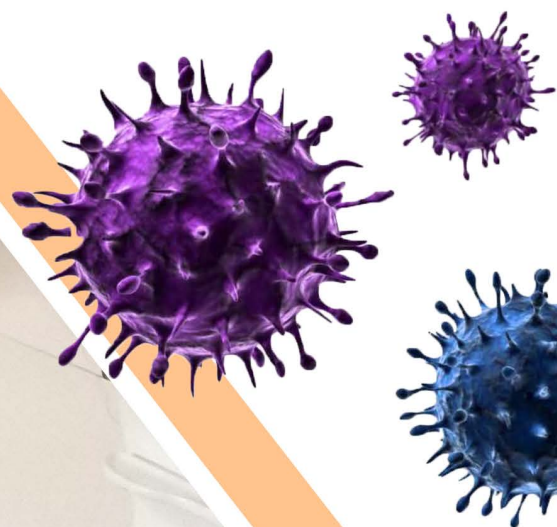
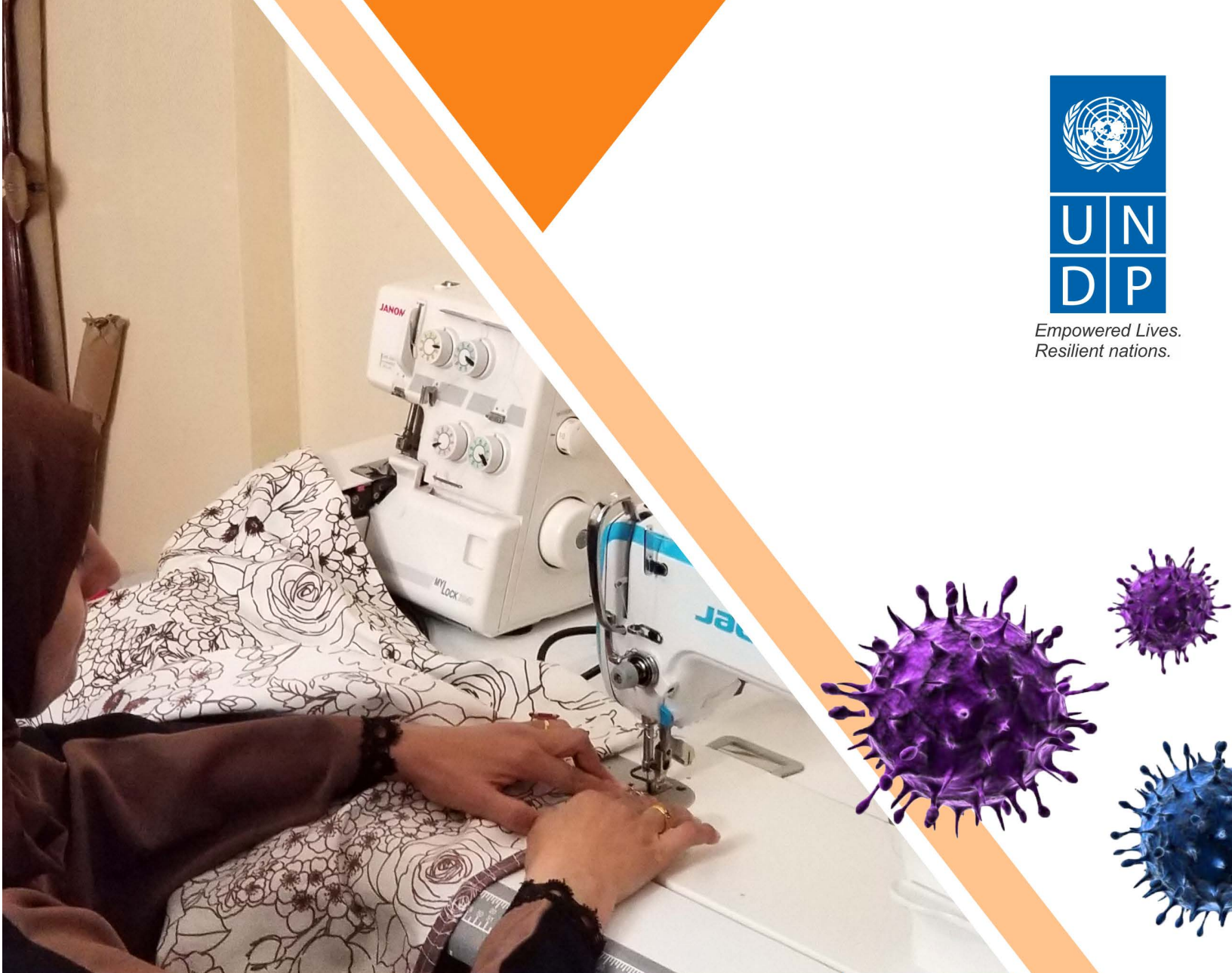




