Rapid Business Survey: IMPACT OF THE YEMEN CRISIS ON PRIVATE SECTOR ACTIVITY
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Executive Summary
Executive Summary

This report presents the findings of a rapid assessment into the impacts of the violent conflict (war) on businesses in Yemen. The report is divided into six sections. Each section is illustrated with the key findings in an infographic format accompanied with a brief written summary and recommendations.

The business profile section examines impact on businesses by type and size. The findings show that SMEs were most affected by the conflict with as much as 34% of medium enterprises closing compared to 17% of large businesses. Businesses belonging to the services sector were most affected with as much as 35% of them closing.

In the direct impact of conflict section, the report presents physical damage by governorate and the estimated amounts for these damages as perceived by the business owner. Physical damage in Aden and Taiz was more widespread, affecting 95% of all businesses, but most of these damages were partial. In contrast, damages to businesses in Sa’dah were more intense with higher incidences of complete damages recorded (43%). Estimated cost of average damages to business premises are highest in Sa’dah at 35.5 million (YER) and this high figure is due to the large portion of complete physical damage, this was followed by Aden at 5 million (YER) – and this lower figure is not including the four star hotels damaged in the governorate.

The third segment of the report deals with legal issues and presents a finding of a north-south divide on business registration with 92% of firms in Aden formally registered compared to just 34% in Hajjah and 42% in Sa’dah.

In the access to finance section of the report it is revealed that the overwhelming majority of businesses (73%) have had no access to finance since the war broke out and just 14% of enterprises have a loan. Structural constraints to the financial sector and limited geographical outreach are contributing factors to an underdeveloped supply of financial services resulting in a widening ‘missing middle’ of SMEs and high demand for additional credit facility by all businesses surveyed in the northern governorate of Sa’dah. The report finds that the finance supply gap is currently being filled by business peers, friends and family, and informal money lenders who collectively account for 80% of all loans provided during the war (conflict loans). The Social Fund for Development’s (SFD) project proposal to establish a sector wide guarantee fund will assist banks increase service to SMEs and widen geographic outreach.

The penultimate section of the report highlights the impact of the blockade on business supplies whereby three quarters of businesses are struggling to source enough of their regular provisions. Health providers and traders of food items were worse off with 80% of them finding it difficult to procure their most demanded and fastest moving items such as Panadol.

The final section of the report presents findings on business owners’ intents over the next two months to one year and their key constraints. In the immediate term 66% of business owners intend to ‘keep the business open’ but in one year from now businesses are less positive recording a
13-point drop to 53%. All governorates with the exception of Sa’dah and Hajjah place security as the main constraint. On the up-side almost half of all businesses surveyed see new opportunities have arisen due to conflict with most of these opportunities being in food items and energy including solar power.

Summary recommendations are provided under each section, for example at the policy level the report recommends mitigating measures for exchange rate stability to stabilize prices, the establishment of a temporary public trading fund to address shortage of market supplies, and the introduction of cash for works schemes to boost bottom-up reconstruction of business premises. At the project level, the report encourages private sector development projects to focus efforts on value chains, skills training, advocacy initiatives for businesswomen and business resilience tools.

Findings expressed in this report do not necessarily reflect the views of the United Nations Development Programme.
Methodology

SMEPS conducted the research from mid-August to mid-September 2015. It proceeded as follows:

1. Adapting and translating the questionnaire and testing with several businesses in Aden, Sana’a for validating and refining the data templates. A web based template form was constructed for data storage and basic analysis.

2. Six teams of five enumerators were selected in the six governorates and trained by SMEPS monitoring and evaluation team on interviewing, story collection and data entry.

3. Field Work: Enumerators interviewed at least 20 business owners each. The interview would take in the range of 1 hour to complete. Interviews in Sa’dah, Taiz and Hajjah were held under frightening conditions with SMEPS enumerators trapped for many hours in shelters to escape bombing and gunfire.

4. Validation: SMEPS Monitoring and Evaluation officers would pull down from the web template completed forms and call business owners to validate and settle specific enquiries on data collected.

5. Data processing and cleaning e.g. unifying terminologies entered by the 30 enumerators, unifying figures etc…

6. Data analysis and presentation of findings to private sector in a workshop held in Aden for further validation.

7. Reporting: SMEPS drafted the report with key findings from the research. SMEPS included in each section a brief recommendation.

Background

The United Nations Development Programme (UNDP) as part of its on-going work in the Livelihoods and Economic Recovery Unit have commissioned this study to assist the Government of Yemen and the early recovery cluster partners to provide time-critical assistance to support the early recovery process with a pro-business lens.

The study has been conducted by the Small Micro Enterprise Promotion Service (SMEPS) a subsidiary of the Social Fund of Development. SMEPS mandate is to support private sector development and does this through facilitating business development services, value chain development, and entrepreneurship projects. As such, SMEPS is in touch with thousands of business owners across the country.
General Information
Summary of Findings

Business owners over 45 years of age more resilient, women businesses less resilient

Most respondents (51%) were youth of between 25-35 years of age, with just below 6% making up the under 25 year olds – so a fairly youthful private sector. The 35 - 45yr old bracket accounted for 25% of businesses surveyed with 18% making up the wise and experienced over 45 year olds. Over a quarter (26%) of businesses closed due to the war, but the over 45 year olds were more resilient at 17% closure. Women owned enterprises surveyed were just 4%, reflective of Yemen’s private sector, but with huge regional differences e.g. in Sana’a women made up 15% of all respondents compared to just 2% in Sa’dah and an even lower 1% in Abyan. Women owned enterprises were less resilient with 42% closing due to the war. The Yemen’s Business Climate Survey for March 2015 captured narratives from businesswomen of how they would struggle more than their male counterparts to access their dollar bank accounts. Almost all businesses (95%) that closed during the war did so because of damages. Most of these businesses (77%) had suffered complete damages, 15.4% partial damages and 7.6% closed for other reasons.

Recommendations

Whilst the country remains in conflict, existing private sector development projects could invest in business resilience and business continuity initiatives that support enterprises to manage risk, and helps businesses develop crisis strategies and plans to ensure continuity. These can be tailored to meet the needs of the most affected business groups namely; youth business owners, businesswomen and SMEs.

