



<b>1. Project Data :</b>
<b>OEDID:</b> C2276
<b>Project ID:</b> P005158
<b>Project Name:</b> Social Fund Project (SFD = Social Fund for Development)
<b>Country:</b> Egypt
<b>Sector:</b> Social Assistance
<b>L/C Number:</b> C2276
<b>Partners involved :</b> Many (16) Cofinanciers were involved - see ICR for details
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<b>Date Posted:</b> 06/08/1998

**2. Project Objectives, Financing, Costs and Components :**

SFD was set up in 1991 at the height of the Gulf crisis. It's main objectives were: to help mitigate the initial and immediate negative impacts of the structural adjustment program; to provide help to the Gulf returnees; and to protect selected target groups (displaced public enterprise workers, households headed by females, and unskilled and semi-unskilled unemployed workers, etc.) from the likely long-term effects of adjustment. The project included six components: a Public Works Program (PWP) to support labor intensive construction projects; a Community Development Program (CDP) including support for microenterprise and community based social services; and Enterprise Development Program (EDP) to help new and on-going small enterprises a Labor Mobility Program (LMP) to help labor adjust to economic reform; a Transport Program (TP) to improve transport services for the poor; and an Institutional Development Program (IDP) to support the SFD secretariat as well as poverty monitoring through surveys and studies. Project cost amounted to \$738 million, compared to \$572 at appraisal, the increase being due to increased funding made available to SFD by donors.

**3. Achievement of Relevant Objectives :**

The project performed poorly initially due to a lack of Government understanding and ownership, the Bank's failure to integrate the project sufficiently in the policy dialogue, and an underestimation of the start-up time needed. Performance turned around after high level meetings between the Bank, Government and other donors, insisting on retaining the autonomous status of SFD, the emergence of a strong organisation that attracted high quality managers and staff and was well managed and administered, and intensive supervision by the Bank and other donors. SFD is a well performing institution today with a strong track record of achievements. However targeting and sustainability of sub-projects are areas for improvement under phase II.

**4. Significant Achievements :**

SFD has developed into a credible mechanism to channel funds towards selected target groups adversely affected by the adjustment process and has succeeded in providing employment opportunities, both temporary and permanent for a significant number of Egyptian poor. Employment creation amounted to about 90,000 jobs per year on average, or almost 25% of all non-agricultural jobs created annually in Egypt. Most of the programs were efficiently implemented, although some had to be adjusted as the pace of the Government's privatisation and restructuring program was slower than expected. The transport program was dropped because it needed to be accompanied by urban transport sector policies that were beyond the mandate of SFD. SFD demonstrated that a public sector operation when given managerial autonomy (with its own Board of Directors and Executive Management Committee and with exemption from public sector compensation and procurement regulation) can be run efficiently and effectively and deliver good quality services. NGOs have played a major role in implementing SFD programs. Donors have played a major role in funding, provision of TA, advice and political support at crucial times and a Cairo based sub-group of donor representatives has been active and effective since project inception. SFD has a strong gender focus. Overall 38 % of the beneficiaries were women.

**5. Significant Shortcomings :**

A major problem has been the operations and maintenance of SFD financed infrastructure. Also CDP suffered from a lack of market orientation that affected microenterprise and training activities. There is also a problem with the

quality of the EDP's loan portfolio (level and ageing of arrears and decrease in sub-loan repayment rates) which could affect sustainability and the relationship with the financial intermediaries . Steps are taken under the follow-up project to rectify these shortcomings .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Uncertain	Rather than temporary, SFD has become a permanent institution. The sustainability of SFD as an approach and institution is assured as long as there is donor support (a follow-on project was recently approved and a third project is tentatively scheduled for 2000). However, operations and maintenance of SFD infrastructure is a problem and the EDF loan portfolio quality is deteriorating, pointing to serious financing problems. While improvements are proposed under phase II, sustainability of this project at this time must be rated uncertain. Another important question is whether the strong emphasis on the SFD fund does not displace, at least to a certain extent, improvements at the sectoral level, essential to guarantee that these SFD investments can yield development results over the longer term .
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

#### 7. Lessons of Broad Applicability :

The project demonstrates the importance of quality preparation and timely government ownership . Rectifying shortcomings in these areas is very costly indeed . Strong political pressures can only be countered by strong leadership from the top (the President in this case). Operations and maintenance of social fund infrastructure is not automatic and needs considerable thought and attention . The project has also demonstrated that a public sector operation when given managerial autonomy can be run efficiently and effectively and deliver good quality services . Finally this project validates the findings for a successful social fund as elaborated in the Bank's Review of the Social Fund Portfolio (March 1997).

8. Audit Recommended? ☐ Yes ☒ No

#### 9. Comments on Quality of ICR :

This is a good ICR. The Borrower, or rather SFD did an excellent job in preparing their own ICR . The ICR process is especially noteworthy . A special evaluation conference (timed to coincide with the start-up workshop for SFD II) was organised to discuss the Bank and Borrower draft ICRs and all stakeholders and donors were invited to participate . This is regarded a best practice to disseminate ICR evaluation results .