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Handloom and Textile Value Chain

A Market Study with Potential COVID-19 Impact Analysis

Supporting Resilient Livelihoods and Food Security in Yemen:
A Joint Programme

June 2020



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List of Acronyms

CBO	Community Based Organization
CSO	Civil Society Organization
EOF	Economic Opportunities Fund
ERRY	Enhanced Rural Resilience in Yemen
EU	European Union
H&T	Handloom and Textile
IDP	Internally Displaced Person
ILO	International Labour Organization
INGO	International Non–Government Organization
MFI	Microfinance Institution
MSME	Micro, Small and Medium Enterprise
NGO	Non–Government Organization
NNGO	National Non–Government Organization
SME	Small and Medium Enterprise
SWOT	Strengths, Weaknesses, Opportunities, Threats
UN	United Nations
UNDP	United Nations Development Programme
VC	Value Chain
YER	Yemeni Riyal

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SUMMARY

The Handloom and Textile (H&T) sector provides an opportunity for income generation and self-reliance for many Yemenis and especially vulnerable women. The study findings indicate that while consumers need clothes, they rank low on average consumer list of demanded goods. However, the local traditions keep the demand for locally produced cloths high against imported clothes. Even though wholesalers have previously started to import traditional clothes from China. The sector is highly dependent on imported yarns as the local textile factor is still under rehabilitation and the production of cotton at its lowest levels. Handloom and textile industry provides an opportunity for households to produce clothes for own-use.

Training is needed to keep production quality and designs up to the level of customer demand. Production techniques, weaving, and tailoring can open job opportunities for vulnerable women to engage in income generating activities from home. This can be suitable given the COVID-19 pandemic. Digital marketing and entrepreneurship training can open opportunities for next generation of workers. Only 5% have been able to sell on social media.

Investment in technologies and equipment can be valuable for vulnerable women and youth to start up their small textile enterprises. Financing such equipment can provide the needed leverage to start and grow micro enterprises.

The sector faces high competition. 68% of handloom and textile business owners tend to rely on word-of-mouth advertising. They also cannot meet demand due to their limited production capacities. Both access to training and finance were cited as a way to improve competitive advantage.

Introduction

This value chain study looks at the market actors in eight districts in Hajjah, Hodeida, Lahj, Abyan and Taiz. The study objectives were to identify the current challenges and opportunities among the value chain actors in these targeted locations. The study is to inform Enhanced Rural Resilience in Yemen (ERRY II) programming and assist in identifying areas for improving the value chain. Data were collected via surveys, focus group dis-

cussions, and key informant interviews. A separate synthesis report describes the study methodology and sampling strategy. The study analysis started in December 2019 and with the arrival of the Coronavirus (COVID-19) pandemic, opportunities were found to provide insight into the potential impact of the virus crisis on the sectors.

Handloom and Textile (H&T) production is an ancient cottage industry in Yemen, which represents the third largest source of rural employment in Yemen after agriculture and herding. According to ILO (2014), employment by sector is arranged as services (55.6%), trade (22.7%), agriculture (29.2%), industry (14.5%) and the public sector (12.7%). The majority of employment in Yemen was in the informal sector (73.2%). Of Yemen's 4.2 million employed, 3.27 million were engaged in "own-use production", including handloom and textile producers. Roughly 30% of the employed population were "own-account" or self-employed workers. The national textile factory was established in Sana'a in 1962, followed by other textile centres which were initiated in Bajel in Hodeida and Aden. The first productive stages began in 1967 with the production of coloured yarns and cotton fabrics, with an average production ranging from 37 to 44 thousand yards per day, and from 10 to 11 million yards annually. The factory contains 10,800 spindles, 27 thin spinning machines, 347 integrated textile looms, bleaching, dyeing and printing sections.