Businesswomen have suffered more than their male counterparts during this current conflict, with almost half of women owned enterprises closing. Advocacy of businesswomen through organization should be supported. The Yemen’s Business Club (YBC) initiative to support women entrepreneurs under the project ‘Kuni’ is an excellent approach to building an inclusive private sector. The YBC and the Federation of Chambers of Commerce should be supported to continue breaking ground on gender and Kuni is a good model to follow.
Women owned businesses were less resilient

Case Study:
An initiative by SMEPS focusing on the use of social media (whatsapp) and offering hundreds of women entrepreneurs on-line consulting in groups or individually by qualified women business advisors reaching private health clinics, resellers, import/exporters, and manufactures in ten governorates. A Yemeni businesswomen said “whatsapp consulting helped me keep my business running at a time when I was going to give-up. The consultant helped me see and plan a way through these difficult times”

Experienced business owners were more resilient

<table>
<thead>
<tr>
<th>Business owners over 45 years of age</th>
<th>Business owners 36 - 45 years of age</th>
<th>Business owners 25 – 35 years of age</th>
<th>Business owners under 25 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td>17% closed</td>
<td>26% closed</td>
<td>29% closed</td>
<td>29% closed</td>
</tr>
</tbody>
</table>

In regions of heavy ground fighting (Aden – Taiz), 100% of those under 25 years of age remained open. In contrast, older business owners would close temporarily as risks escalated, travel to safer areas and in so doing were able to preserve the business. Those under 25 years of age had accumulated less savings affecting their ability to move to safe heavens.
General Information

Closure in Sa’dah, Aden and Hajjah higher than other governorates

<table>
<thead>
<tr>
<th></th>
<th>Closed</th>
<th>Top three constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sa’dah</td>
<td>43%</td>
<td>infrastructural damage, loss of capital, lack of equipment</td>
</tr>
<tr>
<td>Sana’a</td>
<td>21%</td>
<td>insecurity, loss of capital, higher prices</td>
</tr>
<tr>
<td>Abyan</td>
<td>16%</td>
<td>insecurity, loss of capital, mounting debt</td>
</tr>
<tr>
<td>Hajjah</td>
<td>38%</td>
<td>higher prices, loss of capital, loss of customers</td>
</tr>
<tr>
<td>Taiz</td>
<td>15%</td>
<td>insecurity, higher prices, loss of capital</td>
</tr>
<tr>
<td>Aden</td>
<td>38%</td>
<td>insecurity, loss of capital, mounting debt</td>
</tr>
</tbody>
</table>

Infrastructural Damage

Sa’dah businesses were the only ones to rank infrastructural damage as one of their top three constraints, highlighting their struggle to locate viable premises from where to operate. This offers a proxy indicator for the widespread physical damage experienced by the governorate.

Insecurity

Businesses from Aden and Abyan governorates placed insecurity high in their perceived constraints. Surprisingly, this was not the case for Sa’dah and Hajjah although air strike and damage has been extensive there.

Depletion Of Financial Capital

The escalation of violence had a significant negative impact on business savings and financial capital, which features highly on reported challenges.

Mounting Debt

Businesses in the two southern governorates of Aden and Abyan point to mounting debt as a constraining factor to survival, suggesting larger borrowing than earnings or debt already accumulated prior to the conflict.

Physical damage to business as main reason for closure

- 95% of closed businesses reported physical damage
- 77% complete physical damage
- 15.4% partial physical damage
- 7.6% closed for other reasons

1. In four districts of Aden (Tawahi, Mualla, Sirah & Khormaksr) over 90% of businesses were closed since late March 2015. Security reasons made access to these businesses difficult as a result businesses in these areas represented a small portion of the sample.
Business Profile
Summary of Findings

Closure of small and medium size enterprises higher than micro and large

Over a quarter (26%) of all businesses have closed since March 2015 with the most affected ones belonging to the services sector (35% of total). By enterprise size, 35% of medium enterprises and 27% of small business were forced to shut their doors compared to 17% of large firms and 24% of micro businesses. Concurrently with this is the shrinking customer base of SMEs and more so for those in the service sector (travel agencies, private schools, hotels etc…) losing three quarters of their clientele. Geographically, evaporation of customers has averaged 71% with Abyan being the least vulnerable at 45% and Aden reaching the zenith at 85%. The internally displaced individuals (IDPs) count now stands at 1.5 million according to OCHA. This massive exodus coupled with the many thousands of middle class and affluent Yemenis that took flight has created a ‘customer vacuum’. In addition to this, remaining customers have seen their purchasing power slashed led by government austerity measures, private sector lay-offs and pay cuts, as well horrendous price hikes of necessities such as fuel at 170%, water at 140%, and staples stabilizing for the time being at 44% according to SFD. In terms of employees laid-off SMEs were vulnerable, with 70% of small and 71% of medium enterprises laying-off half of their workforce compared 67% of large firms releasing 32% of their staff. As for micro enterprises, 38% of them shrank in size letting go of half of their workers. With respect to labour shortage of skilled workers. Large businesses missing skilled labour before March was 25%, more than doubling to 58% after March. Medium enterprises missing skilled labour in the same period has grown from 23% to 33%. Very few expatriates remain in the country impacting businesses across all sectors. In addition the thousands of Yemenis that have left the country, are a contributing factor to businesses missing skilled labour. Revenues for all firms across all sectors have fallen by at least 79%. Medium size enterprises and businesses operating in the manufacturing/production sector have witnessed a colossal 89% fall in revenues. As for profits, an average of 34% of firms across all sectors and sizes register no profits with the most affected being trade (44%) and service firms of medium size (43%). These firms are not breaking even; they are digging into savings to cover expenses. Regarding businesses making a profit, over half (54%) of them have seen earnings slashed by 89%. In cash terms, micro enterprises have seen profits fall from 200,000YR to just 30,000YR on average (86%). Medium size enterprises are hit hardest seeing a 90% fall in profits whilst large enterprises experience an average 65% drop.

77% of businesses surveyed are renting properties out of which 12% are paying a third more on rent than this time last year. However, an almost equal amount (13%) have been given rent relief to the tune of 32% on last year’s rental fee. However, property markets have also presented opportunities as 14% of enterprises make capital investments in commercial buildings taking advantage of price dips in the property market.

