Innovative Service Delivery Stocktake: DFID Case Study of Service Delivery in Fragile & Conflict Affected Situations using CSAE Framework

YEMEN SOCIAL FUND FOR DEVELOPMENT

1. Environment prior to the establishment of the Social Fund for Development (SFD)

a. Economic and Political Context

The Republic of Yemen (ROY) was established in May 1990, when the Yemen Arab Republic (YAR) in the north and the People's Democratic Republic of Yemen (PDRY) in the south were united to form the Republic of Yemen (RoY). North Yemen had been traditionally ruled as a feudal system and virtually closed to the outside world until 1962, when the army overthrew the last Imam and declared the formation of the YAR. Following an eight year civil war, a republican government took control in 1970. South Yemen had been under British rule for a century and a half, until nationalist forces took over in 1967. PDRY became an independent country in 1970.

Initially, the 1990 merger diverted attention from economic development to political integration, and created a large overhead cost as the two civil services merged. The north, with a population several times that of the south, became politically dominant after elections in 1993. Resentment in the south led to secession and a civil war in mid 1994. After two months, the country reunited, but substantial infrastructure in the south had been destroyed, at an estimated cost at the time of $11bn - $13bn. By contrast, GNP in 1994 was estimated at approximately $3.9 billion, translating into $280 per capita for a population of 14 million[1].

One result of the civil war, and the Government's preoccupation with administering the unification process, was that public finances deteriorated significantly. By 1994, the budget deficit was over 16% of GDP, triggering high inflation and an exchange rate devaluation. Wage bill spending crowded out development expenditures, which amounted to just 2.1% of GDP in 1994[2].

On the human development side, Yemen ranked as one of the least developed countries in the world. In 1994, the adult literacy rate was just 37%, with only 8% female literacy in the North, and 27% in the South. As of 1996, 65% of the population had no access to healthcare, and 54% had no access to safe drinking water. Over 90% of the population had less than the minimum access to water to meet their domestic needs. The gross primary school enrolment rate for boys was 75%, while for girls it was less than 40%, and infant mortality stood at 117 per 1,000 live births. The percentage of the population living below the poverty line, as measured by a 1998 household survey, was estimated at 40%[3].

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[1] World Bank (1996), Republic of Yemen Country Assistance Strategy
[2] ibid
[3] World Bank (1999), Republic of Yemen Country Assistance Strategy

b. Arrangements for service delivery

Basic service delivery in key areas such as education, health and water were the primary responsibility of the central government (corresponding to Category 1 under the Stocktake Framework's definition of organisational arrangements for Service Delivery: *State Direct*). Local governments, though in existence, were unelected and had little authority or capacity to collect local taxes and deliver local services. Due to Yemen's mountainous terrain, particularly in the north of the country, and widely dispersed population (over 100,000 settlements) certain areas received little to no government services at all.

Traditionally, in the absence of established Government structures, Yemeni society was supported by informal social networks, particularly those based on ethnic affiliation, with a strong social safety net of charitable support for the poor. However, these traditional sources of community support had been weakened by rapid urbanisation, and the gap was not adequately filled by the creation of other non-governmental organisations. Ad hoc community associations were often created to enable communities to implement specific development projects, but there were relatively few stable or active local organisations. It was estimated that there were only a few hundred active and semi-active NGOs in Yemen in the mid 1990s, operating mainly in urban areas but not focusing on service delivery, and less than 150 Local Welfare Associations, operating in wealthier rural areas in the south[4].

2. Assess the shortcomings associated with the environment for service delivery prior to the establishment of the SFD.

As already indicated, there were significant gaps in service delivery coverage in Yemen in the mid-1990s, prior to the establishment of the SFD. Only 35% of the population had access to healthcare, only 46% had access to safe drinking water, 63% of the adult population was illiterate, and 25% of boys and 60% of girls of school-going age were not enrolled in primary school. Service delivery gaps were more pronounced in rural areas, and more especially in the north of the country. The shortcomings associated with the service delivery environment can be categorised as:

i. Top-down service delivery approaches, with almost no community participation
ii. A lack of clear, poverty-oriented criteria for resource allocations
iii. Skills shortages amongst teachers and health workers
iv. Funding shortfalls (inadequate resources overall, and a high proportion of spending on salary costs relative to other recurrent and development expenditures)
v. Poorly motivated service delivery employees (low wages relative to the cost of living, high levels of absenteeism)

[4] ibid

3. Establishment of The Social Fund for Development (SFD)

The SFD was established as a semi-autonomous Government institution under Law No. 10 (1997), as a part of the Government's measures to establish social safety nets in response to its economic structural adjustment programmes. SFD's objectives and main areas of operation were identified under Articles 5 & 6 of Law No. 10.

