



<b>1. Project Data:</b>		<b>Date Posted :</b> 05/28/2002	
<b>PROJ ID:</b> P043102		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Social Fund II	<b>Project Costs (US\$M)</b>	775	873.6
<b>Country:</b> Egypt	<b>Loan/Credit (US\$M)</b>	120	110.8
<b>Sector(s):</b> Board: SP - Micro- and SME finance (50%), Other social services (50%)	<b>Cofinancing (US\$M)</b>		11.7
<b>L/C Number:</b> C2865			
	<b>Board Approval (FY)</b>		96
<b>Partners involved :</b>	<b>Closing Date</b>	06/03/2001	06/03/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The objectives were to help:			
1) create jobs through support of small enterprises and labor intensive works; and			
2) support community infrastructure and services in partnership with nongovernmental organizations (NGOs) and local groups.			
<b>b. Components</b>			
The project components were:			
1) small-scale labor intensive works program (SLWP) aimed at building on the public works program, with increased focus on community partnership and targeting, and executed in close cooperation with Governorates, the local branches of relevant Ministries, and the community;			
2) community development program (CDP) aimed at building current program with continued focus on community and NGO participation, capacity building, targeting of women, the poor and the unemployed, and executed with the involvement of local authorities at the planning stage;			
3) enterprise development program (EDP) aimed at providing loans to banks for on-lending to entrepreneurs and technical assistance to entrepreneurs through NGOs;			
4) human resource development program (HRDP) aimed at building on the public enterprise labor mobility program, extending the mandate to support labor mobility in private sector companies affected by trade liberalization in partnership with enterprise concerned, supporting small enterprises to train workers, on a matching grant basis, under contract by the private sector; and			
5) institutional development program (IDP) aimed at poverty monitoring and studies linked to poverty and social safety nets, with close association with local Governments.			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The project was designed as a follow-on to the first project under IDA Credit 2276-EGT, to support ongoing activities, and to improve and strengthen specific areas. The project cost at appraisal was \$775 million; to be supported by IDA financing of \$120 million (page 21) and Netherlands Grants of \$20 million, to be disbursed through IDA. (There appears to be some inconsistency in the ICR on the actual amount proposed and disbursed as Netherlands Grant, Preface). The Credit was approved on May 21, 1996; closed on the original date set at the appraisal stage on June 30, 2001. IDA fully disbursed 110.8 million dollars by December 18, 2001. However, as per the ICR (page 8) the Government has disbursed only 7.5% of the pledged amount.			
<b>3. Achievement of Relevant Objectives:</b>			
Project met most of its physical indicators – creating 146,200 temporary and 346,746 permanent jobs, developing community integrated services from micro and small loans for entrepreneurs, delivering health services in rural areas, providing literacy courses, and building small public basic infrastructure such as water supply, waste water disposal, sanitation improvements, access to roads etc., in partnership with NGOs and local groups. The project targeted women (about half the beneficiary of CDP and 27% of the entrepreneurs of the EDP were women, pages 4 and 5)). The project focused on environmental issues, and according to the ICR set higher standards for the Government. The ICR states that the project introduced new and different approaches to local development.			
<b>4. Significant Outcomes/Impacts:</b>			
As compared to Phase 1, the project created 33% more temporary and 38% more permanent jobs with only 19% more resources			

(page 3), and delivered infrastructure more efficiently and effectively within the set duration and at lower cost (3.2% overhead cost). The project focused on women and unemployed. However, it is difficult to assess the impact of the project activities due to lack of baseline indicators and a sound impact evaluation.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

**Shortcomings of the implementing agency:**

- (i) lack of development impact orientation in the project;
- (ii) lack of community participation in project identification, design and overall implementation;
- (iii) absence of staff continuity and management deficiencies (MIS, targeting, financial and procurement management practices and policies have not improved since phase 1);
- (iv) unsuccessful in putting in place an operations and maintenance program that would ensure sustainability of PWP infrastructure and CDP investment;
- (v) The interest rates on CDP's micro-credit loans to small entrepreneurs are unsustainable; ERR for SEDO (with over a third of the costs and benefits of the operation) was only about 6.5%.
- (vi) incomplete transition of the EDP into a financially sustainable autonomous institution; and
- (vii) inability to create appropriate communication between contractors and local government for future endeavors.

**Shortcomings of the Government:**

- (viii) lack of disbursement of the funds pledged at the appraisal stage;
- (ix) appropriate policy changes have not accompanied the project capacity building initiatives (for e.g. control on the interest rate at which Small Enterprise Development Organization lends to small entrepreneurs);
- (x) difficulty of local governments to work with contractors; and
- (xi) reduced autonomy of SFD for quick disbursement of funds.

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	[OED's moderately sat. rating is not available under the ICR's 4-point rating scale]. The stated objectives were broadly achieved and the actual performance of most output/impact indicators is better than projected. However, inadequate focus on development impact and the shortcomings of the project (see section 5) suggest this rating
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Unlikely	Unlikely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Unsatisfactory	Unsatisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

1. Project objectives should be defined in terms of the intended development impacts, the project should be designed implemented to reflect these, and project outcomes should be regularly monitored to ensure optimal results.
2. In order to ensure sustainability of benefits, operations & maintenance arrangements must be carefully planned early on and should not be automatically assumed.

**8. Assessment Recommended?**  Yes  No

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

Moderately Satisfactory; some inconsistencies in project cost data & financing; and lack of economic analysis .