Since the end of March and the escalation of war, 29% of business owners pursued income

1. Micro size enterprise from 1 to 4 employee, Small size enterprise from 5 to 20 employee, Medium size enterprise from 20 to 99 employee, Large size enterprise more than 100 employee.
2. Office for the Coordination of Humanitarian Affairs
3. Social Fund for Development
Recommendations

The extensive damages, increase in costs, the loss in customer base, and resultant falls in revenues across all types of companies is difficult to address during open conflict, the continuation of the war and the lack of effective governance (the State). Private sector projects are likely to be more impactful by focusing their work on specific value chains. Linking small producers to other private sector actors with access to sustainable markets in for example the grains, dairy, fish, coffee, and horticulture value chains can support in producing significant economic benefits including employment, sales and private sector investments. SMEPS support of the wheat and sorghum value chains is resulting in increased farmer investment in locally produced drip irrigation systems, increased flow of wheat to markets and increased value added through the local processing of wheat grains into flour.

Regarding skilled labour, skills training and workforce development is essential for sustainable job creation. This can involve sectorial and vocational training and education, entrepreneurial skills development, career planning, apprenticeships/internships and enterprise based training. Private sector development programmes may focus their projects to support value chain development in regards to skills improvement e.g. skills upgrading in the private health care value chain which could focus on small clinics or midwives allowing their expansion into additional services, such as post natal and resulting in improved incomes.
Over 1/4 of businesses closed

Service sector (including private health and education) most affected by closure

Larg enterprises are most resilient and micro are most affected

Policy Note: Development of projects to support small and medium enterprises including improved financial services.
Small & Medium enterprises lose 3/4 of customer base and production sector was the least effected

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Service</th>
<th>Production</th>
<th>Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%</td>
<td>69%</td>
<td>73%</td>
<td></td>
</tr>
</tbody>
</table>

**LOST CUSTOMERS**

**SIZE**
High closure rate of small and medium enterprises relates with their higher loss in customers base

- Micro: 74%
- Small: 75%
- Medium: 74%
- Large: 60%

**AREA**
Aden and Sa’dah have lost most customers

- Aden: 85%
- Sa’dah: 80%
- Hajjah: 73%
- Taiz: 72%
- Sana’a: 71%
- Abyan: 45%

Over one million internally displaced persons (IDPs) coupled with many thousands of affluent Yemenis leaving the country created a customer vacuum. In addition, remaining customers had reduced purchasing power (e.g.) government austerity measures on state employees’ salaries as well as massive increases in prices of water and staples.
Businesses in Sa’dah and Aden are more often closed than open since March

Two most common reasons provided
1. Airstrikes/Ground war (security)
2. Energy (electricity)

Sa’dah 15-4 hrs
Hajjah 15-8 hrs
Taiz 14-8 hrs
Aden 13-5 hrs
Abyan 13-9 hrs
Abyan
Sa’dah
Hajjah
Taiz
Aden
Sana’a

Workers Laid off
Sa’dah and Aden businesses see highest cuts in hours worked and highest percentage of workers laid off

AREA
Lay-Off

Sa’dah 80%
Hajjah 73%
Taiz 72%
Aden 85%
Abyan 45%
Sana’a 71%
Highly skilled labour is missed in large enterprises

<table>
<thead>
<tr>
<th>SIZE</th>
<th>Lay-Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>25%</td>
</tr>
<tr>
<td>Medium</td>
<td>23%</td>
</tr>
<tr>
<td>Small</td>
<td>20%</td>
</tr>
<tr>
<td>Micro</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Lay-Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>62%</td>
</tr>
<tr>
<td>Production</td>
<td>41%</td>
</tr>
<tr>
<td>Trading</td>
<td>43%</td>
</tr>
</tbody>
</table>

Policy note: Skilled labor shortage has been a long term constraint for a quarter of medium and large businesses. Post conflict government will need to establish policies to bridge the skills gap.

1. Wathba is a private sector development project with a matching grants and an internship component. It is implemented by SMEPS and funded by World bank
2. Businesses are facing more difficulty in finding qualified labor comparing to before March
Gross revenues and profits plummet, affecting all sectors, and sizes of enterprises

Business Profile

Nearly half of all production and trade businesses are operating without generating any profit

Businesses that register no profits are surviving through savings and capital. Over a quarter (27%) of enterprises preferred not to answer on profits.

34% No profit

36.5% Making a smaller profit comparing to before March
- 54% of them average 89% fall in profit
- 31% of them average 60% fall in profit
- 15% of them average 27% fall in profit

2% Increased profits by over 50%. These businesses had reserved stock and/or access to supplies, 2/3 of them were food traders.
Business Profile

SECTOR

- Service: 13%
- Production: 43%
- Trading: 45%

SIZE

- Micro: 0.2M - 0.03M YR, 86%
- Small: 0.65M - 0.08M YR, 87%
- Medium: 4.4M - 0.4M YR, 90%
- Large: 6.7M - 2.7M YR, 60%

Numbers in blue: Average profit before March.
Numbers in green: Average profit after March.
Numbers in black: Average profit decrease.
13.8% of those surveyed report purchasing a business premises during the crisis as they claim property prices have fallen.

### Business owners which had diversified their sources of income were more likely to close their core activity

<table>
<thead>
<tr>
<th>Owners with other sources of income beside their business</th>
<th>Before March 2015</th>
<th>After March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

76% of business owners that diversified income after March 2015, closed their main business.

48% of Micro enterprises that diversified income source closed their main business. The same was found to be true for 38% of small enterprises. In contrast only 2% of large, and 12% of medium businesses that diversified into new business lines closed their main commercial activity.

### Case Study:

Carpenter North Sana’a (capital city) “I have been hit by the war twice; firstly customers have fled, those that have stayed are rightly more worried about their bellies and this is not the time for buying furniture, plus no body is moving into the neighborhood. In addition, there is no power to operate the heavy cutting machines. That is why I have closed the workshop and sent home my workers. I have used my savings to go into partnership with a friend and we have opened a refrigerator business storing and cooling bottled water, now I am struggling to find diesel to operate the generator and when I do find fuel, it is so expensive. When we started our business we were the only ones in the area, now it feels like everyone is doing it!”
Damage
Impact of Conflict
Summary of Findings

Most businesses (95%) that closed were physically damaged during the war. In Aden and Taiz the damage was most widespread reaching 95% of businesses, and in Sa’dah more intense with highest incidence of complete physical damage reported!

