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# The Yemen Social Fund for Development: An Effective Community-Based Approach amid Political Instability

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The Yemen Social Fund for Development (SFD) was established in 1997 to combat national poverty and reinforce the limited existing social safety net. Since its inception, SFD has been widely viewed as effective in implementing programmes throughout the country and has steadily expanded its activities, despite Yemen's weak state and political unrest. In designing a novel approach to implementing its programmes, SFD provides a model of how to use the Social Fund approach to deliver good aid in hard places. Drawing on first hand experience with SFD and on a review of results from impact evaluations, this article argues that SFD's achievements have been primarily due to four factors: (1) stakeholder ownership over projects due to its close work relationship with local communities following a demand-driven approach; (2) trust based on its perceived political neutrality in allocating resources; (3) flexibility due to its mode of project funding and operations in a rapidly changing context; and (4) relevance of its interventions for beneficiaries who in reciprocity provide strong support and effective protection to its programmes. The article discusses how these factors may be transposed to other hard places using the social fund approach to deliver good aid under difficult conditions.

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## Introduction

In 2011, Yemen experienced an uprising similar to that of other Arab states in what has been described as the 'Arab Spring'. It was associated with widespread social protests, economic paralysis and a deterioration of already poor government services. By the end of 2011, Yemen's rival groups reached a precarious political settlement mediated by Saudi Arabia and the United Nations. At present, the political stalemate remains unresolved. In March 2015, in face of increasing violence, the UN warned that Yemen was 'on the verge of total collapse'.<sup>1</sup>

In 1991–95, the Yemeni economy was in a bad shape due to numerous high profile incidents that changed the country's landscape. The unification of Yemen in 1990 integrated two different civil service systems which placed a heavy burden on the national budget. The strain on the budget was mainly caused by the decision to keep all civil servants and to apply the higher salary scale in place in the north for the new government. In 1991, almost one million Yemeni workers were expelled from Saudi Arabia depriving the country of a large inflow of remittances and increasing the demand for jobs and social services.<sup>2</sup>

The regional aid to Yemen was halted due to the country's political stand against the 1991 Gulf War. As a consequence Yemen experienced hyperinflation and entered into a political crisis that ended with a civil war in the summer of 1994.

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

In fragile states like Yemen, a Social Fund approach has proven to be an effective option to channel foreign aid through weak government institutions. In 1997, the government of Yemen established the Yemen Social Fund for Development (SFD) with the support of the international community, and in particular of the World Bank, to combat national poverty and reinforce the limited existing social safety net.<sup>3</sup>

This article argues that, although not without its weaknesses, SFD's resilience and effectiveness in delivering aid for development in Yemen is in large part attributed to its direct relationship with communities, political neutrality, a flexible mode of project funding and operation and recognition by beneficiaries of the importance of its interventions. SFD's efforts have proved to be scalable within Yemen. This is demonstrated by its ability to attract and effectively spend increasingly large amounts of external funding.

The article makes use of SFD's external evaluations which include three consecutive studies conducted in 2003,<sup>4</sup> 2006<sup>5</sup> and 2009<sup>6</sup> visiting the same communities in addition to two consecutive institutional assessments. It also reviews SFD documents as well as aide memoires and case studies produced by SFD's donors. It builds its argument on the basis of consistent findings in these evaluations and extracts from these key elements believed to be the main factors explaining effectiveness. The article reviews literature on social funds from the Independent Evaluation Unit of the World Bank and from reports of the World Bank's Social Protection Group. Importantly, it also draws on our first-hand experiences with SFD over more than 16 years.

## Background

Yemen is the poorest country in the Arab World, with a GDP per capita of US\$1,160<sup>7</sup> and a population of a little more than 24 million.<sup>8</sup> In 2014, the Human Development Index ranked Yemen 154th out of 187 countries. This ranking reflected low average years of schooling among its population, modest life expectancies and low per capita income. Yemen has high population growth, low economic growth and limited natural resources, with water a worsening challenge for the country associated with climate change. Since the creation of a unified Yemen in 1990, the country has been going through cycles of conflicts and political crises.

