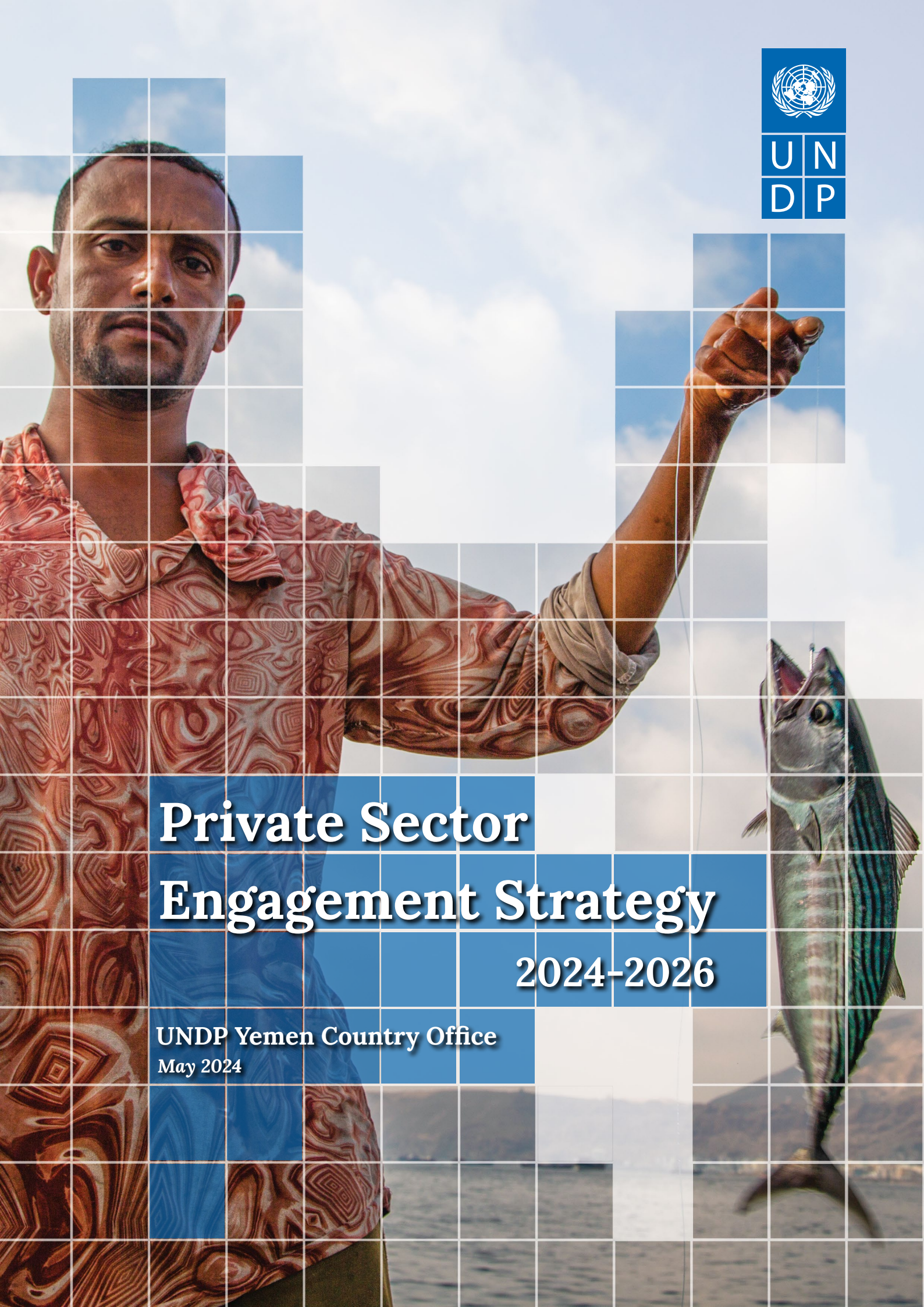




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Private Sector Engagement Strategy 2024-2026

UNDP Yemen Country Office
May 2024



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List of abbreviations

GDP	Gross domestic product
MSME	Micro-, small and medium-sized enterprise
NGO	Non-governmental organization
SDG	Sustainable Development Goal
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme



© UNDP Yemen. Community committees engage in dialogue.

Executive summary

This document outlines the Private Sector Engagement Strategy for the United Nations Development Programme (UNDP) Yemen Country Office. Aimed at supporting development efforts in reconstruction and recovery, the strategy is designed to unlock private sector funds, align business strategies with national and community development priorities, and promote policies that encourage green, inclusive economic development. The strategy takes a comprehensive and inclusive approach to partnership in several key areas of recovery and reconstruction, including construction, green and renewable energy, the financial sector, employment, health, education, fisheries and agriculture.

The goal of the strategy is to foster a dynamic and inclusive partnership with the Yemeni private sector, both domestically and in the diaspora, to drive green, inclusive economic development, create jobs and improve living standards for all Yemeni people. The strategy also seeks to enhance the capacity of the private sector and increase its contributions to and participation in reconstruction efforts through investment facilitation, skills development, market access support, multistakeholder partnerships, participatory planning and implementation, and knowledge-sharing to promote sustainable and inclusive development.

Amid the collapse of state institutions in the wake of war in Yemen, the private sector has emerged as a crucial lifeline. It has filled critical service gaps, prevented economic collapse, provided resources

and jobs, and even contributed to peacebuilding and humanitarian efforts. From importing food and maintaining health care to supplying energy and water, the private sector now shoulders the burden of basic needs for millions of Yemenis. It generated 69 percent of Yemen's gross domestic product (GDP) in 2020 and is the backbone of employment, offering 62 percent of all jobs and even expanding its workforce during the conflict.¹ In adapting to the challenges of a war-torn economy, including distorted markets, complex logistics and a precarious business environment, the private sector remains a beacon of resilience and a key player in potential recovery.

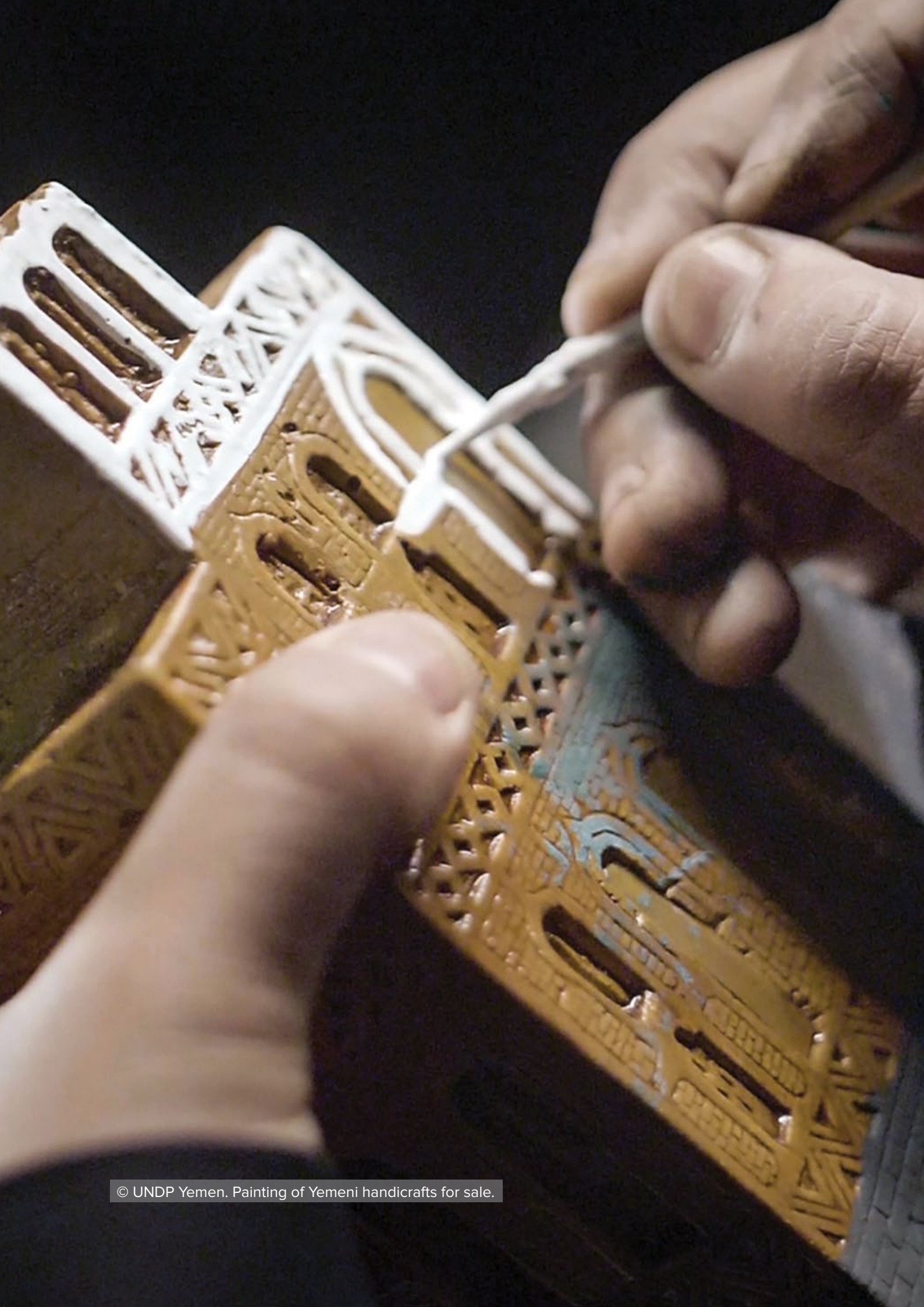
Following the global UNDP Private Sector Engagement and Development Strategy (2023-2025),² this strategy presents strategic enablers and signature solutions. Strategic enablers comprise three approaches to amplify the impact and effectiveness of UNDP's work with the private sector in achieving the Sustainable Development Goals (SDGs). The enablers are development financing, digitalization and strategic innovation. Signature solutions are integrated responses to development against which UNDP aligns its resources and expertise to make real impacts. Each solution includes a mix of policy advice, technical assistance, finance and programmes.

