length of roads improved / built							
Cultural Heritage:	1063	70	100	100	120	120	510
* Number of Master builders trained							
* Number of Professionals trained & gained skills (Architects\ Archaeologist\ Engineers)	363	30	35	40	40	45	190
* Number of sites & monuments documented saved / conserved	78	10	10	10	10	10	50
Component Two: Small & Microenterprise Development Program							
Outreach:							
* Number of active borrowers	42,000	57,000	67,000	78,000	88,000	100,000	
- Percentage active female borrowers	77%	60%	60%	60%	60%	60%	
- Percentage active rural borrowers	7%	15%	15%	20%	20%	20%	
- Av. Outstanding balance/GDP per capita	20%	< 100%	< 100%	< 125 %	< 125 %	< 150%	
Loan Portfolio Quality:							
* Loan portfolio quality: percentage portfolio at risk (PAR) over 30 days (of total portfolio outstanding)	2%	< 5%	< 5%	< 5%	< 5%	< 5%	
Financial sustainability:							
* Financial sustainability: percentage of active borrowers served by microfinance providers that are financially sustainable	11%(1)	25%	35%	50%	60%	70%	
Enabling Environment:							
* Enabling environment: credit bureau legislation/regulation submitted to the government	No legislation		1 st Draft prepared	Final draft submitted			
* Code of Conduct regarding consumer protection adopted by Yemen Microfinance Network	No code of conduct		1 st Draft prepared	Final draft agreed			
* Number of good practice Greenfield initiatives that have entered the market	One Greenfield (A Amal)		1 new MFI established	1 new MFI established			
* Business Development Services: Number of subsectors with diversified & enhanced added value		3	4	5	5	4	
* % SMEPS operating cost covered by SFD	100	90	80	70	60	60	
Component Three: Capacity Building Program							
* Number of village councils in pilot areas which are functioning effectively:	0	0	500	400	300	300	1,500
- meeting regularly							
- participation (gender disaggregated)							
- initiate self-help initiatives							

	Baseline	YR1 2011	YR2 2012	YR3 2013	YR4 2014	YR5 2015	Total
* Number of people trained in M&E, participatory methods, planning or other strategic information management disaggregated by							
- young volunteers Male	600	500	500	500	500	500	2,500
Female	350	300	300	300	300	300	1,500
- government organizations	20	5	10	10	10	5	40
- NGOs and cooperatives	120	10	20	20	20	20	90
- Beneficiaries committees	3000	500	500	500	500	500	2,500
- local authorities	40	18	18	18	18	18	90
- private sector / individuals	700	200	200	200	200	200	1,000
Component Four: Labor-Intensive Works Program⁵							
* Number of people directly benefiting from multi-year workfare assistance	84,000	100,000	200,000	300,000	300,000	300,000	300,000
* Number of working days employment created under workfare assistance program	750,000	2,000,000	4,000,000	6,000,000	6,000,000	6,000,000	24,000,000
* Land: Total area of agricultural rehabilitated land and terraces	17 hectares	415	830	1,245	1,245	1,245	4,980
* % of resources transferred to beneficiary households on a timely bases	70%	70%	75%	75%	80%	80%	80%
* Average length of payment delay (Number of days)	12 days	7-10	5-7	5-3	2-3	2-3	2-3

⁵ The baseline values for LIWP are drawn from the current emergency version of the program and therefore are not directly comparable. In particular, the new SFD-IV LIWP will provide multi-annual assistance and an integrated planning approach including community-based watershed management where appropriate.