In 1997, the World Bank provided the technical and financial support to establish SFD. It became the lead institution in terms of advocacy to raise financial resources from a multiplicity of donors. Although initially inspired from

Egypt's Social Fund, SFD quickly evolved in its own direction in following a community-based approach. This approach consisting in working directly with local communities in compensating for the limited capacity or absence of NGOs<sup>9</sup> as well as the weakness of local governments.<sup>10</sup>

Since its inception, SFD considered itself to be a non-traditional social protection programme providing medium- to long-term development opportunities targeted at poor communities. Its interventions are aimed at promoting human development through improved access to social and economic services such as education, water, health and infrastructure. Through intermediaries mostly established with its support, SFD also provides financial and non-financial services to micro and small entrepreneurs. SFD has evolved significantly since its beginnings to adapt to the ever-increasing challenges facing Yemen.

Although not without weaknesses (as discussed further below), it is broadly viewed by its donors as having been effective in assisting the target populations and in achieving resilience in its operations in the face of the politically volatile Yemeni context. The World Bank,<sup>11</sup> for instance, noted that, 'due to its great success at delivery, the SFD is often considered the only institution that can address problems and support activities that have otherwise fallen through the cracks in Yemen'. Yet, it had also warned that the Fund was at risk of spreading thin with an increasing number of donor-funded projects. In an aide memoire issued in July 2011, DFID stated that, 'SFD's ability to carry on operations across most sectors and regions is testimony to the resilience and flexibility of SFD's systems and procedures'.<sup>12</sup> In 2004, SFD was featured by the World Bank as a case of success from which to learn in a global conference to scale up poverty reduction efforts in Shanghai, China.

SFD has completed three phases of operations: the first in 1997–2000, the second in 2001–03 and the third in 2004–10, with the fourth phase currently underway over the period 2011–15.

In the years between the first operations of SFD and the 2011 crisis, Yemen's political situation remained fragile. The unrest manifested through six rounds of war between 2004–09 in the northern governorate of Sa'adah against the Houthi rebels, a separatist movement in the south, and an increased presence of Al-Qaida particularly in the southern governorates of Abyan and Shabwah. The political system is dominated by bargaining of powers and interests organized along patron–client relations in tribal groups and extended family systems.<sup>13</sup> The government institutions are not only weak and ineffective outside the main cities, but are also widely untrusted.<sup>14</sup> The social and economic indicators have been slowly progressing. Oil production had remained the main source of revenue and although production had been decreasing, this was offset by the increase in oil prices in international markets. GDP growth during these years ranged between 3 to 6 per cent with an average of 4 per cent. On the other hand, population growth has slowed down to less than 3 per cent. There had been an improvement in some social indicators such as increased school enrolment and decreased maternal mortality rates. A local administration law was passed in 2000 and the first local election was

held in 2002. In 2003, the government drafted a Poverty Reduction Strategy that aimed at reducing poverty by means of increased allocations to basic social services and fostering economic growth.<sup>15</sup>

During these phases, an estimated US\$1.98 billion of donor and government funding was raised to fund SFD projects and the cumulative flow of disbursements amounted to US\$1.2 billion. While the World Bank was the lead donor in terms of funding during the first and second phases, contributing 30 per cent of SFD's funding in each, in the third phase the Government of Yemen became the major donor, contributing 19 per cent of the total budget. This increase in government funding might be attributed to the fact that in 2006 the SFD Managing Director had been appointed Minister of Planning and International Co-operation. The new cabinet therefore became more appreciative and understanding of SFD's role. In the third phase starting in 2004, DFID became a major donor to Yemen and channelled the majority of its financial aid through SFD. Other external donors have also participated in SFD funding, suggesting that it has gained widespread approval in the international community.

SFD's priorities have evolved over time, reflecting Yemen's changing needs. During the first phase, it focused on reducing poverty by creating income-generating opportunities. The second phase focused on community development, capacity building and microfinance programmes in order to improve the range of services and options available to poorer sections of the Yemeni population. The third phase focused on service provision to the poor by refining social service delivery approaches and empowering communities and local councils to take charge of their local development. The current fourth phase is focusing on scaling up the successful activities of previous phases and on enhancing SFD's role as a safety net programme to contribute to poverty reduction and help achieve Yemen's development goals.<sup>16</sup>

The evolution of SFD's objectives has been determined by several factors, most importantly its institutional development and its implementation capacity, new events in the country and the willingness of donors to provide funding to support the new realities, for example, supporting the decentralization process and contributing to improve food security through community-based labour-intensive public works.