The cost of physical damages reported are the estimates of respondents (business owners), and not verified by an expert damage assessment team.

Thus far, after six months of war, 74% of businesses report physical damages. The survey classified physical damage into four categories, with the first being partial physical damage of 30% or less (damage of the business property and assets) –most businesses (29%) report damages in this category. Partial physical damages of 50% were registered by 27% of firms. Just under a quarter of firms (24%) registered partial physical damages of 80% and 21% of businesses claim complete physical damages. Complete physical damages were heavily reported by businesses in Sa’dah (43%) which included the likes of petrol stations, factories and farms. Hajjah and Aden businesses reported 25% and 23% complete physical damages respectively, followed by 20% for Sana’a, 14% for Taiz and 10% for Abyan. Partial physical damages were registered by almost all businesses in Taiz (95%) and Aden (90%) with surprisingly much fewer businesses in Sa’dah reporting partial physical damage (58%). Regarding estimated average cost of damages, Aden is the anomaly reaching a high of 434,000,000YR, but this includes several large hotels destroyed in the Khormakser and Dar Saad districts. Excluding the hotels the average estimate of damages in Aden is 5,000,000 YR. Sa’dah average cost estimates were also high at 35,000,000YR and this is due to the concentration of complete physical damages. In Taiz, Sana’a and Hajjah estimated physical damages range between 1,400,000YR and 3,500,000YR. Overall, physical damage was the main reason for business closure. At the time of writing this report the war is ongoing with additional physical damages occurring.

Of businesses that closed, 95% report physical damage, of these 77% register complete damage and 15.4% partial damage. As the country experiences large-scale destruction, engineering and contracting firms wither, their skilled labour (architects, civil engineers and project managers) leave the country. In the early stages of post conflict, it is usually the case that the supply of construction services is limited, with immense demand, resulting in the huge increase in the cost of reconstruction.

Firms looted reached 16% overall. Highest occurrences of looting were in Abyan (28%) followed by Aden, Hajjah and Sad’ah at 19%, 18% and 18% respectively. The estimated average value of goods looted in Aden since March 2015 reached 3,800,000YR. However if hotels are included the amount looted reaches 25,000,000YR. In all other regions estimated average values of looted items since March range between 600,000YR and 1,300,000YR. The survey asked firms to estimate their financial losses and this understandably proved a difficult task

1. SFD Aden Response paper
as businesses were considering many factors at once including price stability, loss in customers/sales, lower production/fewer goods, use of savings to cover running cost, and energy expenses. Since March, 2015 and the time of data collection for this assessment (August, 2015) large enterprises on average estimated their losses at 68,000,000YR, medium size firms report losses of 8,700,000YR, small businesses reported 3,900,000YR losses and micro enterprises 1,300,000YR. By region, Aden reported highest losses at 8,600,000YR, and much of this appears to be accounted for by the tourism sector that provided temporary accommodation for IDPs and its lost earnings from the collapse in tourist from the lucrative Gulf Countries, and diminished local tourist during the Eid and summer breaks. The primary cause for losses across all businesses was the fall in customers.

**Recommendations**

Exchange rate stability is key to price stability. However, there are ample triggers to aggravating the precarious exchange rate situation that requiring mitigation. These include firstly, capital flight by those who had wished to move their wealth abroad and had previously been unable to do so. Secondly, rapid exhaustion of foreign reserves as commercial imports rise and exports remain well below normal levels, and thirdly speculation.

There are concerns as to whether the Central Bank can continue to be able to guarantee commercial imports and as to Government of Yemen solvency and its liquidity crisis. Typical interventions of Government raising revenue, and sale of state owned assets are not feasible in the current climate. The international community could announce ‘confidence building measures’ through a statement of intent to support the Government’s fiscal situation in a donor led trust fund to support government expenditure.

Post conflict, the large proportion of private wealth held abroad by the end of the war can constitute vast potential for accelerating recovery – domestic capital stock could bulge significantly through repatriation. The Government will need to manage the construction boom: Escalating cost of construction may deter repatriation. Government led spending may bottleneck private sector reconstruction. Government needs to develop policies to strengthen elasticity of supply of construction services to meet the high demand. The Government may be advised to avoid rapid reconstruction of Government complexes in favour of renting, allowing first, for space of lower cost investment in private construction and public utilities.
Physical damage

74% of businesses report damages because of war; Taiz and Aden most widespread

Aden’s average reaches 434 MYR considering the destruction of many hotels in the Khormakser and Daar Saad districts. Sa’dah’s high average is due to the high number of complete damages. Abyan’s relatively higher figures come from the destruction of banana plantations, other farms and conference halls.

Damage main reason for closure

95% of closed businesses were damaged of these:
- 77% were completely damaged.
- 15.4% partially damaged.
- 7.6% closed for other reasons.
Incidence of physical damage between partial and total across governorates

Largest incidence of complete physical damage were for businesses in Sa’dah where over 40% of businesses record complete damage to their enterprise, this includes, petrol stations, factories, and farms.

Wide spread partial damage for businesses in Taiz & Aden due to ground fighting between local militias and resistance as well as airstrikes.

Estimated Average Value (*).
Aden’s estimated average value including hotels reaches 25MYR.
Financial (non-damage) losses due to conflict
(Estimated average loss per business)

Explained cause of loss
1. Loss in customers.
2. Energy.
3. Lower production/fewer goods.
Half of all business owners in Aden received threats to their life or business.

Extortion

Businesses in the southern regions (including Taiz) suffer four times more from extortion than northern based companies.

7% of all businesses surveyed preferred not to answer
An average of only 2% of businesses surveyed received assistance since the start of the war. Larger enterprises were the most likely to receive help.
Where is this support coming from?

- Family: 57%
- Friends & shareholders: 29%
- NGOs: 14%

Would businesses seek to acquire large government funded loans if the opportunity was presented?