UNDP will follow the area-based programming approach outlined in its Country Strategy Note³ in implementing this strategy. It supports equitable opportunities for women, youth and vulnerable populations.

1 FCDO 2020.

2 UNDP 2023.

3 UNDP Yemen 2021.



1. Introduction

As per its global Strategic Plan (2022-2025),⁴ UNDP aims to strengthen its partnership with the private sector, including in contexts such as Yemen, where the private sector is vital to post-conflict recovery and development. UNDP supports the private sector as one of the drivers of the Yemeni economy by fostering its active engagement in development planning and subsequent recovery and reconstruction activities. As such, partnership with the private sector is integral to future programming. UNDP contracted DeepRoot Consulting to develop a private sector engagement strategy based on a consultative process, including an action plan for implementation, to inform potential engagement with the private sector in post-conflict recovery and reconstruction.

The UNDP Yemen Private Sector Engagement Strategy 2024-2026 provides a framework for transparent, informed and effective engagement between UNDP and the Yemeni private sector. The strategy was designed to help unlock private sector funds for development; align business strategies, operations and priorities with national and community development priorities; and promote policies that foster green, inclusive economic recovery and development.

It assumes a holistic and inclusive approach to partnerships in several areas critical to recovery and reconstruction, including construction, green and renewable energy, health, education, fisheries, agriculture, and most importantly, private finance to access funding, facilitate payments and promote inclusion.

Section 2 of the strategy presents the current situation in Yemen. Section 3 outlines the methodology to develop the strategy. Section 4 provides definitions of key terms and concepts, while Section 5 highlights the context of private sector operations in Yemen and private sector roles, contributions and challenges during the conflict. Section 6 presents the vision, mission, goals and strategic outcomes of the strategy. Section 7 describes the enablers and signature solutions, which provide the foundation for potential areas of engagement, based on the priorities of the Yemeni people, Government, private sector and UNDP in the reconstruction and recovery phase. Section 8 concludes with suggestions from stakeholders on how to implement the strategy to ensure fair and equitable opportunities for women, youth and marginalized groups.

4 UNDP 2021.

2. Background

In addition to causing the worst human-made humanitarian disaster in the twenty-first century, the 2015 conflict in Yemen has caused severe and multifaceted damages to infrastructure, public services, the economy, the political landscape, the governance system, and peace and security. Over 158,000 people lost their lives to violence between January 2015 and December 2022, including 15,700 civilians killed in direct attacks.⁵ The Yemen Humanitarian Needs Overview 2023 estimated that 21.6 million people are in need; 24 percent are women, 51 percent are children and 15 percent live with disabilities. Further, 41 percent of the population is in acute need, 22 percent in extreme need and 19 percent in catastrophic need.⁶ In 2023, more than 80 percent of the population struggled to access food, safe drinking water and adequate health services, while nearly 90 percent had no access to publicly supplied electricity.⁷

The conflict has left many areas without functioning government institutions, leading to a vacuum of authority and a proliferation of armed groups.⁸ Already exhausted by the conflict, the health system was further overwhelmed by the COVID-19 pandemic and other disease outbreaks. The conflict has ravaged the education system, destroyed 2,783 schools, and left an entire generation of 5.9 million students in need of quality education, with 2.7 million students out of school and 155,000 teachers not receiving salaries or incentives.⁹

Between 5,000 and 6,000 kilometres (around 30 percent) of Yemen's paved roads and around 100 bridges were destroyed by military operations¹⁰. An estimated \$20 billion to \$25 billion is needed over five years to cover recovery and reconstruction needs.¹¹

Sector-specific damage was the worst in the housing sector, where 40 percent of units have

been either partially damaged (39 percent) or completely destroyed (1 percent). The education, health, transport, and water and sanitation sectors have also been severely affected, with overall damage ranging from 29 percent (transport) to 38 percent (health and water and sanitation). The power and information and communications technology sectors have been somewhat less affected, with damage levels of 10 percent and 25 percent, respectively.¹²

In terms of operational status, the power sector seems to bear the brunt, as only 14 percent of facilities are functioning to some extent, despite minimal physical damage. Over 85 percent of power facilities are completely non-operational, primarily due to fuel shortages, resulting in significant power shortages. In the water and sanitation and transport sectors, 28 percent and 29 percent, respectively, of assets are non-operational.¹³

In terms of reconstruction costs, the housing sector represents 61 percent of overall need, ranging from \$7.6 billion to \$9.3 billion. The energy sector also shows significant demand, with estimates ranging from \$2 billion to \$2.5 billion (16 percent of the total), primarily for fuel to address service delivery gaps. Health sector requirements make up 10 percent of the total. Among cities, Sana'a has the highest need, requiring \$4.7 billion to \$5.7 billion for recovery and reconstruction, constituting 37 percent of the total. Following Sana'a, Taiz requires \$2.2 billion to \$2.7 billion (18 percent of the total), and Aden needs \$2 billion to \$2.4 billion (16 percent). Despite its smaller size, Sa'da accounts for 4 percent of total need.¹⁴

The conflict disrupted the operation of Yemeni seaports, airports and land ports, and blocked several intergovernorate roads, including the Sana'a-Taiz-Aden Road. Due to local currency depreciation, challenges in the availability of

5 ACLED 2023.

6 OCHA 2022.

7 Ibid.

8 CIPE 2023.

9 OCHA 2022, p. 52.

10 Al-Tairi 2022

11 World Bank Group 2020.

12 Ibid., p. 7.

13 Ibid., p. 8.

14 Ibid., p. 11.

foreign currency, the disruption of international banking relations and the fragmentation of key state institutions such as the Central Bank of Yemen, prices of basic commodities such as food, fuel and medicines have increased significantly. Further, Yemen is vulnerable to price swings because it imports 80 to 90 percent of these basic commodities.¹⁵ In a domino effect, several fuel supply crises resulted in the failure of essential crops, while a shift towards growing profitable cash crops and using conventional irrigation techniques has contributed to fast depletion of scarce water resources. Qat cultivation consumes more than 40 percent of the country's water supply.¹⁶

Several attempts were made to contain the conflict in Yemen, including the Stockholm Agreement in 2018 and the Riyadh Agreement

in 2019. A breakthrough occurred in April 2022, when the United Nations announced a nationwide truce, resulting in noticeable mitigations of conflict impacts, although these continue to be felt in daily life. Despite reopening Sana'a Airport, resuming flights to Amman and lifting almost all restrictions on Hodeidah seaport, Yemen has not yet unblocked key roads. Throughout 2022, the economy continued to weaken, affected by macroeconomic instability, the de facto separation of economic institutions and issuance of competing monetary policies, constraints on oil exports, import restrictions, increased costs of food and other essential items, and the impact of natural disasters.¹⁷ Towards the end of 2023, military escalations in the Red Sea led to a sharp increase in shipping and insurance rates to Hodeidah and Aden seaports.

15 UNDP 2021, p. 4.

16 UNDP 2021, p. 9.

17 OCHA 2022, p. 14.



© UNDP Yemen. A small business owner.