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

Within each of these four programmes, SFD implemented several sectoral activities dominated by basic infrastructure for schools, health facilities and rain-water harvesting. This dominance reflects the limited availability of basic infrastructure in most rural areas of Yemen. Expenditures on education have been the largest sector, accounting for 44 per cent of all expenditures, followed by water and environment (14 per cent), rural roads (12 per cent), labour-intensive cash for work (8 per cent), health (6 per cent) and microenterprise development (3 per cent).

### *SFD's Actual Expenditures by Sector and Phase of Activity*

The shares of the education and health sectors have been declining, while those of the Labour-Intensive Cash for Work Programme (LIWP) and rural roads have been increasing, reaching 40 per cent of total expenditures in the current fourth phase. This reflects the rising importance for donors of social protection and of interventions that generate income. The decline in the share of the health sector has been due to shortages in the human resources that operate the infrastructure built by SFD.

SFD is a national programme, and by 2012, it had reached about 10,000 villages out of the country's 40,300, and 3,700 urban neighbourhoods located in 1,976 sub-districts within the country's 333 districts in the 21 governorates of Yemen.<sup>17</sup>

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

### **Evaluation of SFD's Performance**

This section draws on SFD's three major external evaluations, as well as on donors' joint mission reports and other publications to evaluate SFD's performance. SFD went through three major external evaluations in 2003, 2006 and 2009.<sup>18</sup> These evaluations were based on a quantitative survey in addition to a qualitative study. The quantitative evaluation methodology in 2003 and 2006 attempted to compare the results of the outcomes in communities that received projects with the social-economic conditions of communities that had not yet received the interventions. In 2009, the evaluation used a difference-in-differences approach<sup>19</sup> to selected measurable indicators based on asking recall questions on the situation prior to intervention in the treated communities. Both the 2006 and 2009 evaluations included return visits to communities and households included in earlier evaluations in order to assess the sustainability of interventions; therefore, the evaluation sample continued to increase in each round of evaluation to include older project areas and households. Each evaluation assessed the effectiveness of SFD in terms of poverty targeting; community consultations and participation; the efficiency of SFD in terms of coverage; and outcomes attributable to SFD interventions in the areas of education, health, water, rural roads and

microfinance which accounted for about 70 per cent of SFD's investments at that time.

These major evaluations were conducted at the end of each phase in order to measure the outcomes of the respective phase. The sample size for the 2003 evaluation was 4,000 households located in 200 communities, with 100 having received the interventions and 100 still in the pipeline waiting for the interventions. The 2006 sample was 6,000 households, including 2,000 in 200 project areas who were still waiting for the interventions and 4,000 households located in 400 project areas and were distributed in two groups, the first group having received the interventions between 1997 and 2002 and the second who received them between 2003 and 2005. The sample size in 2006 was increased to compensate for attrition in the sample size that occurred in the 2003 evaluation.

Since 2008, new programmes were added to SFD's portfolio of interventions including the Labour-Intensive Works Programme (LIWP) and the Rainfed Agriculture and Livestock Project (RALP), both of which were rigorously evaluated for impact. The LIWP evaluation was based on a community matched-pair randomized control trials design.<sup>20</sup> The randomization was possible as the LIWP cash-for-work approach was only used by SFD and there was no possibility that other programmes would intervene in the control areas. Additionally SFD's capacity to intervene in both control and treatment areas at the same time was limited. As the LIWP was rolled out, control areas would become eligible for interventions after completion of the evaluation.

The LIWP evaluations confirmed SFD's capacity at targeting poor and deprived communities and at meeting their priority needs.<sup>21</sup> In treated communities, 74 per cent of households had at least one member participating in LIWP. Benefits were, however, quite unequally distributed across participants due to the fact that the crisis attracted participation of households that would have normally self-selected out of enlisting for workfare. Wages were set on a piece-rate basis, creating greater rewards for workers involved in more skill-intensive tasks. In spite of this, benefits were progressively distributed, with more aggregate benefits going to the poor and a decline in intra-community Gini coefficients. Income gains were used to increase staple food consumption, reduce levels of indebtedness and protect durable goods ownership from decapitalization to cope with the crisis. There was however no detectable impact on animal asset ownership, consumption of higher value foods and ownership of goods such as clothing and household utensils. Few projects implemented through LIWP had been completed, but the evaluation showed improved access to water where projects focused on water availability. The evaluation of LIWP thus confirmed the value of the productive safety net approach in mitigating the impact of economic shocks.