- Yes: 36%
- No: 37%
- Don’t Know: 12%
- Prefered not to answer: 14%

Business that would take a government loan by governorate

- Sa’dah: 71%
- Hajjah: 26%
- Taiz: 22%
- Sana’a: 30%
- Aden: 21%
- Abyan: 35%

Interestingly, businesses in Yemen’s commercial cities of Sana’a, Aden and Taiz are less likely to take a government loan than businesses in Sa’dah.
Legal Issues
Summary of Findings

Integrating the informal economy into the formal sector will be an important policy challenge

The study found a north – south divide on registration with 92% of firms from Aden and 87% from Abyan registered compared to just 34% from Hajjah and 42% from Sa’dah in the very north of the country. The average registration rate across all regions was just 69% with a further 6% not wishing to answer. These informal enterprises are not hidden businesses or street vendors, but rather enterprises that operate from known locations and employ a sizable workforce but consider it advantageous to operate from beyond the state. An examination of access to finance interestingly shows that the two most informal governorates of Hajjah and Sa’dah are also the two highest regions seeking access to credit – presumably due to poor access to financial services. A deeper understanding of the relationship between regions with poor access to development policies including limited access to credit and the informal economy needs to occur. Is exclusion a more significant trigger for informality than say state authority?

During the war, an average of 8% of businesses report missing business documentations with the most affected regions been Abyan (12%) and Sa’dah (11%). When asked if businesses had other legal problems apart from lost documentations 11% responded yes, 55% no and 34% preferred not to answer. The recurring problems mentioned were (1) unclear dealings with Tax Authority, (2) obtaining licences from the Ministry of Health, and (3) high taxes and having to deal with multiple government entities for licencing, fees and taxes.

Recommendations

In the short-term, private development sector projects, currently operating may offer businesses legal counsel on restoring lost documentation or assisting informal businesses make the transition to formal enterprises.

However, the informal economy is enduring; so there will be a need to adapt formalization requirements to bring them closer to the capabilities of informal entrepreneurs, endorse a local approach through local district authorities seeing a mix of intervention and accommodation. This will require a streamlining of licensing procedures and support execution at the local level.

The State should seek to understand and learn why businesses in the southern governorate of Aden and Abyan have far higher formal business registration rates than businesses in other governorates to inform on policy.

Private sector development policies needs to be more inclusive (including access to credit) – pre-war, all major government and donor private sector development initiatives focused on Sana’a, Aden, Mukalla and Taiz. The State needs to oversee a balanced and inclusive private sector development agenda.
Most businesses in Aden are formally registered whilst only 1/3 of businesses in Hajjah are registered and under half of those in Sa’dah.
Lost business documentation in Abyan and Sa’dah higher than other governorate

By governorate

- Sana’a: 5%
- Abyan: 12%
- Aden: 6%
- Taiz: 9%
- Hajjah: 8%
- Sa’dah: 11%
Lost ID cards and certificates in Hajjah and Taiz higher than other governorates

Do Business owners surveyed seek assistance restoring lost documents?

Do Businesses have other legal problems apart from lost documents?

Most recurring problems

- Issues with the Tax Authority.
- Licenses from Ministry of Health.
- High taxes and dealing with many government entities.
Financial Situation and Access to Credit
Summary of Findings

An underdeveloped financial sector missing out on the unmet demand of the ‘missing middle’ as business peers, friends and family offer their support

Almost three quarters (73%) of all surveyed businesses have had no access to finance since the war broke out. A small amount of businesses (16%), say they did not need a loan, leaving an even smaller portion of businesses (11%) that did have access to finance. Regarding actual loans, 14% of all surveyed business had a loan prior to or post March 2015. At least one third of these loans (36%) were ‘conflict loans’ taken during the war with the highest concentration of conflict loans coming from Abyan and Sa’dah. In fact, 75% of those that had a loan in Abyan had a ‘conflict loan’ and the same for 52% of the borrowers in Sa’dah. Banks and Micro Finance Institutions accounted for just 20% of all loans at 10% each leaving the informal sector to cover the remaining 80%. Business peers supported the bulk of financing covering up to 43% of all loans prior and post March. Friends and family came in at second place covering 26% of all loans. Monthly loan repayments averaged 250,000YR over an average 10-month period - well beyond the micro loan size and into the small to medium loan category also known in SME finance development terms as the ‘missing middle’ in reference to the finance gap in servicing small and medium enterprises. Are these loans informal because of the war (banks managing risks) or due to the underlying finance gap?

Looking ahead, as a strong indication of unmet demand all businesses surveyed in Sa’dah seek additional credit facility In contrast, only an average of 33% of all other businesses sought additional credit facility with weakest demand being in Aden and Abyan at 13% and 11% respectively followed by just 18% of businesses in Sana’a. The regions with the highest concentration of conflict loans were also the regions seeking additional credit facility. In terms of size of additional credit, Sa’dah again ranks highest with an average loan size request of over $55,000 (13.5 million YR) compared to a modest of $36,000 (8.6 million YR) for the other six governorates. Demand for finance is well beyond the micro loan. The ‘missing middle’ phenomena is a hindrance to business growth and job creation. Many years of stability concerns and now war has hampered bank’s downscaling, and stalled the progress of newly formed SME banks that find themselves surviving from crisis to crisis. In an attempt to address the missing middle the Social Fund for Development (SFD) proposed guarantee fund will assist in developing a more inclusive financial sector.

1. Missing middle refers to finance gap in serving SMEs.
2. Conflict loan: any loan contracted after March.
3. Up to 1MYER.
Recommendations

Newly formed SME Banks request support establishing a sector wide Guarantee Fund specifically to support financing for SMEs serving the wider banking sectors.

The finance sector at large welcomes such an initiative, and a Guarantee Fund will encourage more banks to downscale. The SFD is seeking funding to establish the Guarantee Fund; by supporting this effort, financial services will serve many more thousands of SMEs.

Guarantee funds already in place at a microfinance bank have focused on youth start-ups, and women at risk not financing SME growth – all those eligible for the guarantee fund need also provide additional personal guarantees. A further guarantee fund in place at a State owned bank serves government employees and supports their access to finance. In both cases the guarantee funds outreached was limited as it served only the banks clientele and was not a banking sector approach to addressing SMEs financing.