Article (5)

Objectives: *The Fund aims at contributing effectively in the implementation of the State's plan both in the social and economic fields through enabling individuals, households, micro-enterprises and poor & low-income groups to get access to employment & production by providing services, facilities and lawful credits for embarking on service & productive projects. The ultimate objective shall be the contribution to the reduction of unemployment, alleviation of poverty, and handling the impact of the Economic Reform Programme and lessening the burden of its procedures affecting limited-income people.*

Article (6)

Tasks:

1. *Finance, directly or indirectly, productive & services projects carried out by individuals, households, micro-enterprises, & beneficiary groups & categories under lawful & facilitated conditions*
2. *Provide the required finance for social development activities, such as health, educational and environmental and other services, according to the Fund's objectives*
3. *Assist local institutions in developing their capacities and upgrading their efficiency in providing services*
4. *Generate new employment opportunities for the beneficiaries through private projects or assisting productive projects to improve standards of life of the rural poor and urban inhabitants and to increase their income level*
5. *Implement high-density employment projects, including roads improvement, water and sanitation, and maintenance for public utilities and foundations directly by the Fund in compliance with Article (5)*
6. *Support training and rehabilitation centres and enhance skills in relevant vocations.*

The SFD is administratively and financially autonomous, operating outside of the regular ministerial structure of Government. However, its board of Directors is chaired by the Prime Minister, and includes six other cabinet ministers, as well as representatives of civil society and the private sector. The six ministries represented on the board are Social Affairs & Labour, Planning & International Cooperation, Finance, Local Administration, Education and Technical & Vocational Training. The SFD is not subject to regular public service employment rules, allowing it to pay attractive salaries and recruit competitively. Using the Stocktake Framework's definitions of organisational arrangements for service delivery, the SFD is best categorised under Category 6: *Contracting Out via an IPSA.*

Since its establishment, the SFD has completed three main phases of operation:

- Phase 1 (1997 – 2000)

- Phase 2 (2001-2003)
- Phase 3 (2004 -2010).

In the first two phases, SFD had three main areas of intervention:

i. Community Development (increasing access to social & economic infrastructure)
ii. Capacity Building (building capacity of local partners)
iii. Small & Micro Enterprise Development (providing microfinance services)

A fourth intervention area of Labour Intensive Programmes was added in the third phase, in response to the economic shocks engendered by the global financial crisis.

From its inception, the SFD has adopted a bottom-up approach to programming, with a primary focus on the community. Central to the SFD model is community identification of projects, contribution to costs, oversight of projects, and in some cases, involvement in construction. There are five models of community participation under SFD, depending on the individual project's objectives:

i. Facilitating and overseeing works implemented by external contractors (most frequently for Education, Health and certain types of Water Infrastructure)
ii. Direct community implementation (particularly for Roads and Water harvesting)
iii. Involvement in institutional structures related to SFD interventions (e.g. Parents Councils)
iv. Involvement in broader development initiatives (e.g. Community Health Committees)
v. Establishment of Community Based Organisations

SFD's scope is multi-sectoral, covering key areas such as Education, Health, Water, Agriculture, Roads and Microfinance, but in general, SFD does not play a direct role in basic service delivery. Instead, its focus is on providing the necessary infrastructure at community level, and necessary skills amongst service providers, to ensure improved access to basic services and more effective and efficient service delivery to communities. This approach is complemented by pilot programmes which trial innovative approaches to service delivery for marginalised groups in specific areas (for example, initiatives focusing on girls' education), for uptake by the relevant service delivery ministry if proved successful.

In order to meet its objectives, SFD engages with a variety of stakeholders beyond the community level. Its capacity building programmes help build the capacity of local partners, NGOs, government agencies, consultants and contractors. Examples of SFD's capacity building initiatives include training for local government officials to enhance their capacity for community engagement and service delivery planning, working with Higher Health Institutes to train community-based health workers, particularly midwives, and working with NGOs to enhance their capacity to provide microfinance services. NGOs also play a lead role in implementing SFD's projects focused on special needs groups, particularly in urban areas.

At the start of each phase, SFD allocates funds to each of the 21 governorates and 333 districts in Yemen. The poverty targeting of the allocations has improved across the phases, with areas of higher poverty getting higher allocations, using objective criteria based on the existing national poverty survey and household budget surveys. SFD's systems for intervention targeting are supported by GIS. By Phase III, SFD had the explicit objective of allocating 40% of its resources to households in the lowest three income deciles.