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

These institutional assessments, which use qualitative methods, added other dimensions to understand how SFD is operating in its fragile environment and

how its practices contribute to the country's institutional development. SFD's operations have reached about 25 per cent of Yemen's 40,000 villages<sup>22</sup> and more than 50 per cent of the rural population.<sup>23</sup> SFD is the only development programme in Yemen with such coverage. As such, dealing with conflicts and tensions is relevant to SFD's operations particularly in troubled geographical areas. The institutional assessments attributed SFD's ability to work in difficult areas to its clearly defined work procedures, its employing local staff and its close relationship with communities and local authorities that help it to overcome insecurity and operate in conflict situations.<sup>24</sup>

The institutional assessment described some of SFD's practices in attempting to raise the quality standard of development initiatives as well as the capacity of the national public administration. Some of these practices include continuously measuring the efficiency of interventions as part of a results-based management approach, targeting investment through the use of data and objective indicators, a participatory approach to decision making regarding projects and responsiveness to beneficiary needs.<sup>25</sup>

During Yemen's 2011 economic and political crisis, SFD was able to continue its operations with implementation of 82 per cent of its projects in 300 districts out of the country's 333.<sup>26</sup> This is attributed to several factors including the fact that SFD is relying on multiple sources of funding. SFD was funded by a multiplicity of donors and several of them did not stop their funding during the crisis. At the implementation level, SFD's resilience is attributed to the diversification of its approaches, with reliance not only on SFD contractors but also on contracting with the community. With the crisis, SFD had to re-prioritize its interventions, giving prominence to the labour-intensive cash-for-work and water projects not only because these interventions affect people's immediate livelihoods, particularly the cash-for-work programme, but also because they depend heavily on local materials and are implemented directly by beneficiaries who have interest in protecting the project operations.

The 2006 assessment noted that SFD had evolved into a 'model' organization in the Yemen context, operating on a nationwide basis and extending participatory development efforts to rural and remote areas. As the main supporter of NGOs, SFD promoted capacity development and good governance among NGOs. According to Jennings,<sup>27</sup> the SFD's demand-led approach, pro-poor resource allocation on a nationwide basis, use of verified results as a basis for decision making, participatory processes, transparency principles at all levels and well-developed procurement systems have allowed it to contribute to the promotion of solid systems of governance that underscore state building. The 2006 institutional assessment asked a group of contractors: 'If the price that you offer SFD was 100 in a specific item, what would be your price for the next five actors including ministries?' All contractors agreed that they would give SFD the lowest unit price, attributing this to not having hidden costs when bidding for SFD-supported projects.<sup>28</sup> A 2008 study, commissioned by KfW in partnership with the Ministry of Education on the provision of educational facilities, found SFD to be the most efficient in terms of procurement performance. The same study also found that SFD costs are at least 20 per cent lower than the

education ministry and its projects implementation units.<sup>29</sup> SFD's cost efficiency has been mainly attributed to its transparent procurement practices.

In 2009, the institutional assessment observed that SFD had made progress in aligning its activities with those of sectoral ministries and in contributing to the development of national strategies rather than continuing to pursue its own separate approach. The 2009 institutional assessment indicated that SFD has effectively managed conflict situations including rivalries among community interest groups over the location of projects, political divisions and the tendency to politicize interventions, tensions over community contributions, conflicts with contractors and also differences with line ministries over coordination issues.

The institutional assessment described how SFD has been dealing with such tensions in order to prevent, resolve or minimize conflict including establishing and respecting clear criteria to avoid bias in selecting and implementing projects that could offer equal opportunities to access resources. Also, SFD strived to ensure transparency at all times, including in the formation of community committees, the establishment of community contributions and community contracting as well as in providing access to its reports and procedures. A key factor in enlisting community support was to use local staff and consultants. When it comes to resolving an already existing problem, SFD's regional branches work with local leaders to address the issue. However, in a deeply entrenched patronage system like Yemen, this has not been problem free. The Parliament, where the majority of its members are elite community leaders, has several times reluctantly ratified SFD loans as they have been seen as a threat to their patronage role in their constituencies. While SFD has gained recognition by communities and development organizations, this has often not been the case among elites and central government officials.