Rural banking remains limited. When rural banks/MFIs are available, they address only agricultural finance. Policy should support rural financing (increase banking outreach to rural and semi-urban areas) and encourage banks/MFIs to develop financing services to non-agricultural businesses to help the rural economy diversify.

1. Micro Finance Institute
Financial Situation and Access to Credit

Access to credit not possible for 73% of businesses, whereas Micro enterprises and Traders had better access to finance.

**Do businesses have access to credit?**

<table>
<thead>
<tr>
<th>Yes 11%</th>
<th>No 73%</th>
<th>Don’t need 16%</th>
</tr>
</thead>
</table>

**SIZE**

- Micro: 14%
- Small: 9%
- Medium: 9%
- Large: 8%

**SECTOR**

- Service: 9%
- Production: 10%
- Trading: 13%

**Three most recurring reasons why credit is not available**

- No income to pay back: 41%
- Financial service providers not operating: 30%
- Guarantee no longer available: 16%
- Other (Collateral damaged, security, religious views): 13%
36% of loans are ‘Conflict Loans’

14% of the businesses surveyed have a loan and 36% of these enterprises contracted a loan post March 2015 i.e. during the conflict. Abyan and Sa’dah had the highest concentration of ‘conflict loans’.

By governorate

<table>
<thead>
<tr>
<th>Currently have loans</th>
<th>Post March (conflict loan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abyan</td>
<td>4%</td>
</tr>
<tr>
<td>Sa’dah</td>
<td>30%</td>
</tr>
<tr>
<td>Taiz</td>
<td>10%</td>
</tr>
<tr>
<td>Hajjah</td>
<td>7%</td>
</tr>
<tr>
<td>Sana’a</td>
<td>23%</td>
</tr>
<tr>
<td>Aden</td>
<td>12%</td>
</tr>
</tbody>
</table>

Most common credit providers were businesspersons community, friends and family NOT formal financial institutions

Monthly loan repayment in Yemeni riels by sector
Financial Situation and Access to Credit

Monthly loan repayment by governorate

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Amount</th>
<th>Credit period</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sa’dah</td>
<td>233,000YR</td>
<td>6</td>
<td>Abyan</td>
</tr>
<tr>
<td>Sana’a</td>
<td>632,794YR</td>
<td>20</td>
<td>Abyan</td>
</tr>
<tr>
<td>Hajjah</td>
<td>257,500YR</td>
<td>No fixed period</td>
<td>Abyan</td>
</tr>
<tr>
<td>Taiz</td>
<td>105,250YR</td>
<td>9</td>
<td>Abyan</td>
</tr>
<tr>
<td>Abyan</td>
<td>150,000YR</td>
<td>6</td>
<td>Abyan</td>
</tr>
<tr>
<td>Aden</td>
<td>116,154YR</td>
<td>17</td>
<td>Abyan</td>
</tr>
</tbody>
</table>

Smallest monthly loan repayments in Aden and Abyan but businesses from these two governorates consider debt repayment amongst their top constraints.

In Hajjah all loans were provided by informal lenders (businesspersons, friends, and family) who did not set a repayment period.

The majority of businesses (92%) have difficulties in paying loans back; in Abyan this was much lower at 67%.

Most loans (69%) not collateralized, which confirms informal nature of the loans

How were the remaining 31% of loans collateralized?

- 77% The business itself
- 9% Home
- 9% Another property
- 5% Gold

20% of these businesses report that they are at risk of defaulting and face losing collateral

22% of businesses had a loan guaranteed by a third party.

69% of these businesses claim their guarantor is no longer able to guarantee the loan and in Aden, this has reached 100%, which may help explain why Aden businesses consider debt as a top three constrain.
Businesses that had a loan in Sa’dah were interested in additional credit facility in contrast to an average of just 33% and as little as 12% for southern regions that seek additional credit.

High demand of financial services in Sa’dah is a response to a marginal availability of financial services providers.

<table>
<thead>
<tr>
<th>Additional Credit facility</th>
<th>Amounts, in millions of Yemeni riels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sa’dah</td>
<td>100%</td>
</tr>
<tr>
<td>Hajjah</td>
<td>37%</td>
</tr>
<tr>
<td>Taiz</td>
<td>28%</td>
</tr>
<tr>
<td>Sana’a</td>
<td>18%</td>
</tr>
<tr>
<td>Aden</td>
<td>13%</td>
</tr>
<tr>
<td>Abyan</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demand for loans by enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise size</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Micro</td>
</tr>
<tr>
<td>Small</td>
</tr>
<tr>
<td>Medium</td>
</tr>
<tr>
<td>Large</td>
</tr>
</tbody>
</table>
Supply Chain


Summary of Findings

Blocked import supply is starving the operations of food and health businesses affecting delivery of necessities and basic services

More than three quarters of businesses struggle to source enough of their regular supplies putting business operations at risk. By sector, service businesses such as health providers and food businesses are worse off at 80%. The trade and manufacturing/production sector equally feel the supply squeeze at 76%. By governorate 83% of Aden-based businesses claim they have not received a shipment since March 2015 compared to between 31% to 38% for all other governorates. An explanation for this is that most Adeni firms source their goods from Aden itself whereas other regions have a more diversified supply route.

Focusing on food businesses (mainly grocery stores) the two most needed items to run the businesses were food (53%) and fuel (20%) which were being sourced with increasing difficulty. Even more daunting is the list of products considered not available by 20% of food businesses such as powered milk, wheat and rice. The top difficulty on sourcing items was price increases for almost half (47%) of all food businesses where price was seen to have increased by an average 44%. Alarmingly 64% of businesses have no stocks in their storerooms and those that carry inventory (31%) have less than 2 months’ worth. The bulk of businesses (83%) record their core traded commodities are not available because of the war with 62% experiencing problems in stocking-up with food items and only 16% face problems purchasing fuel. Grocery stores across the country with half empty shelves and a deafening generator at the shop entrance to illuminate a lack of choice is the stark reality.