3. Methodology

The Private Sector Engagement Strategy was drafted through a desk review, consultations and key informant interviews with a wide array of representatives of the Yemeni private sector, inside Yemen and in the diaspora, as well as stakeholders from civil society organizations and government agencies. In addition to reviewing international lessons and experiences, the desk review aimed at finalizing the methodology and informing the design of research tools. Two consultation rounds were held. The first included two workshops with private sector representatives, one in Sana'a and one in Aden. These aimed at garnering insights and views on a shared vision of private sector engagement in reconstruction and recovery. They also explored the opportunities, challenges, issues, approaches and modalities of

partnership; the roles and responsibilities of UNDP and the private sector; required resources and implementation mechanisms. Insights from the first consultation round were consolidated and cross-validated by views and opinions from more than 20 key informant interviews representing a wide range of businesses.

Once the strategy was drafted, the second round of consultation took place with representatives of the private sector who convened in Amman, Jordan to review the draft strategy and provide feedback and inputs. The strategy also went through intensive reviews by UNDP leadership and subject matter experts.



© UNDP Yemen. Nada Al Mashdali works on her recycling system for biogas.

4. Definitions

4.1 What is the private sector?

The global UNDP Private Sector Development and Partnership Strategy 2023-2025 defines the private sector as a basic organizing principle of economic activity in a market-based economy where private ownership is an important factor, markets and competition drive production, and private initiative and risk-taking set activities in motion.¹⁸ The private sector includes a wide range of market actors who may operate in the informal or formal economy. The following are considered part of the private sector or important market actors:¹⁹

▶ **For-profit and commercial formal and informal enterprises of any size:** Including multinational corporations; large domestic enterprises; micro-, small and medium-sized enterprises (MSMEs); investors; social enterprises and others.

▶ **Corporate foundations:** Independent grant-making organizations that have close ties to the corporation providing funds. Some companies have corporate direct giving programmes instead of foundations; some have both.

▶ **Business associations, coalitions and alliances:** Including business intermediaries and interlocutors such as chambers of commerce and industry, business associations, innovative alliances, business round tables, stock exchanges and a new generation of cooperatives.

▶ **State-owned enterprises:** Either wholly or partially owned by a government, and that engage in commercial activities as part of an open market system.

4.2 Defining private sector engagement in Yemen

Broadly speaking, private sector engagement can be defined as an activity that brings the private sector into results-oriented development.²⁰ While several actors may spearhead engagement, including national or local governments and international development organizations, these actors are expected to make equal contributions with the private sector for transformative, empowering, sustainable and equitable development activities.²¹

The spectrum of private sector engagement in development collaboration is vast, encompassing both informal partnerships and formalized structures such as public-private partnerships.²² The Organisation for Economic Co-operation and Development has proposed a comprehensive list of modalities with five key engagement types: knowledge-sharing,

policy dialogue, technical assistance, capacity-building and financial support.²³ Each modality offers practical tools such as multistakeholder networks for knowledge exchange or research funding. Other valuable engagement methods include exploratory consultations, business opportunity matching and advocacy for responsible business practices.²⁴

UNDP defines private sector partnership as “a voluntary and collaborative agreement or arrangement between UNDP and the private sector, as well as potentially other entities, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, and benefits. Nothing in such a partnership shall be deemed to establish either party as the agent of the other party or create a ‘legal’ partnership or joint venture between

18 UNDP 2023.

19 UNDP does not consider sporadic, non-commercial income-generating activities by individuals as part of the private sector.

20 OECD 2016b.

21 Swiss Agency for Development and Cooperation 2021.

22 OECD 2016b.

23 OECD 2016a.

24 DCED 2019.

the parties. Neither party has power to bind the other party or to contract in the name of the other party or create a liability against the other in any manner whatsoever”.²⁵

For this document, “**private sector engagement in Yemen**” refers to the process whereby **UNDP engages with the Yemeni private sector, in Yemen and the diaspora**, to pursue development objectives of mutual benefit in the recovery and reconstruction phase. It involves the active participation of the private sector as a key development partner.

25 UNDP 2022, p. 98.



© UNDP Yemen. A woman works on perfecting sewing for her small business.

5. Context of the private sector in Yemen

Since the beginning of the conflict in Yemen, and given its impact on state institutions, the private sector has played critical roles. It has filled gaps in public services, helped to prevent a complete collapse of the economy, provided resources and employment, and contributed to peacebuilding and mitigation of the humanitarian crisis.

The private sector has been a key provider of basic commodities and services such as food, health, energy, water and education, among others. In addressing the risk of famine, the private sector maintained food manufacturing amid mounting challenges. It was the largest importer of food, bringing in 85 percent of 6.1 million tons of food in 2020.²⁶ In the health sector, the private sector supported hospitals and clinics with medical supplies and equipment, and launched health initiatives, such as the Yemen Medicine Bank in 2018 and the International Initiative on COVID-19 in Yemen.²⁷ The private sector has been the main provider of energy and a key supplier of clean drinkable water, especially in urban areas not covered by the Public Water Corporation and in the countryside.²⁸

It is important for the private sector to adopt a development agenda focused on community leadership and not solely on profit. This can be achieved by employing the workforce, preserving the environment, and localizing food and agricultural industries according to a clear vision and goals.²⁹

Contributing 69 percent of Yemen's GDP in 2020 compared to 50 percent in 2015, the private sector has been the major contributor to the economy in general and to the main economic sectors more specifically.³⁰ Over the conflict period, at constant prices, it was responsible for 100 percent of the agriculture, forestry and fisheries sector; 91 percent of the manufacturing sector; 70 percent of the construction sector and 68 percent of the services sector.³¹ In addition to providing financial resources, such as through tax

revenues and foreign exchange, the private sector has been the largest employment provider. In 2015, 70 percent of all jobs were provided by the private sector. Recent surveys estimated that 62 percent of private sector firms retained their employees and 21 percent reported increases in permanent employees over the conflict period.³²

The private sector in the diaspora could develop economic and trade partnerships with the international private sector.³³ One interviewee from the banking sector stated that the Yemeni migrants abroad are a major financial bloc.³⁴ The private sector in the diaspora could have an influential role in the recovery and reconstruction phase through investments in Yemen provided that sufficient guarantees are provided to them.³⁵

The private sector is evolving but still faces many challenges. It has partially managed to adapt to changing requirements related to imports, inland transport and damaged road infrastructure.³⁶ Yet it still faces overwhelming challenges in the overall business environment. These include changes in demand; supplies distortion; distorted market dynamics; restrictions on imports; in-land transportation complexities, including levies by multiple authorities; difficulties in accessing finance; increased production costs; poor access to energy; deteriorating security; and the fragmentation of state institutions, resulting in conflicting policies and double taxation.

There is a continued lack of trust among the private sector, public sector and international donors. Since the war broke out, they have been operating in isolation from each other, with each bound by its own singular interests and ambitions. Restoring trust and confidence among these actors will be critical for reconstruction.

26 HSA Group Yemen and DeepRoot 2023.

27 Ibid.

28 Proximity International and DeepRoot 2023.

29 Key informant interview with private sector representative no. 10.

30 HSA Group Yemen and DeepRoot 2023.

31 Ibid.

32 FCDO 2020.

33 Key informant interview with private sector representative no. 13.

34 Key informant interview with private sector representative no. 11.

35 Key informant interview with private sector representative no. 12.

36 HSA Group Yemen and DeepRoot 2023.



© UNDP Yemen. Beekeepers receive livelihoods training and support.

6. Vision, mission and strategic outcomes

6.1 Vision

The vision of the Private Sector Engagement Strategy is for a dynamic and inclusive partnership with the Yemeni private sector at home and in diaspora. This will strive to unlock private capital and align business strategies with national and community development priorities, driving an inclusive, green economic recovery and development, creating jobs and contributing to improved living standards for all Yemeni people. A supportive national and subnational policy environment will reduce risk and promote private sector development.

From 2024 to 2026, the strategy will contribute to three priority areas in UNDP's Country Strategy Note for Yemen:

1. Boosting food security and green, inclusive economic development
2. Preserving and strengthening Yemen's subnational governance structures, including in areas related to private sector engagement and development
3. Supporting confidence-building measures and national and local peace processes, including to address areas related to economic stability and private sector operations, and engaging the private sector in peace processes related to the economy

6.2 Mission

The mission of the Private Sector Engagement Strategy is to assist Yemen to support private sector contributions to alleviating the impacts of the conflict, stabilizing the economy, investing in improved service delivery and aligning activities and investments with inclusive and green economic recovery and development priorities. This will take place by:

1. Fostering partnerships between UNDP and the Yemeni private sector to increase its contributions to and participation in reconstruction and recovery efforts to alleviate the impacts of the conflict, stabilize the economy and improve living standards and service delivery

2. Supporting the establishment of enabling policy and regulatory environments at the national and subnational levels through facilitating multistakeholder dialogue and partnerships
3. Deploying and supporting innovative finance mechanisms³⁷

Given its distinctive positioning in Yemen and its previous and current programmes, and in line with its Strategic Direction (2023-2025) for Yemen³⁸, UNDP will take an integrated approach to engaging in private sector issues. It will work upstream (macro-level policy), midstream (meso-level market services, trade and institutional support) and downstream (micro-level business and productive capacities), taking into account the specific challenges and needs of the private sector in Yemen.