The institutional assessment noted that SFD could remain functional when a crisis occurs.<sup>30</sup> For example, it increased its investment in the Hadhramaut Governorate following the 2008 floods and loss of life. Similarly, it introduced a labour-intensive programme to create employment in local public goods projects as a response to rising food prices during the global food crisis.

### **Factors Contributing to SFD's achievements**

Yemen has received a comparatively low level of international development aid. In 2003, it received US\$12.7 per capita in development aid compared to an average of US\$33.4 aid per capita in the least developed countries. This low level of international development assistance has in part been due to the low absorption capacity of its state institutions, and also to donors' strict project and financial management procedures that do not match Yemen's institutional capacity.<sup>31</sup> Other difficulties facing the implementation of aid initiatives include lack of security in several parts of the country.

We argue that four factors have been essential in enabling SFD to implement its development interventions effectively. They are:

- (1) *Ownership*: A demand-driven approach allows the establishment of direct links with communities and the creation of community ownership of SFD projects.
- (2) *Trust*: SFD's political neutrality has been established through objective and transparent resource allocation procedures. Such perceived neutrality earned SFD the trust of populations and continued access to the most difficult places in spite of tribal conflicts and insecurity.
- (3) *Flexibility*: A flexible mode of funding allows SFD to respond to communities' changing needs and to sustain projects in spite of crisis conditions.
- (4) *Relevance*: The quality and importance of its interventions for the lives of beneficiaries has given SFD visibility, recognition and support among stakeholders, the government and donors.

### *Community Ownership through a Demand-Driven Approach*

SFD made the strategic option of involving communities in the process of project selection and implementation. This paid off in selecting projects that correspond to community priorities and facilitated the implementation of projects. Evaluations indicate that the majority of communities and households interviewed considered the projects to meet their priority needs effectively. Although there is as of yet no strong evidence that the community structures created for the demand-driven approach will survive to become agents of further development after completion of the projects, the approach introduced democratic processes as the communities have to decide what type of intervention is a priority and who represents them during and after project implementation using elections and meetings. This process has been encouraging women to participate in public events and to become members of community committees. The relationship established with communities and local people during such processes was effective in facilitating SFD's access to difficult regions and such relation proved to be essential in 2011 to enable continued SFD operations in a context of political mobilization and increasing insecurity.

SFD's success with the participatory approach stems from the social and political context where it operates. Yemen has never had a strong central government, and availability of state services has been low in most rural areas. As mentioned by Baas and Ali, 'Yemen has had a rich history of both community participation and grassroots-level community-based institutions. The tribe is the most prominent informal institution and is a crucial element of social, economic, cultural, and political life.'<sup>32</sup> SFD has adapted its strategy to this reality by giving an important role to the community in setting its priorities and implementing its programmes.

The demand-driven approach followed by SFD may, however, create inconsistencies with national sectoral strategies. Since 2004, there has been a call for SFD to align its interventions better with national sector strategies and this has become one of SFD's priorities. The development impact and the sustainability of SFD's projects depend on progress with local institutional capacity development. For this reason, in using the Social Fund approach, it is important to try

to achieve a balance between support to community-led initiatives (to achieve community ownership) and alignment with national priorities (to secure consistency with national policies).

### *Trust through Political Neutrality*

SFD has been able to operate in its environment because its stakeholders, both beneficiaries and donors, perceived it as neutral and impartial. It established systems and procedures based on the principle of transparency. It has used an operational manual, management information systems (MIS) and established procurement and disbursement procedures that are accountable to donors. SFD has continued to improve its operating processes, and expand its activities to reach the poor and vulnerable better. Based on these merits, SFD was able to work in difficult circumstances and continue to attract donor funding. SFD also prevented political interference by powerful groups, a characteristic that it had to defend rigorously in its early days when members of parliament were very reluctant to accept the presence of an independent organization. It considers that its neutrality is paramount to its performance.<sup>33</sup> To achieve neutrality, every district in Yemen receives an allocation based on the number of people living in poverty. As a result, SFD has reached into almost every district. It makes efforts to penetrate districts where other government bodies cannot reach because of geographical remoteness or political or tribal disputes. For districts with a high poverty rate, SFD has designed special programmes that are introduced to target poor communities and to top up its resources.