SFD has seen an increase in its funding, and the number of contributing funding partners, in each successive phase. Phase 1 funding amounted to $90m, financed by 6 multilateral and bilateral development agencies, and distributed across 1,615 projects. Phase 2 funding amounted to $200m, financed by 8 development agencies, and distributed across 2,014 projects. Phase 3 funding amounted to $960m, financed by 16 development agencies and covering 6,774 projects. Over two-thirds of SFD funding has been channelled to the 4 main sectors of Education, Health, Rural Roads and Water, with Education alone accounting for over 40% of SFD funding. Since its establishment, SFD has provided almost 30% of the new classroom stock at national level. Overall, direct SFD beneficiaries since its inception are estimated at over 14 million, with over 48% of these being female.

Table 1: Summary of SFD Content

Commissioning	**Did the 'intervention' introduce a new method of *commissioning*?** SFD was established as a semi-autonomous Government agency, focused on improving the range of services and income generating opportunities available to the poorer Yemeni populace. It therefore constituted a new commissioning agency for the delivery public goods and services. It also introduced a new approach to contracting, via direct community contracting for the delivery of certain types of basic infrastructure.
Delivery	**Did the 'intervention' change the nature of *delivery*?** Not directly. Its focus was to provide the necessary infrastructure at community level, and necessary skills amongst service providers, to ensure improved access to basic services and more effective and efficient service delivery to communities within the existing service delivery framework. However, provision of additional training, and improved infrastructure, could be considered as an indirect way of motivating public sector workers.
Financing	**Did the 'intervention' introduce *other* changes to the financial flows between donors, government and delivery organisations?** Contributing agencies channelled their funds direct to the SFD. In Phase 3, the Government also contributed funds to SFD.
Policy-setting and the Role of the State	**Did the 'intervention' seek to strengthen government capacity?** **Did the 'intervention' introduce a new mode of *planning and resource allocation*?** SFD introduced bottom-up method of project identification and oversight, using a participatory, community-based approach. It also introduced a new approach to resource allocation, based on poverty indicators. Its capacity building programme focused on enhancing local government capacity to adopt a participatory approach to planning and delivering services, as well as providing training to key government service delivery workers at community level, such as community health workers.

SFD established rigorous system for evaluating impact intervention, with regular tracking of the ex-post impact of interventions on beneficiary communities.

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4. Assess the efficacy of the 'intervention'.

SFD has been subject to regular independent impact and institutional evaluations. Impact evaluations corresponding broadly to each SFD implementation phase were conducted in 2003, 2006 and 2010. Institutional evaluations were carried out in 2006 and 2009.

In terms of impact, the 2010 evaluation gives the most comprehensive overview of the efficiency, effectiveness and sustainability of SFD operations, since it builds on the findings of the previous two evaluations, and covers a sample of SFD projects and beneficiary households across two time periods: 1997 – 2005 and 2006 – 2010. The comparison of results from the two periods enables an assessment of the sustainability or otherwise of SFD's interventions over the long term.

Overall, the 2010 evaluation finds that SFD has delivered a strong impact in the five areas it covered (Education, Health, Roads, Water and Microfinance), as well as positive results in terms of operational efficiency, the number of beneficiaries reached and costs per beneficiary.

In Education, the evaluation finds that SFD's projects deliver substantial returns on investments in terms of enrolment. Average enrolment (boys and girls) increased by 4.5% between 2003 – 2006, from a base of 64.5%, while it increased by 14% between 2006 – 2010. Even once a generally increasing nationwide trend in enrolment is stripped out of the results (what the evaluation terms its *'double-difference'* methodology), SFD interventions still yield higher returns in terms of enrolment than in comparative areas without SFD investments. The evaluation also notes that while the availability of books and quality of teaching are not within SFD's control, there appear to be positive results from the investment in school infrastructure on other things that matter for education outcomes in the long-term, demonstrating that building and rehabilitating schools seems to have an impact on the Ministry of Education, in terms of supplying the school adequately with books and incentivising teachers. The evaluation also finds that SFD investments have a strong impact on student satisfaction, and that the impact seems to be sustainable over time, as the satisfaction rate is highest where investments were completed a relatively long time ago (1997 -2003).

In Health, the evaluation finds that SFD investments have had a strong impact on the propensity of women to seek healthcare when ill and incapacitated, with the strongest effect recorded in the poorest households, where the probability of seeking health care rose from 48% to 84%. There are also major improvements in access to reproductive health, with utilisation rates for pre-natal care rising from 15% to 62% as a result of SFD interventions.