³⁷ UNDP 2012.

³⁸ UNDP Yemen 2024.

6.3 Strategic outcomes

The Private Sector Engagement Strategy has three strategic outcomes:

1. Unlock domestic and international private investments and innovative finance mechanisms for recovery, reconstruction, development and peace in Yemen
2. Align Yemeni business strategies, operations and priorities with national and community humanitarian, development and peace priorities
3. Promote policies that foster inclusive, green economic recovery and development

UNDP will apply an adaptive management approach based on four critical aspects. Further detailed in the Yemen Country Strategy Note, these include:³⁹

1. Area-based, at-scale programming
2. Conflict-sensitive programming
3. Experimentation, iteration and innovation
4. Local presence

³⁹ UNDP 2021.



© UNDP Yemen. Installation of solar panels in Al-Razi Hospital- Khanfar, Abyan.

7. Enablers and signature solutions

To maximize the impact of its global private sector development and partnership strategy in bolstering meaningful private sector contributions to achieving resilience and the SDGs, UNDP applies three strategic enablers and six signature solutions.

Strategic enablers amplify the impact and effectiveness of UNDP's work with the private sector. They comprise development financing, digitalization and strategic innovation. The signature solutions are integrated responses to development against which UNDP aligns its resources and expertise to achieve results. They include poverty and inequality, governance, resilience, environment, energy and gender equality. Each solution includes a mix of policy advice, technical assistance, finance and programmes, and has potential to unlock paths to sustainable development, albeit with the recognition that no single solution will succeed on its own.⁴⁰

Integrated policy and programme services cover and connect the enablers and signature solutions, and are underpinned by a number of thematic service offers to provide expertise and support implementation. The service offers were customized for the Private Sector Engagement Strategy to respond to the challenges and opportunities identified by the private sector in Yemen, based on consultations, interviews and desk research.

40 UNDP 2023.

Figure 1: Overview of UNDP Yemen's Private Sector Engagement Strategy service offers



7.1 Enabler: development financing

The central element of the development financing enabler comprises solutions provided by UNDP's Sustainable Finance Hub. These span 4 service areas and 23 competencies, covering SDG-aligned financing in taxation, budgeting, debt, risk finance, insurance, blended finance, commercial investment, financial inclusion, business operations, digital finance, fintech and other areas.⁴¹

Service offer on unlocking private finance and aligning business operations for the SDGs

1. Identifying and promoting SDG investment opportunities

UNDP uses its development policy and programming expertise to bring together development data and investment metrics to translate development priorities into business opportunities, delivering both profit and sustainable development impact. This service offer includes the identification of investment opportunity areas through SDG Investor Maps, and the translation of opportunities into investable project pipelines. For example, in Yemen, UNDP has worked on developing the Yemen Renewable Energy & Recovery Investment Plan, which will serve as a platform to mobilize Yemeni and international public and private investments in renewable energy projects.

2. Developing innovative financing solutions

In close partnership with the United Nations Capital Development Fund (UNCDF), UNDP will strive to enhance access to crucial capital for investments aligned with national and community priorities. The main focus will be on tailoring innovative financial mechanisms to tackle specific market issues exacerbated by ongoing conflict.

Through a strategic blend of de-risking strategies and cutting-edge digital financing tools, UNDP and the private sector will work to alleviate market imbalances while fostering the resilience of businesses, communities, women and youth. By prioritizing de-risking measures and strategic capital deployment, UNDP will seek to mobilize resources that can drive tangible impacts despite challenging circumstances. A risk-informed development approach, bolstered by digitization,

will help improve private sector access to pooled and global funds. Together, these initiatives will help achieve SDG targets and build a more resilient and inclusive economy.

To incentivize MSMEs and informal enterprises to operate in sectors relevant to the SDGs, UNDP will champion innovative business and financing models, especially for firms owned by women and youth. Support in this area encompasses digitalized MSME financing, the digital financial inclusion of informal enterprises, digital enterprise registration and incentives for informal businesses to transition to formalization.

One of the pivotal contributions of the private sector in Yemen is promoting innovative financial solutions and mobilizing necessary funds for the recovery and reconstruction phase, provided that there are sufficient guarantees and an encouraging economic and investment business environment.⁴²

As an example of the use of innovative financing solutions in Yemen, UNDP led efforts to establish a war risk insurance guarantee fund in 2021 and 2022, successfully reaching an agreement with a consortium of insurance companies so that Yemen could save an estimated \$114 million per year in costs. In another example, UNDP secured legal advisory services in 2023 to help the Ministry of Electricity and Energy to conclude the first-ever power purchase agreement with a renewable energy (solar) independent power producer.

3. Enhancing micro-, small and medium-sized enterprises

In Yemen, MSMEs are the predominant form of business and the main providers of employment, in particular, for the poor and most vulnerable in local communities. Many MSMEs are informal. Collectively, they have potential as a powerful driver of sustainable development.

Building on its broad portfolio of work with MSMEs worldwide, UNDP will help to enhance business models and economic, social and environmental outcomes, and facilitate innovative financing to incentivize MSMEs to work in SDG-relevant sectors. Globally, UNDP's work with MSMEs has helped to inform the SDG Accelerator programme,

⁴¹ Ibid.

⁴² Key informant interview with private sector representative no. 19.



which has worked with more than 50 companies in different regions with more initiatives under way. In Denmark, the SDG Accelerator programme takes MSMEs on a six-month innovation journey that supports them to design one or more SDG-aligned business solutions. Since 2017, through the Impact Venture Accelerator programme, UNDP has supported 33 programmes with over 400 participating impact ventures from 47 countries. The Green Growth Jobs Accelerator plans to support 800 MSMEs in Egypt, Jordan, Morocco and Tunisia to accelerate green growth while creating 4,000 jobs and enabling new and green revenue streams.

In Yemen, UNDP will support business associations to strengthen their capacities and assist in the establishment and expansion of intermediaries such as incubators, accelerators and MSME-focused development agencies. It will back the creation of area-based platforms where public and private sector stakeholders can co-develop, co-implement and co-monitor policies, strategies and programmes for sustainable development. UNDP recognizes the strategic importance of strengthening women-owned MSMEs, including through support for funding and representation.

Consultations with private sector representatives revealed a need for developing a national strategy for micro- and small enterprises through partnerships among UNDP, the private sector and relevant government entities. Yemen's General Authority for Small and Micro Enterprise Development was established in Sana'a in 2021 and is in advanced stages of developing its national strategy for micro- and small enterprises.⁴³ A key component of the Social Fund for Development is the Small and Micro Enterprise Development Unit,⁴⁴ which has been leading efforts in this sector for over two decades.

4. Aligning business operations with national and community development priorities to optimize impact performance and achieve long-term value creation for businesses, people and planet

UNDP will focus on building the resilience of private sector enterprises to crises and shocks, especially those owned by women and youth, by strengthening disaster risk reduction and climate adaptation capacities. UNDP will support private sector companies of all sizes to align business and investment operations and decisions with national and community development priorities as well as the SDGs, including through capacity-building on impact management and the UNDP SDG Impact Standards, which help investors and enterprises integrate sustainability into how they do business.

5. Supporting an enabling policy environment for investment in national and community development priorities

UNDP will work with partners, government entities and other stakeholders to ensure that the voice of the private sector is represented in policy forums, and that private enterprises, especially those owned by women and youth, and representative business associations have a seat at the table in designing national programmes.

⁴³ Saba Net 2023.

⁴⁴ Small and Micro Enterprise Development Unit n.d.

7.2 Enabler: digitalization

The digitalization enabler leverages the power of digital technologies to create inclusive, ethical and sustainable development solutions. It aims to bridge the digital gap, create new economic opportunities, and improve access to essential services such as health care and education. For instance, UNDP might work with the private sector to develop digital platforms for farmers to obtain market information and financial services.

Service offer on financial inclusion and digitization

1. Financial inclusion

Yemen has one of the lowest rates of financial inclusion globally. Only 6.4 percent of people had an account at a financial institution in 2014.⁴⁵ Through UNCDF's Financial Inclusion and Digitization initiative, UNDP aims to promote greater access to financial services. In addition to the fragmentation of the Central Bank, leading to challenges in operating nationally, the banking sector grapples with multiple conflict-related challenges that often result in a stagnation of funds and the alienation of project implementers. Local banks face difficulties in dealing directly with international banks and companies. Establishing letters of credit has become complicated as private sector companies are required to provide a 100 percent cover of credit facilities. This situation underscores the need for tailored solutions that address specific needs and challenges in the national context.