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

Social funds have been tagged as 'parallel' institutions of governance that do not have the legitimacy and trust that would be ensured by membership of the regular administrative process. The perception of some development practitioners and government officials is that SFD is (1) taking over tasks that could be carried out by existing national agencies, and (2) carrying out its activities in a way that may marginalize national and local administrative agencies whose corporate mandate covers such activities, depriving them of opportunities to build their own capacity. Such arguments have been toned down as the development and humanitarian situation in Yemen deteriorated and SFD was seen as an instrument

for social protection with no close substitute in the public sector. In a briefing paper, Oxfam thus called on the international community to ‘scale up technical and financial assistance to enable the continuation and expansion of existing social protection and welfare programmes, such as the Social Welfare Fund (SWF) and the Social Fund for Development (SFD)’.<sup>34</sup> Given the situation in Yemen, it is unlikely that strong line agencies and decentralized administrations will emerge and SFD will continue to be trusted for the services it delivers in a non-partisan fashion. The Social Fund approach, properly adapted to local circumstances, may thus remain the most viable option for some time in countries with lingering conflicts, weak civil society organizations and fragile governance.

### *Flexibility through Donor Core Funding*

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

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

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

In 2008, the World Bank approached SFD to implement a rapid response project to the rise in international food prices that had a large negative impact on Yemenis’ food security. Yemen imports more than three-quarters of its grain consumption from the international market. SFD responded by designing the community-based labour-intensive works, which expanded rapidly to become a major SFD programme.

In the context of the 2011 political crisis, SFD was almost the only national institution (along with the Social Welfare Fund, which is the government’s

major social cash assistance programme) that continued to operate, focusing on its cash-for-work programme and on its water supply interventions that were considered top priority needs at that time.

Yemen's SFD relies heavily on external aid, with foreign donors providing approximately 80–85 per cent of its financial resources. SFD believes that good performance is key to sustaining the flow of funds from donors and maintaining a diversity of sources of funding. International experiences with Social Funds confirm this observation. In their cross-country study of Social Funds, Rawlings *et al.* found that Social Funds have been instrumental in attracting funding from foreign donors that would not otherwise have been available.<sup>35</sup> In a country like Yemen, where the absorptive and institutional capacity of public institutions is limited, a Social Fund has proven to be a valuable instrument to mobilize funding and use it for development and social protection. However, for the long term, SFD may have to invest in income-generating social enterprises to cover large parts of its financial needs more flexibly and predictably, thereby pursuing a model similar to Bangladesh Rural Advancement Committee's in Bangladesh. Securing the long-term funding of Social Funds is important to allow the approach to flexibly and rapidly meet communities' changing needs.

### *Relevance through Quality of Impacts on Livelihoods*

The demand-driven approach allows SFD to respond to what communities believe will serve them best at a particular time. Rural and urban Yemen typically lack basic infrastructure services. Access to these tangible assets was considered a priority by a majority of communities. The demand-driven approach made community and local development SFD's largest component. In the 2009 evaluation, 90 per cent of respondents indicated that the projects supported by SFD were a priority to them. SFD planned these projects with the communities and involved them in implementation, and people responded that this is what they really wanted. Findings from the evaluations clearly show that these assets produced results in increasing access to school and student enrolment, particularly girls in rural areas,<sup>36</sup> improving access to health services and reducing the time needed to fetch water or access markets and services through rural road interventions. The LIWP projects improved livelihoods in poor rural areas that had been constrained by limited local public goods. As SFD evaluations (except for the LIWP) were not based on randomized control trials, it is not possible to confirm that the outcomes were solely due to SFD's interventions. However, it can be confirmed that SFD's projects have been instrumental to achieving such an impact. It is important to note that in 2006, it was not possible to measure the outcomes of the water sector as SFD interventions were focused on community rainwater harvesting schemes. In 2010, results from water interventions were positively measured and could be attributed to the fact that SFD had changed its interventions to smaller water harvesting schemes that are closer to the beneficiaries' households.

Reviewing the external evaluations and the reports from joint-donor missions shows that SFD has been able to improve its interventions over time. This is in terms of programmes, management, as well as coverage and technical

implementation. SFD has been able to learn from its actions and to achieve sustainable pro-poor results in part through importance given to evaluations. It is noticeable from beneficiary surveys that issues that had been mentioned to be problems in an evaluation were no longer considered to be problems by survey respondents in the subsequent evaluation.