Health providers similarly to food traders are struggling to source their core product offerings, and fuel at (18%) was the third most needed item to run the business after medicines (43%) and medical supplies (30%). Agreeing with food businesses the top reported difficulty on sourcing was price increases for 49% of health providers, who register a price increase of 24% - 20-points below food price increases. Products no longer available was the second most reported difficulty for 31% of health providers, brands such Panadol are no longer available. A shortage in supplies was the third listed difficulty for 20% of health respondents and for the most basic items such as anaesthesia, and insulin. Again almost mirroring food businesses 61% of health providers do not have inventory in their storerooms and operate on a day-by-day bases. Stocks of medicines are held by just 11% of respondents while medical supplies are held by 20% of the health providers surveyed. Slightly more health providers (85%) than food businesses (83%) record supplies are no longer available because of the war and the most affected items are medicines (54%) followed by other (27%) (Toothbrushes, testing equipment, self-hygiene products) and medical supplies (16%).
Recommendations

The UN Verification Implementation Mechanism (UNVIM) for commercial shipping inspection agreed in early September 2015, needs to speed up the contracting of the third party company tasked with overseeing and managing the UNVIM; the implementation mechanism must assure commercial shipping returns to all Yemeni ports.

The UNVIM Steering Committee made up of three members from the UN, Government of Yemen, and the Coalition is void of any private sector representative. It is recommended Yemeni private sector make up the fourth member of this committee. Private sector development partners may coordinate working group meetings to facilitate business sector feedback to the UNVIM Steering Committee offering greater advocacy and oversight to the UN Verification Centre to be established in Aden.

Discussions on UNVIM have focused on ‘deliveries to Hodeida port (i.e. imports). Government of Yemen needs to support private sector exports of Yemeni produce from all ports, this will also help build foreign reserves.

A short-term solution to improved ‘supplies’ which may include food items, medical items, cement, and fuel is the establishment of a temporary large-scale public trading fund which can purchase and re-sell these items to the highest registered private bidders. The trading fund would need to be equipped with a price monitoring system at the governorate levels to check whether bidding was too low, and also to keep it concentrating on the items in shortest supply i.e. those for which price reductions are most needed and which offer the highest present returns to businesses and to the fund itself.
Blockade import strangling businesses as 77% claim they are not able to purchase enough supplies to keep business operating

More worrying three quarters of private health care providers and food businesses are at risk due to limited supplies.

SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub-Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>Food</td>
<td>72%</td>
</tr>
<tr>
<td>Production</td>
<td>Food</td>
<td>78%</td>
</tr>
<tr>
<td>Trading</td>
<td>Food</td>
<td>75%</td>
</tr>
</tbody>
</table>

Since March 2015, the vast majority of businesses in Aden were still waiting for their shipments of new stock

Aden

83%

All other governorates

31% - 38%

75% of food traders cannot purchase new stock (goods not available and/or shortage of liquidity)

Food traders (Grocery retailers, wholesalers, restaurants)

<table>
<thead>
<tr>
<th>Most needed items to run business</th>
<th>Difficulties sourcing these items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food (26% of this is for flour/wheat)</td>
<td>53%</td>
</tr>
<tr>
<td>Fuel/electricity</td>
<td>20%</td>
</tr>
<tr>
<td>Equipment (refrigerators)</td>
<td>6%</td>
</tr>
<tr>
<td>Others</td>
<td>21%</td>
</tr>
</tbody>
</table>
Supply Chain

Top 3 difficulties in sourcing these items

<table>
<thead>
<tr>
<th>Price Increase</th>
<th>Shortage in supplies</th>
<th>Product no longer available</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>34%</td>
<td>20%</td>
</tr>
<tr>
<td>47% average price increase of 44%</td>
<td></td>
<td>Powdered milk, Wheat, Juices, Rice</td>
</tr>
</tbody>
</table>

Stock levels

- Traders with no stocks in storeroom: 64%
- Traders with food stocks: 31%
- Traders holding stocks of non-food items: 5%

83% of businesses mention commodities no longer available due to war; more businesses face difficulties purchasing food items than fuel!

- Food items: 62%
- Others (Tissues, cleaning products): 22%
- Fuel: 16%

Fuel crisis more visible and recognized but food items are more difficult to come by for food traders than fuel. This is a critical indicator of acute food shortages clearly depicting the catastrophic effect of the blockade.
How are traders addressing these problems?

72% of Health providers cannot purchase new stock (goods not available and/or shortage of liquidity)

<table>
<thead>
<tr>
<th>Most needed item to run business</th>
<th>Difficulties sourcing these items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicines</td>
<td>43%</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>30%</td>
</tr>
<tr>
<td>Fuel/electricity</td>
<td>18%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

Top 3 difficulties in sourcing these items

<table>
<thead>
<tr>
<th>Price Increase</th>
<th>Shortage in supplies</th>
<th>Product no longer available</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>average price increase of 24%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stock levels

85% of businesses mention medicines/supplies no longer available due to war

- 54% Medicines
- 16% Medical supplies
- 27% Other (wheel chairs, tooth brushes, testing machines)

How are traders addressing these problems?

- 38% continued business without them
- 23% found another provider
- 18% stopped working
- 1% traveled to bring items themselves
- 1% replace with other products
- 19% others
Intentions and Constraints
Summary of Findings

Mixed signals: Security concerns dampers business ambition but 11% of businesses consider opening a new business in a more secure part of the country.

Delving into business intentions is never an easy task, when asked what are intentions over the next two months and for 1 year from now businesses recorded a doubling in ‘I don’t know’ from 6% to 12%. Over the next two months, 66% of businesses intend to the ‘keep business open’. In one year from now, businesses are less positive recording 13-point drop to 53%. The strategic option seems to be a focus on limiting risks whilst keeping all other alternatives on the table. At the same time the Yemen Business Climate Survey for May 2015, did report that businesses had just enough reserves (capital) in place to sustain current level activities for between 6 months and 1 year, and slightly more for larger firms confirming that, under the current situation, many businesses a year from now will have no other choice but to close. A small 2% of businesses intend to leave the country in the immediate term (within 2 months) and over the course of a year this figure increases to just 3%. Migration for many business owners remains a difficult choice given the few destination options and the considerable size of investments required to gain visa entry into possible destination countries.