In addition to the above-mentioned support, UNDP in partnership with the private sector will work to:

- ▶ Simplify complex financial and banking policies.
- ▶ Support scaled-up digital financial services through capacity-building and policy advice to the Central Bank; support MSMEs to improve acceptance of mobile money solutions (bill merchant, bill payment, peer-to-peer, etc.); and collaborate with the financial services sector to improve the innovation ecosystem.
- ▶ Enhance banking facilities and increase the provision of sharia-compliant loans and

innovative financial solutions and services compatible with Yemeni culture, such as *bai us salami*,⁴⁶ leasing, leasing of productive assets, among others. These options could create new links between financial institutions and owners in the agricultural and fishery sectors, and result in diverse value chains, processing industries and small factories for agricultural and fishery products, such as for preservation, canning, packaging and drying.

- ▶ Facilitate interactions between Yemeni local banks and international banks by providing securities or other means to ensure the smooth movement of money in and out of Yemen and a reduction in international transfer fees.
- ▶ Facilitate access to internal and external funding necessary for the private sector as part of promoting growth and stability.
- ▶ Assist in accessing long-term, suitably priced funding for banks to lend to customers, including women and youth.

2. Increasing access to markets

Access to new market opportunities and financial services is a target of seven SDGs. Financial inclusion is a key driver of poverty reduction, women's economic empowerment and inclusive growth. UNDP has a battery of digital technologies to boost the ability of vendors, MSMEs and corporate businesses to access new markets, including the a2i platform⁴⁷ initially implemented in Bangladesh. Through the Enhancing Rural Resilience in Yemen programme, UNDP attempted to introduce a2i in Yemen,⁴⁸ although it faced some challenges. A **transformative programme for e-commerce** established in Uganda through the UNDP Accelerator Labs supports access to new markets through digital tools and services. Working closely with Jumia Food's e-commerce platform, the programme connected over 4,000 vendors in seven markets in the suburbs of Kampala to enable them to register their products online.

45 IFC 2021.

46 Islamic Bankers Resource Centre n.d.

47 Government of Bangladesh n.d.

48 South-South Network 2022.



UNDP and the private sector can work to:

- ▶ **Link producers with investors** and help reach new markets for some Yemeni branded products such as coffee, honey, fruits and fish. This can be achieved through trade-related mobile applications, databases and web portals. While linking producers, special attention should be given to supporting women and youth growers and producers.
- ▶ **Provide quality control labs and technology** to regulate the quality of export products. Quality needs to be enhanced and monitored with new technologies. For instance, Yemeni honey is high in quality but a lab needs to be in place to test and grade it to determine the price.

3. *Harnessing technology to galvanize development*

Telecommunications infrastructure across Yemen is not uniform in terms of development and advancement. Whereas the northern parts of the country now enjoy access to 4G and fast Internet, the southern regions lag, with dilapidated telecommunication infrastructure. This is a serious challenge as telecommunications is a key requirement of the digitalization enabler.

There is a need to improve and rehabilitate communications networks, including the Internet. This offers a good opportunity for the private

7.3 Enabler: strategic innovation

Strategic innovation involves applying creative and systemic thinking to overcome complex development challenges. It focuses on fostering innovative solutions that address not just immediate needs but also root causes, leading to more sustainable and transformative results. For example, UNDP might support the development of new business models that combine economic growth with environmental sustainability.

For UNDP to catalyse funding for portfolios of options (and systems transformation as a whole), new innovative financial instruments and policy reforms are needed. They must operate according to decision-making frameworks, performance metrics, value models, analytical frameworks and partnership structures that fundamentally differ from those of siloed, project-driven models (e.g., portfolio financing and systemic investing,

sector to invest in the telecommunications and internet projects especially in the south,⁴⁹ with the introduction of options to encourage market competition.

UNDP in partnership with the private sector will work to:

- ▶ Establish a dedicated platform to activate and connect development programmes with the private sector and consolidate services offered by government facilities.
- ▶ Set up a portal to provide educational resources to enhance skills in digital work and communications. Ensure women and youth entrepreneurs derive substantial benefits from training.
- ▶ Create a centralized database to streamline networking within the private sector.
- ▶ Compile a comprehensive database detailing labour market demand and supply, with a special focus on jobs for women and youth.
- ▶ Regularly update and share key databases with both UNDP and the private sector.
- ▶ Enhance systems to protect data and ensure information security.

including the launch of a systemic fund).

UNDP can provide support in several areas:

- ▶ The creation of new thematic offers, embedding systems and portfolio approaches and supporting business units to activate and dynamically manage new portfolios (e.g., urban transformation after COVID-19, sustainable tourism and the future of work).
- ▶ Advocating with governments and donors to embrace systems approaches, including through exploring financial instruments for systemwide investments.
- ▶ Designing learning experiences to build capabilities, such as working with uncertainty and tackling systemic challenges.

⁴⁹ Round table one consultations in Sana'a and Aden.

One area highlighted by the private sector in Yemen is the tourism sector. To boost economic growth, the private sector in partnership with

UNDP can invest in revitalizing sustainable tourism, capitalizing on a rich cultural heritage.⁵⁰

To boost economic growth, the private sector can invest in revitalizing tourism in Yemen by providing tours in ancient cities with a complete cultural experience, including food, clothing and souvenirs.⁵⁰

7.4 Signature solution: poverty and inequality

Service offer on the Informal Economy Facility

The Informal Economy Facility is a global UNDP initiative to support countries to move the needle on poverty, vulnerability and inequality by protecting informal actors and empowering them to benefit from and contribute to inclusive, job-rich and green recovery and development pathways, in an integrated manner. The facility emphasizes partnerships and the participation and inclusion of poor and marginalized communities, including informal workers and businesses.

Consultations revealed that the private sector in Yemen is interested in partnering with UNDP to contribute to improving the income of poor families as well as to support male and female entrepreneurs, through financing and technical assistance, to transition towards formalization. UNDP can help by lowering risk, such as through guarantees or other financial products to lower interest rates and collateral requirements. A starting point for partnership could be working with women to innovate and claim their power as entrepreneurs.

Entrepreneurs face several challenges. Besides lacking critical business skills, entrepreneurs are usually less familiar with relevant laws, such as taxation and customs. This keeps them in the informal sector and can result in extra expenses due to ignorance of the laws. Operating in an environment not conducive to micro- and small projects, with complex procedures and requirements, especially among big clients and international non-governmental organizations (NGOs), increases the failure rate.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Establish an MSME financing fund, and partner

with the private sector in co-designing, co-implementing and co-financing it.⁵¹

- ▶ Support informal enterprises to transition into formal enterprises by providing capacity-building and innovative digital solutions.
- ▶ Support male and female entrepreneurs with formalization through grants or loans to small and sustainable projects, with UNDP providing financial products to lower risk cases.
- ▶ Provide capacity-building to MSME owners on basic and advanced entrepreneurship skills, relevant laws, standards and procedures of business conduct, international quality standards, and rights and obligations before competent authorities.
- ▶ Build the capacity of MSMEs and entrepreneurs related to conditions and standards set by international organizations, including UNDP, to enable greater participation by entrepreneurs and startups in the implementation of externally funded projects. UNDP and other international NGOs can design projects particularly suited for implementation by MSMEs.

Service offer on trade and value chains

UNDP supports all relevant partners to achieve the SDGs through trade and value chains. UNDP leverages an integrated and inclusive approach to private sector and trade programmes. It seeks to address bottlenecks and leverage existing opportunities by developing capacity at the macro (e.g., policy and regulatory reforms), meso (institutional support) and micro levels (e.g., enterprises, especially MSMEs) to promote systemic changes in how markets work.

This work takes an ecosystem approach that is

⁵⁰ Consultation with a representative of the private sector.