In Water, the evaluation finds that there are reductions in the time it takes to fetch water, and reductions in the cost of water as a result of SFD interventions. The findings on cost reductions appear to be sustainable over time, as reductions in the per capita cost of water are found in both

recently completed projects (2006 -2010) and older projects completed before 2006. In terms of water availability, 86% of households in recently completed projects reported that due to an SFD facility the availability of water during the last 12 months had increased, while for older projects the results were less marked – around 40% reported increased availability of water as a result of an SFD facility. The evaluation also finds that there appear specific maintenance problems with respect to dam facilities constructed by SFD, while piped water facilities are most likely to meet the requirements of users.

In Roads, the evaluation finds that SFD interventions reduced travel time to market by 74 minutes per trip, although there were no clear benefits in terms of cost per trip or frequency per trip.

In Microfinance, 52% of beneficiaries surveyed believed that the loan had enabled them to increase their income, while 50% believed that it had enabled them to increase their economic activity.

The impact evaluation also finds that fairly high levels of community participation and ownership are found in SFD projects. This finding is also picked up by the SFD institutional evaluations, with positive knock-on effects for statebuilding. By working in the hardest-to-reach, poor, remote and rural areas, SFD is viewed as helping to build governance structures at community level, meaning that communities are more active in determining their priorities and engaging in dialogue with government agencies. Its interventions are also viewed as reducing tensions over access to scarce resources, and giving credibility to Government in marginalised and/or hard to reach areas.

In terms of broader institutional capacity building, SFD is viewed as having made a significant contribution to the National Strategy on Decentralisation, and as having facilitated the establishment of a well-respected NGO legal framework. However, concerns have been raised about SFD's linkages with central government line ministries responsible for service delivery. Although SFD's alignment and support to national planning at sector level is considered to be generally good, coherence and co-ordination between SFD and responsible line ministries has at times been a source of tension, in part because of their different delivery approaches, and different capabilities in planning and implementation. The success of line ministries' uptake of innovative approaches to service delivery successfully piloted by SFD will depend on their ability to access the requisite technical support and resources. SFD is viewed as having a role to play in strengthening their capacity in this regard. It is unclear why all benefitting Ministries are not represented on SFD's Board of Directors, in order to encourage uptake and synergy.

Additionally, SFD is viewed as having a key role to play in strengthening governorates' capacity to implement the National Decentralisation Strategy. As the Strategy gradually takes root, this may also imply a shift away from the SFD's community-based approach to project identification, to identification of projects based on district plans.

Table 2: Summary of SFD Principal Conclusions

Cost & Quality	**Is there evidence of lower unit costs of service delivery and/or higher quality of service delivery? If so, do the results appear sustainable?** There is evidenced of increased access to service delivery (primary school enrolment, female access to healthcare) as well as increased quality (reduction in the time it takes to fetch water and travel to market). There is also evidence that school infrastructure investment has *crowded-in* higher quality service delivery, in terms of teaching and availability of learning materials. The unit costs of water consumption have reduced. The results appear sustainable, although findings on the increased availability of water over time are less robust.
Overcoming Bottlenecks	**Which of the shortcomings listed in Part II have been overcome?** i. Top-down service delivery approaches – SFD is a community-based model centred on participatory approaches ii. A lack of clear, poverty-oriented criteria for resource allocations – SFD's criteria for resource allocation are based on the national poverty survey and household budget survey, although the 2010 evaluation was unable to assess its performance in providing 40% of its resources to households in the three lowest income deciles iii. Skills shortages amongst teachers and health workers – yes, for community-based reproductive health iv. Funding shortfalls – SFD has been very successful in attracting development agency funding, although it is not possible to tell whether this funding would have been allocated to other Yemeni institutions had SFD not existed v. Poorly motivated service delivery employees – not directly, although it is noted that the quality of teaching is considered to be higher in schools with SFD investments (infrastructure crowding-in quality), and the 2006 evaluation found that levels of teacher absenteeism were reported to be lower post-SFD investments
Capacity	**Has government capacity been strengthened, and are there plans for government to play an increased role in service delivery over time?** Local government capacity for participatory, bottom-up service delivery approaches has been strengthened, and will hopefully ensure greater sustainability of basic service delivery. The National Decentralisation Strategy envisages a stronger role for governorates and districts in delivering services to communities in line with their needs over time.
State-society relations	**Have there been broader impacts on state-society relations?** SFD has helped to reduce tensions over access to resources in hard-to-reach areas
New bottlenecks	**Have new bottlenecks been revealed (limited capacity to contract, perverse incentives)?** No
Negative impacts	**Have there been negative impacts on the sector (donor cherry picking, provoking local conflict)?** SFD relations with central government line ministries responsible for service delivery are not as coherent and co-ordinated as they could be. SFD alignment to national policies at sector level is considered to be generally good, and links in

	with Government development plans for poverty reduction. However, line ministries need more capacity support and resources in order to enable them to mainstream the innovative service delivery approaches piloted by SFD more effectively.

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