In regards to new commercial ventures, 41% of businesses see new opportunities have arisen due to conflict. As much as 42% of businesses consider opportunities are available in the energy market broken down as follows: 21% fuel, 13% solar power and 8% in fuel power generators. Whilst almost one third (29%) of businesses consider new opportunities have arisen in the grocery and food sector.

Looking into constraints, businesses for all governorate excluding Sa’dah and Hajjah place insecurity as the highest constraint. Capital depletion was the second top constraint for all governorates except Taiz where it was listed third after ‘higher prices’. Aden and Abyan list debt as their third constraint. Shedding light on the debt situation in Aden all Adeni businesses enjoying guarantee rights by a third party before the war claim the guarantor is no longer able to guarantee the loan.

Regarding ‘wants’ 27% of businesses sought access to ‘cash grants’ followed by ‘security and stability’ at 23% and in at third place ‘interest free loans’ at 18%. By governorate, security was the highest on the agenda again with the exception of Sa’dah and Hajjah where security did not make the top three list. An examination of wants at the sector level reveals ‘cash grants’ was the top ‘want’ for all sectors, followed by security for services and trade, and ‘interest free loans’ for manufacturing/production. Medium and large size enterprises place importance on ‘security’ followed by ‘cash grants’ then ‘interest free loans’ for medium firms and ‘equipment’ for large companies. Whereas micro and small businesses rank ‘cash grants’ highest followed by loans and then security for small businesses. For micro enterprises, security was ranked higher than loans. A business workshop held in Aden by SMEPS in mid-September 2015 (2 weeks after the survey was completed) to examine relaunch-

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1. The SMEPS Business Climate Survey is a monthly assessment that offers a ‘snapshot’ of business owners’ sentiments towards the business climate and focuses on small, medium to large enterprises.
A predictable response to the survey was the high demand for ‘cash grants’. It always is, if put on the menu at all. However, meeting this demand on a scale large enough to make a significant contribution to recovery may not be feasible. Schemes to boost bottom-up construction, a ‘business premises application’ of low cost housing support programmes also taking the shape of ‘cash for works’ where possible, will offer immediate support to recovery. This will imply a partial subsidy of such building, but there would be more assurance of genuine and substantial private co-investment. A cash for works approach to the reconstruction of damage businesses may also support absorbing young men that have joined armed groups. In this way, cash is injected more directly into recovery whilst reducing the number of fighters in the various armed factions addressing private sector ‘wants’ for cash and improved security.

A SMEPS, GIZ¹ and private sector led initiative in the eastern city of Mukalla has seen the establishment of a sharia compliant ‘revolving fund’ (RF) targeting SMEs. The fund is managed at the community level by three local NGOs with technical assistance offered by GIZ and SMEPS. Cash injections into the fund also come from the community. Small community initiatives such as this, offer a fast and direct approach to addressing SME finance constraints.

1. German Corporation for International Cooperation.
Intentions and Constraints

What are business intentions for the next two months and in one year from now (August 2016)

<table>
<thead>
<tr>
<th>Intention</th>
<th>2 months</th>
<th>1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep my business open</td>
<td>66%</td>
<td>53%</td>
</tr>
<tr>
<td>Re-open my business at the same location</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Stay closed</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Open a new business in another part of the country</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>Leave the country</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Close my business</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Owners seeking employment opportunity</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Mixed signals coming out of future intention. The number of those who ‘don’t know’ now doubles for the coming year which shows that uncertainty and instability is not conductive to business owners providing further difficulties in the near future and need for stabilization. A 13% drop in those that intend to keep the business open is an ominous sign, but the 9% gain for those intending to open a new business in another part of the country is encouraging as new businesses will support reducing unemployment which increased due to the conflict.

Conflict opportunities: 41% of businesses see new opportunities have arisen due to conflict and almost a third consider the food sector most attractive
Taiz businesses view the food trade sector as experiencing strong business activity whereas two thirds of Sana’a businesses consider solar booming. Businesses in Sa’dah have not seen any new opportunities whilst over two thirds of businesses in Abyan consider the weapons trade full of vitality.

There are large geographical variances on what businesses perceive are the new opportunities and this may be due to a number of factors including the differing stages and levels of conflict in each governorate.
What support do businesses want?

Cash Grant (matching grants) 27%
Security & stability 23%
Loan (without interest) 18%
Market information 15%
Improved access to markets 10%
Well qualified employees 3%
Equipment 2%
Legal support 1%

Top three ‘wants’ by GOVERNORATE

<table>
<thead>
<tr>
<th>Governorate</th>
<th>'Wants'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aden</td>
<td>(Cash grant, security, loan)</td>
</tr>
<tr>
<td>Sa’dah</td>
<td>(Loan, cash grant, equipment)</td>
</tr>
<tr>
<td>Sana’a</td>
<td>(Security, cash grants, improved access to markets)</td>
</tr>
<tr>
<td>Hajjah</td>
<td>(Cash grant, loan, equipment)</td>
</tr>
<tr>
<td>Taiz</td>
<td>(Security, cash grant, loan)</td>
</tr>
<tr>
<td>Abyan</td>
<td>(Security, cash grant, equipment)</td>
</tr>
</tbody>
</table>

Cash grants are a major request for business in all governorates, even beating security!
All sectors consider cash grants top of their ‘wants’ list

Service .......... (Cash grant, security, equipment)

Production .......... (Cash grant, loan, security)

Trading .......... (Cash grant, security, loan)

Medium and large enterprises prioritize security over cash grants whereas micro and small enterprises list cash grants as their number one want

Micro
1. Cash grant
2. security
3. loan

Small
1. Cash grant
2. loan
3. security

Medium
1. security
2. Cash grant
3. loan

Large
1. security
2. Cash grant
3. equipment

Businesses are interested to work with a blend of cash grants, including matching grants where the enterprise contributes 50% of the grant value for any given investment. For reconstruction work due to war damages, businesses are willing to contribute up to 20% of the cost of reconstruction.

Business grant schemes, such as the World Bank’s Wathba project implemented by SMEPS in place prior to the war could be quickly amended and scaled-up to support businesses by a number of programmes currently supporting the private sector such as the UNDP\(^1\), the IFC\(^2\), and the GIZ private sector development programme with efforts being divided by sector or geography.

1. UNDP (United Nations Development Programme).
2. IFC (International Finance Corporation).