⁵¹ Draft of Yemeni private sector vision for reconstruction phase by the Federation of Yemeni Chambers of Commerce and Industries (2023).

bottom-up rather than top-down. It promotes business cooperatives and the development of sustainable business structures, such as by strengthening business associations or chambers of commerce. UNDP's work on trade builds on its long-standing global experience with value chain and trade programmes, including supplier development programmes, food value chain greening and SDG value chains, the Green Commodities Programme, initiatives to support regional integration and global partnerships. One example of UNDP's work in Yemen on trade and value chains is the Strengthening Institutional and Economic Resilience in Yemen project, which works on improving linkages and opportunities for cooperation among MSMEs, other elements of the private sector and microfinance institutions involved in value chains. It also seeks to increase and de-risk access to financial services for economic agents in promising value chains.⁵²

1. *Inclusive economic growth*

In the realm of economic development, the private sector faces myriad challenges with impacts on operations and growth. These range from societal perceptions to financial complexities and more. One is the negative narrative surrounding the private sector. This perception leads to societal rejection and blame, hindering the sector's ability to contribute effectively to development, especially in microfinance where the vast majority of customers reject taking loans with interest. The deterioration of the currency exchange rate together with the speculation of exchange companies in hard currency has had multifaceted consequences, including price variations, making it difficult for businesses and customers to repay loans. The decline in the value of the local currency has weakened the purchasing power of consumers, making them most reliant on international NGOs for assistance.

UNDP's previous interventions targeting recovery and reconstruction included engaging with the private sector within the Connecting Businesses Initiative network. This aimed to mobilize efforts for recovery and reconstruction across eight economic sectors, including agriculture and industry.⁵³ Round-table consultations revealed that the private sector could embark on new projects by taking advantage of locally produced raw materials such as sesame, coffee, honey, fish, vegetables and fruits, and working through agricultural value chains. The private sector is also eager to contribute to the peace process to ensure that any agreement sets the foundation for

economic stability and prosperity.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Engage the private sector in any upcoming negotiation of economic agreements with international actors as private sector insights can enhance the economic track of negotiations and ensure that agreements are better aligned with Yemen's overall benefit.
- ▶ Promote community awareness of the crucial role of the private sector in development.
- ▶ Promote macroeconomic stability and work towards addressing the fragmentation of monetary policy by providing technical support to monetary policy coordination efforts and eventual reunification of the Central Bank.
- ▶ Take practical steps to set up the long-delayed stock exchange⁵⁴ to attract investment, diversify the economy, improve governance, and provide opportunities for savers and investors.
- ▶ Promote export-oriented, value-adding activities in agriculture and fisheries.

2. *Transportation*

Yemen's ports and transportation network have been severely damaged by conflict and impacted by sieges and blockades. UNDP estimates that the rehabilitation of Hodeidah, Salif and Ras Issa require an investment package of €46,570,000, which would be implemented in three phases.⁵⁵

Potential areas of engagement between UNDP and the private sector are:

- ▶ Advocacy and mediation activities to open roads and maintain the safe movement of goods.
- ▶ Development of public-private partnership opportunities for investment in building and operating transport infrastructure such as seaports and airports, including through supportive policies and guarantees.
- ▶ Advocacy to remove restrictions on Yemeni seaports to reduce high transportation and marine insurance fees.

52 UNDP Yemen. n.d.

53 Key informant interview with private sector representative no. 2.

54 Reuters 2010.

55 UNDP 2021, p. 52.

3. Manufacturing

The conflict damaged industrial zones, especially in Aden, Hodeidah and Mukalla. Importing raw materials has become increasingly difficult due to several factors related to the conflict. Difficulty in sourcing raw materials has resulted in some businesses shutting down or relocating outside Yemen.

- ▶ Potential areas of engagement between UNDP and the private sector are:
- ▶ Rehabilitate industrial zones, especially in Aden, Hodeidah and Mukalla, so that the private sector can use them to boost manufacturing.

- ▶ Advocate to remove any import restrictions on Yemeni ports.
- ▶ Develop feasibility studies and promote industrial production projects and factories, including for food products, dairies, wrapping and packaging materials, and chicken fodder.
- ▶ Promote investment in the fish industry and develop fish processing and packaging by introducing the required technology. Guwaizi Tuna is a model in this field as it is of high quality and being exported.
- ▶ Improve the quality standards of Yemeni manufacturers and products to comply with international standards, and boost exports.

7.5 Signature solutions: environment and energy

Service offer on food and agricultural commodity systems

Food and agricultural commodity systems refer to the interconnected processes and actors involved in the production, distribution and consumption of food and agricultural commodities. These systems are fundamental to the sustainable development of many countries. They contribute significantly to economies and play a key role in achieving the SDGs.⁵⁶

Food and agricultural commodity systems encompass everything from the supply of inputs and production of crops, livestock, fish and other agricultural commodities, to transportation, processing, retailing, wholesaling, preparation of foods, consumption and disposal.⁵⁷ They involve the development of innovative business and financing models, including digitalized financing and enterprise registration.⁵⁸

UNDP works on transforming these systems so they are resilient, equitable and inclusive, and environmentally, socially and economically sustainable. This transformation is achieved through multistakeholder collaboration, technical expertise, partnerships, learning, and the unlocking and catalysing of private and public financing.

56 UNDP n.d.

57 UNDP 2020.

58 IFPRI n.d.

59 Key informant interview with private sector representative no. 19.

MICROFINANCE FOR AGRICULTURE

Convenient installments for solar energy pumping systems equal to diesel monthly costs

In 2015, many farmers in Yemen were impacted by crop failure due to diesel shortages. Some microfinance institutions launched programmes to support farmers with renewable solar energy pumps. A farmer who wanted support had to provide a bank guarantee, such as by depositing gold or mortgaging a home or properties. Most farmers could not provide these, however. In 2019, one microfinance institution attracted only four farmer clients.

After *takaful* guarantees were introduced, where bigger farmers guarantee smaller ones, applications for microfinance support increased. One calculation found that installments for solar pumping systems were equal to the costs of diesel consumption over two to three years. Knowing that he would never have to pay for diesel again, one farmer in Abyan shed tears when his newly installed solar system began pumping water.

Tailoring sustainable microfinance

One microfinance institution in Yemen adopted tailored solutions to farmers. For instance, the first allocation of support provides a solar energy pumping system. The second allocation funds a drip irrigation system, increasing efficiency. The institution has employed agricultural engineers trained on feasibility studies and the foundations of banking to work in agricultural finance. They make field visits to farmers and provide free advice on best practices, agricultural pests and plant diseases, and crop selection to maximize revenues and income.

Service offer on energy for development

In collaboration with United Nations and other partners, UNDP globally has set a moonshot of extending energy access to 500 million people. This calls for accelerating investments in distributed renewable energy solutions, prioritizing vulnerable communities, adopting a human-centred approach, collaborating with key partners, and leveraging UNDP's Climate Promise initiative for ambitious nationally determined contributions and a just transition to clean energy.

Renewable energy is an exigent national need and a global priority contributing to achieving SDG 7 on affordable and clean energy. Due to conflict, only 10 percent of Yemenis had access to energy in 2021 compared to 40 percent in 2015; both figures remain extremely low, including in comparison to the 85 percent share in the neighbouring region.⁶⁰ The conflict damaged the national grid and impacted all sectors. Households suffered a lack of electricity and water supplies, while schools and health centres were closed.

UNDP received the acclaimed Ashden Award for Humanitarian Energy through its work in Yemen to support three front-line conflict-affected communities. It cut the cost of energy by 65 percent by working with women and youth to develop and manage micro-grid businesses to help electrify their communities, one home and business at a time. Over 2,100 people have gained income and 10,000 have accessed sustainable energy.

Beyond contributing to air pollution, fossil fuel-generated industrial energy significantly burdens Yemen's private sector given its high cost. This reliance stems from limited access to alternative energy sources such as renewables and an unreliable electricity grid. MSMEs and large companies alike depend heavily on industrial energy, with data from 2018 showing consumption rates of 28.4 percent and 65.3 percent, respectively.⁶¹ Insufficient access stifles production for many MSMEs, while high energy costs erode profit margins for all businesses. From 2016 to 2018 alone, Yemen consumed a staggering 1 billion litres of fuel for energy generation,⁶² producing over 2.9 million tons of carbon dioxide based on standard emissions factors. Transitioning to cleaner energy is crucial not only for the economic well-being of the private sector but also for environmental sustainability.

UNDP has worked with relevant Yemeni authorities to develop the Renewable Energy Investment Plan. It is expected to be launched in 2024.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Provide technical expertise and assistance to establish the Yemeni Bank of Renewable Energy to support renewable energy investments and projects.⁶³ UNDP can help develop the proposed bank's structure, and work with the Central Bank to formulate policies and address technicalities.
- ▶ Promote energy resilience in communities, including among women and youth, by scaling up access to solar energy to enhance the productive capacities of farmers, private businesses and households.
- ▶ Provide energy solutions for health facilities, including maternal and child health-care services.
- ▶ Create investment portfolios for renewable energy to support companies to transition to it, and provide financial facilities for citizens to access energy supplies and technologies.