SFD is working on four programmes that provide a range of short- to long-term development services. A key issue that has been debated is how SFD can better position itself as part of Yemen's poverty reduction strategy, with both its donors and the government understanding and supporting this role. Recently SFD, its donors and the government have agreed that SFD should take on the following two roles: first, contribute to long-term development goals by providing and improving access to socio-economic services and community assets with the objective of enhancing income opportunities for the poor; and second, form part of the country's social safety net to reduce vulnerability to poverty by (1) alleviating the impact of shocks through the provision of employment opportunities, and (2) reducing vulnerability to shocks through the enhancement of social assets and capacity building. Continued relevance and effectiveness of SFD, and of the Social Fund approach, will derive from fulfilling these generic roles in a context where delivering aid is fraught with difficulties.

### **SFD's Expansion**

With low capacity among government agencies to absorb donor funding, SFD has been one of the country's main institutions with absorptive capacity, permitted by its flexible operating procedures, efficient delivery record, quick disbursing capacity and internal learning ability.

SFD can still increase its implementation and outreach capacity through indirect modalities in working with local authorities, national NGOs and community-based organizations. At the same time, SFD management indicated that direct implementation by SFD will continue to be necessary until a sufficient number of local service providers and NGOs become available to be contracted by SFD for indirect implementation. This creates a dilemma for SFD as there exists a risk that expansion may affect the quality of its direct interventions. If, however, SFD opts for more indirect implementation, it might lose its close collaboration with communities which has been essential to secure support and protection in a context of rising insecurity.

It is important to note that one of the issues SFD is facing in its future expansion is predictability of funding, particularly in the context of volatile and politicized foreign aid and an uncertain domestic political situation.

### **Future Role in Supporting Local Development and Governance**

Since the first election of Yemen's local councils in 2002, which was conducted according to the 2000 local authority law, SFD has launched a series of initiatives to build gradually the capacity of local authorities<sup>37</sup> and prepare them to implement projects directly on behalf of SFD. Supporting local councils was

reflected in SFD's statement of development objectives for the third phase (2004–10). Since 2002, working through local authorities became a worldwide priority in the agenda of Social Funds. This came about as Social Funds direct relationship with communities was perceived to diminish the local government's accountability to the population and inhibit its budgeting function.<sup>38</sup> In 2008, SFD participated in drafting Yemen's Local Authority Strategy and continued to work closely with the Ministry of Local Authority. However, this might have been viewed as sufficient as SFD maintained its direct implementation mechanism with communities and rarely transferred funds through the local authority that remained weak and strongly affected by political instability in the country.<sup>39</sup> In January 2014, The Yemen National Dialogue was concluded calling for the transition of Yemen to a federal state and to the emergence of a new political order. In May 2014, SFD drafted a vision paper to outline its orientation towards the support of genuine local development. SFD stated that its vision and mission is a response to (1) Yemen's most pressing developmental challenges and (2) the outcomes of the National Dialogue Conference with respect to Yemen's future system of sub-national governance and public administration.<sup>40</sup> In September 2014, Yemen entered a new cycle of turmoil when Al-Houthis or 'Ansar Allah' captured the capital Sana'a and rejected the draft of the new constitution. In March 2015, a civil war erupted in Yemen<sup>41</sup> which has changed the development priority towards a humanitarian response prioritizing early recovery.

## Conclusion

The Social Fund (SF) modality in delivering foreign aid started in 1980. Evaluations of the performance of SFs have produced mixed results. The majority of SFs are known to share traits such as good management, relative operational autonomy and flexibility in allocating budgets among alternatives investments.<sup>42</sup> While Yemen's SFD has its own operational details that are unique to it and to its social, political and economic environment, the above-mentioned evidence of effectiveness suggests that the core design may be replicated in other environments, including in countries experiencing failing states, tribal conflicts and post-conflict transitional regimes.

As we have seen above, Yemen's SFD has been performing effectively in spite of a particularly hard context due to its collaborative relationships with local communities, its perceived political neutrality, its flexible mode of project funding and operation and the importance of its interventions to beneficiaries enlisting their support and protection. These four pillars create the singularity of its approach. How SFD has implemented them provides lessons for using the Social Fund approach to deliver aid in hard places across the world.

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