60 UNDP 2021, p. 44.

61 Central Statistics Organization, 2020, p. 190.

62 Ibid., p. 202.

63 Key informant interview with private sector representative no. 4.

7.6 Signature solutions: resilience

At UNDP, resilience in the context of the economy, private sector, development and reconstruction refers to creating systems that can adapt, recover and grow stronger in the face of shocks and stresses. It involves strengthening the private sector in crisis-affected environments, promoting sustainable practices and addressing the root causes of crises. UNDP emphasizes the importance of partnerships for resilient and sustainable development, the need for resilient infrastructure, and the building of local and national capacities to manage assets proactively and as an interconnected system, thereby fostering resilience to current and future challenges.

Service offer on resilient recovery

Key areas of UNDP work on recovery include preparedness, assessment and planning, livelihoods and socioeconomic recovery, community-led shelter and housing, resilient infrastructure, improved access to essential services, renewable energy, and risk-informed green recovery and stabilization. All can be pursued in partnership with the private sector as a key contributor to resilient recovery.

1. Resilient infrastructure

The construction sector in Yemen witnessed considerable growth in the 30 years prior to the 2015 conflict. It has now suffered significant losses in equipment, financial and human resources, especially after the Government was unable to pay contractors. Several construction companies halted activities altogether.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Establish an international fund to support reconstruction and development, jointly managed by donors, the Government, the private sector and civil society organizations.
- ▶ Facilitate the provision of equipment and technology required by the reconstruction and recovery phase.
- ▶ Develop programmes to attract Yemeni engineers and experts in the diaspora, especially women and youth, to contribute to

reconstruction.

- ▶ Develop programmes to support the cement and steel industries as they provide critical inputs to reconstruction. Ensure equal opportunities and participation for women and youth throughout the reconstruction process.
- ▶ Build the capacity of the construction sector to meet international standards and apply best practices, with a specific focus on promoting equal opportunities and fostering an inclusive environment for women.
- ▶ Develop proposals for compensation programmes for the construction sector.

2. A resilient private sector

While the private sector has managed to become partially resilient, protracted conflict had severe impacts on it. Several initiatives have tried to restore its capacities. For example, 14 meetings with the Connecting Businesses Initiative network, which included the Business Club, the Federation of Chambers of Commerce and UNDP, sought to mobilize efforts for recovery and reconstruction. Yet this project was cancelled before becoming public.⁶⁴ The private sector itself needs some support to meet the requirements for the proposed partnership with UNDP and international NGOs.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Qualify and train MSME owners on specific business skills geared towards development in post-conflict settings, with a particular focus on empowering women and youth entrepreneurs.
- ▶ Promote the institutional capacity and financial resources of business organizations to better represent the private sector, with strong female and youth leadership, and match the Government in partnerships. This can be achieved through technical assistance, training and exposure to international experiences. Additionally, bolster the capacity of the private sector for effective policy engagement with the Government and for representing the needs of all businesses, including those owned and led by women and youth.

64 Key informant interview with private sector representative no. 2.

- ▶ Facilitate knowledge exchanges between the private sector in Yemen and peers in similar contexts.
- ▶ Develop corporate governance programmes and interventions to strengthen Yemeni companies and their resilience.

3. A resilient workforce for development

The Yemeni private sector can create jobs and contribute to achieving the SDGs.⁶⁵ Yet the limited number of qualified staff is a challenge that has resulted in the underperformance of the workforce. Educational outcomes that do not keep up with labour market needs contribute to this challenge and negatively affect the quality of development outputs.

The Ministry of Education, Ministry of Higher Education and Vocational Training, private sector, universities, educational institutions and UNDP should join efforts to develop the workforce to match the needs of the labour market. Vocational apprenticeship programmes have potential as a swift and effective strategy to reconcile

the demands of the job market with current educational outcomes. The private sector, UNDP, government entities and technical and vocational training institutions could formulate and refine training curricula, share demands for employment/jobs, provide on-the-job trainings and establish a job-matching platform. UNDP can support training institutes to provide career counselling, soft skills and entrepreneurship trainings. It can also assist the Government to develop a robust system of accreditation for training institutes and the certification of skills and qualifications. The contribution of the private sector to the Skills Development Fund presents a successful model for empowering the workforce for development.

Special consideration should be given to encouraging investment in centres of excellence in specific fields and majors required by the labour market. International experts who work with international NGOs or companies can contribute to peer learning. Figure 2 summarizes practical steps suggested in consultations with the private sector.

Figure 2: Required human resources for development as suggested by consultations with the private sector



65 Round table one consultations.

International experiences such as India's GIAN Initiative⁶⁶ can inform the process of transforming

the current workforce to required levels.

REPLICATING INDIA'S GIAN PROGRAMME IN YEMEN

The Global Initiative of Academic Networks (GIAN) is an innovative programme launched by the Government of India to **augment academic resources** and **elevate scientific and technological capacity to global excellence**. The programme leverages an international talent pool of scientists and entrepreneurs, encouraging their engagement with Indian higher education institutes.

Key features include:

- ▶ Facilitates interaction among students, faculty and global experts
- ▶ Shares global experiences to address Indian challenges
- ▶ Offers virtual courses with guidelines revised periodically
- ▶ Targets top-ranked government institutions with high National Academic Accreditation Council grades

GIAN has approved 2,163 courses, with a focus on short-term knowledge enhancement rather than traditional degree programmes, making the term 'graduates' less applicable.

The initiative has led to significant collaboration, including through advanced workshops and seminars, and has enhanced India's academic community, research capabilities and development of new academic programmes.

To replicate GIAN in Yemen, a structured approach is proposed:

- ▶ Obtain Yemeni Government endorsement for a similar programme based on international collaboration.
- ▶ Focus on sectors requiring workforce qualifications, such as health care and technology.
- ▶ Partner with global universities for short-term educational offerings.
- ▶ Provide necessary facilities for course delivery.
- ▶ Secure financial support for the initiative's operations.
- ▶ Tailor courses to meet Yemen's specific needs.
- ▶ Ensure equal and equitable opportunities for all Yemeni workers, including women and youth.
- ▶ Market the programme to potential participants and institutions.
- ▶ Establish a feedback system to enhance program effectiveness.

Success in replicating GIAN in Yemen hinges on stakeholder commitment, including by the Government, educational institutions and industry partners. This brief case study outlines a roadmap for Yemen to develop a skilled workforce through a GIAN-like initiative that would contribute to socioeconomic development. For implementation, detailed planning and consultation with international education experts are recommended.

4. Resilient health services

In addition to the collapse of the Yemeni health system and the severe consequences of COVID-19 and other disease outbreaks, Yemeni patients could not travel abroad for medical purposes due to travel restrictions imposed during the conflict. Most medicines are imported, with little capacity to manufacture them locally. Even private sector hospitals face several challenges, including shortages in skilled and highly trained supporting or specialist staff. International NGOs in Yemen have exacerbated this shortage because they offer staff salaries beyond the capabilities of private sector hospitals.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Building specialized and reference hospitals to provide health services that meet international standards for patients who cannot travel abroad due to a lack of funds or travel restrictions.
- ▶ Investing in pharmaceutical companies to localize pharmaceutical and medical manufacturing.

66 GIAN 2015.

- ▶ Ensuring equal roles for women and youth as doctors, nurses, pharmacists and health professionals in all health projects implemented under the Private Sector Engagement Strategy.

Service offer on resilient insurance solutions

Only a few people are covered by medical insurance in Yemen; most work with international NGOs or big private sector companies. This reduces access to health services, especially to more costly private sector health providers.

7.7 Signature solutions: governance

Service offer on a blueprint for transformative change through the rule of law and human resources

UNDP's Business and Human Rights programme promotes responsible business practices through advisory services to businesses on operational guidelines and governance matters, and to governments on national regulatory and policy frameworks. Both lines of work are rooted in the United Nations Guiding Principles on Business and Human Rights, the most authoritative normative framework guiding responsible business. By leveraging its convening power, UNDP provides high-profile platforms to build multistakeholder coalitions in pursuit of peer learning and dialogue among stakeholders, including civil society, businesses, government entities and national human rights institutions.

1. *Creating an enabling law and policy environment*

The legal and policy environment in Yemen does not enable the private sector. Legislation relevant to the private sector used to be issued by ministries and/or authorities and passed to the Parliament for approval with little involvement by or consultation with private sector representatives. This low level of participation has created challenges for the private sector in complying with rules and regulations. Without jeopardising the public interest, the private sector needs to be actively engaged in the development of strategies and policies, rather than being treated as passive observers.

There is a gap in current policies. We may not require new legislation or laws because that may take ages. What we need is enforcement of current laws.⁶⁷

⁶⁷ Round table one consultations.

Potential areas of engagement between UNDP and the private sector are:

- ▶ Work with insurance companies to develop new medical insurance schemes with affordable subscription costs to expand the number of Yemeni citizens, especially those with low incomes, who have access to medical insurance. Ensure equitable opportunities for women to obtain these services.

Potential areas of engagement between UNDP and the private sector include:

- ▶ Using UNDP's high-profile platforms to foster dialogue between the public and private sector to find common ground on unresolved matters between the two, such as revising relevant policies and keeping abreast with recent developments in the global economic systems. The dialogue should remove conflicts among laws relevant to the private sector and develop a common vision of how to facilitate government procedures related to the work of the private sector.
- ▶ Engage the private sector in consultations around policy formulation, and build its capacity to conduct research and policy advocacy on certain relevant matters, such as tax and trade agreements.
- ▶ In the long term, engage and build the capacity of the private sector to examine trade agreements and concessions, and actively advocate for drafting and formulating legislation relevant to trade and investment, including the laws of the Central Bank of Yemen, General Investment Authority, General Authority for the Free Zone, Customs Authority and Tax Authority, and the Securities Law, Public Bids and Tenders Law.

2. *Confidence-building*

Since the conflict started, different sectors in Yemen have operated in isolation, each bound by its own singular interests and ambitions. This has diminished trust among all actors: the Government, banks, the private sector and so on. Restoring confidence among all of them is critical to reconstruction.

Harmonizing the perspectives of conflicting parties is crucial, as the activation of the private sector necessitates an investment-friendly climate and a secure, stable work environment. There is a need to elevate the degree of participation and representation of the private sector in economic and negotiation committees.⁶⁸

Potential areas of engagement between UNDP and the private sector could entail:

Establishing dialogue channels to restore trust between various actors in Yemen, reach common ground, and formulate a mutual vision for promoting economic stability and encouraging collaboration and investment.

Ensuring adequate representation of the private sector, with the strong leadership of women and youth, in Track I and Track II peace initiatives, especially on the economic aspects.

3. National and subnational governance

Several government-related, legal and institutional challenges include the fragmentation of public institutions between Sana'a and Aden, resulting in conflicting policies and dual taxation.

Potential areas of engagement between UNDP and the private sector include:

- ▶ Building the capacity and improving the governance of key economic institutions to support the recovery and reconstruction phase, and ensure the long-term viability of the private sector.
- ▶ Engaging with parties to the conflict to unify tax and customs duties collection.
- ▶ Advocating for improving security and building the capacity of security forces and raising their awareness of the importance of protecting the private sector.
- ▶ Promoting the rule of law and supporting local authorities in controlling illegal collections and bribes within cities or along intergovernorate roads by establishing a mechanism to enforce the monitoring and control of checkpoints.

68 Key informant interview with private sector representative no. 13.

69 Draft of Yemeni private sector vision for reconstruction phase by the Federation of Yemeni Chambers of Commerce and Industries (2023).

70 Consultations with the private sector.

- ▶ Supporting local authorities in establishing streamlined processes for business registration, licensing and taxation, such as one-stop shop/single-window services, with equal treatment and prioritization for businessmen, businesswomen and youth entrepreneurs.
- ▶ Integrating digital payment technology in tax or tariff collection, and equipping intergovernorate roads with toll cameras for increased monitoring and transparency.

4. Multistakeholder partnerships and nexus

The reconstruction and recovery phase requires joint efforts by all stakeholders in the Government, private sector, civil society, international NGO arena and communities. In 2014, the Government and the private sector signed a partnership agreement. The war unfortunately prevented implementation. Yet there is a chance for the Government in coordination with the private sector to prepare a medium-term plan to implement a package of strategic infrastructure projects in several areas, including energy, water, sanitation, waste management, telecommunications, seaports, airports and roads.⁶⁹

Harmonizing the perspectives of conflicting parties is crucial, as the activation of the private sector necessitates an investment-friendly climate and a secure, stable work environment. There is a need to elevate the degree of participation and representation of the private sector in economic and negotiation committees.⁷⁰

Potential areas of engagement between UNDP and the private sector in Yemen include to:

- ▶ Activate the public-private partnership agreement signed in 2014 by the Government and the Federation of Yemeni Chambers of Commerce and Industries, and put it into practice by implementing the mutually agreed business matrix.
- ▶ Revitalize the establishment of the Social and Economic Council, which was about to be established before the 2015 war. The council was supposed to serve as an umbrella for public-private partnerships; UNDP was assisting its creation.

- ▶ Establish joint stock companies in various sectors that include the private sector, Government and citizens to foster collaboration and shared objectives.
- ▶ Promote mutual partnerships within the private sector to strengthen the collective business voice and influence, with equal representation of women- and youth-led businesses.
- ▶ Engage the private sector, with equal

representation for businesswomen and young entrepreneurs, in planning, implementing and following up on recovery and reconstruction plans.

- ▶ Empower subnational (state and non-state, male and female) actors through capacity development, enabling them to lead local economic development and gradually reduce dependence on international support.

7.8 Signature solutions: gender equality

Whereas all international stakeholders generally make gender mainstreaming an integral part of their activities,⁷¹ gender mainstreaming more broadly has a mixed record. Some business conglomerates in Yemen have established units for women and differently abled staff to ensure equal training and access to opportunities.⁷² Yet opportunities for women are still limited compared to those for men. A significant number of transactions and projects are conducted in qat sessions, which are inaccessible to women, thereby excluding them from business deals.⁷³

There is a pressing need for increased support for women from UNDP, the Government and the private sector. This support would enhance women's access to resources, inform them about business sector developments and enable them to take advantage of opportunities at hand.⁷⁴ It is also important that women participate in production processes.⁷⁵

Service offer on future-proofing and resilience through jobs for women

UNDP is committed to women's economic empowerment as crucial to its mandate to eradicate poverty and achieve sustainable development. It aims to dismantle structural barriers impeding women's empowerment, support the creation of future-proof jobs for women and increase their access to digital assets. UNDP strives to integrate gender equality into economic recovery plans and supports the development of gender-responsive digital transformation strategies. Through the Gender Equality Seal for the Private Sector, it helps to

align business operations with the SDGs, including to advance gender equality. UNDP promotes women's inclusion in the digital economy and advocates for their access to digital technologies. Its key role in international financial forums, like the Group of 20 or Asia-Pacific Economic Cooperation, enables it to influence global financial policies and regulations to support women's empowerment.

Potential areas of engagement between UNDP and the private sector are to:

- ▶ Offer capacity-building programmes to new women market entrants and entrepreneurs, focusing on essential skills for effective participation in the private sector.
- ▶ Provide diverse training to women in business networks, chambers of commerce and syndicates to enhance negotiation skills, network development and resource access.
- ▶ Develop capacity-building initiatives to strengthen operations and ease participation for more women and young men. Collaborate with microfinance institutions and MSMEs to provide ongoing support to loan recipients, enabling women entrepreneurs to expand their businesses.
- ▶ While support to women in major cities is crucial, efforts also need to focus on rural and remote areas with emerging private sector opportunities. Special attention is needed to support disadvantaged women in sectors such as agriculture, fishing and food production and processing.

71 Key informant interview with private sector representative no. 1.

72 Key informant interview with private sector representative no. 5.

73 Key informant interview with private sector representative no. 7.

74 Key informant interview with private sector representative no. 7.

75 Key informant interview with private sector representative no. 14.



© UNDP Yemen. A fisherman with his catch in Aden, Yemen.

8. Implementation

Several key informant interviews stressed the need to formulate a strategic and clear vision for partnership between UNDP, the private sector, civil society organizations and the public sector. Partnerships can be one-to-one (for example, UNDP partnering with the Federation of Chambers of Commerce or other business organizations), one-to-many (such as UNDP partnering with banks or microfinance institutions) or many-to-many (UNDP supporting a platform to bring together relevant government entities with representatives of the private sector and relevant international development partners).

Partnerships shall be determined by the circumstances and potential benefits to all parties, and the nature and scope of work. The most preferred mode of partnership is inclusive. It can target specific areas and sectors, which may require forming specific bodies to coordinate the partnership. Substructures may be formed to manage, coordinate, plan and implement specific Private Sector Engagement Strategy initiatives, such as in a specific governorate or city, or in sectors such as health, education or finance.

Implementation of the Private Sector Engagement Strategy can mainstream gender by enabling businesswomen to assume leadership and decision-making roles in all structures for management and coordination. This will give women the power to influence policies and decisions. Other options include involving women's organizations in preparing PSE policies as well as monitoring and evaluation.⁷⁷

Implementation mechanisms should be outlined and detailed in an executive plan for the Private Sector Engagement Strategy, which should be developed jointly between UNDP and the private sector after the strategy is approved.⁷⁶

⁷⁶ Key informant interviews with private sector representatives no. 8 and 11.

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