Despite having three textile factories in Sana'a, Hodeida and Aden, they are out of operation due to the conflict of 2015. In 2018, the textile factory in Sana'a resumed partial operation and in 2019 the government in Sana'a lent the factory YER 1 billion as a step to resume production and ensure employment opportunities for its workers. The government in Sana'a rehabilitated the factory and linked procurement of the local ministries to be obtained from the textile factory in order to support locally produced products (MOIT, 2018).

All raw material (yarn) is imported. Traders who import yarn monopolize their imports and control the quantity and prices in the market. Previous studies reveal that there is difficulty in obtaining raw materials due to the monopoly of a few traders who import raw materials from outside Yemen to the local market (Trading Economics, 2019).

Despite the slight domestic cultivation, a few tonnes of domestically produced cotton fibre is used in the H&T value chain. These levels are not enough to meet the demand from spinning mills. Most of Yemen imported cotton and fabric, representing 2.2% of the total import, is purchased from China, Turkey and India. As the textile factories were suspended, the cotton ginning ended its operations accordingly. Therefore, sales have declined to 80% of earlier level and as a result, farm land previously used for cotton cultivation is now used for tobacco cultivation.

The conflict brought different challenges for SMEs and entrepreneurs, with obstacles for business growth and start-ups. As per UNDP Market Assessment (2016), the Yemeni market is facing challenges including the weak enabling environment; insecurity and lack of basic infrastructure, financial services, information and skilled workers. Most businesses operate informally without licensing or registration. In 2019, displacement reached 3,600,000 IDPs in conflict affected governorates, affecting workers' movements and business demand.

Hundreds of workers have been laid off, and the suspension of government salaries has negatively affected people's purchasing power, which has led to lower demand by customers for all products, including clothing. The demand for hand-woven Maawaz, socks and dressing has dropped to less than half of what it was before the war. The cost of thread used in the weaving process has also more than doubled compared to the pre-war period (Darem, 2018).

Despite support given to SMEs and entrepreneurs' business development, the role is still not satisfying. For instance, entrepreneurs and SMEs have difficulties in accessing finance for their start-ups or business growth due to numerous reasons. A study conducted by Economist and Financial Researcher, AlShebami (2016) attached those difficulties to the following; high interest rate requested, poor management system for SMEs, lack of professional staffing, lack of financial literacy, religious perceptions towards receiving loans, and lack of documentation showing that entrepreneurs are eligible for getting loans. On the other hand, there are studies highlighted that microfinance is a promising market in Yemen.

UNDP as a major player supporting SMEs and entrepreneurs has worked in revitalizing the General Yemen Textile Corporation, in collaboration with authorities, technical ministries and Early Recovery Cluster Coordinator towards developing a strategy for operationalizing corporation and factory. The strategy focused on supporting SMEs and damaged institutions to recover and to continue delivering their products and services.



Value Chain Map

Handloom and Textile Sector Value Chain Map

Market Environment:

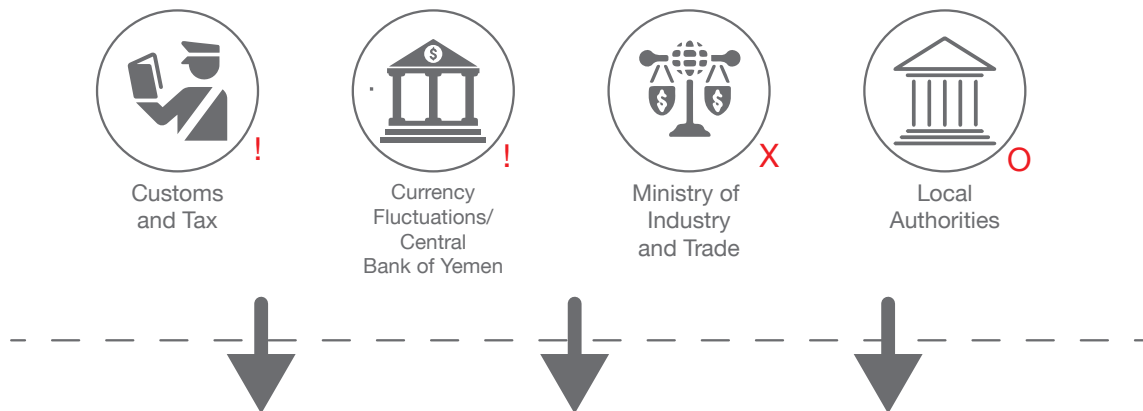
Institutions, Rules, Norms and Trends

Symbol Key:

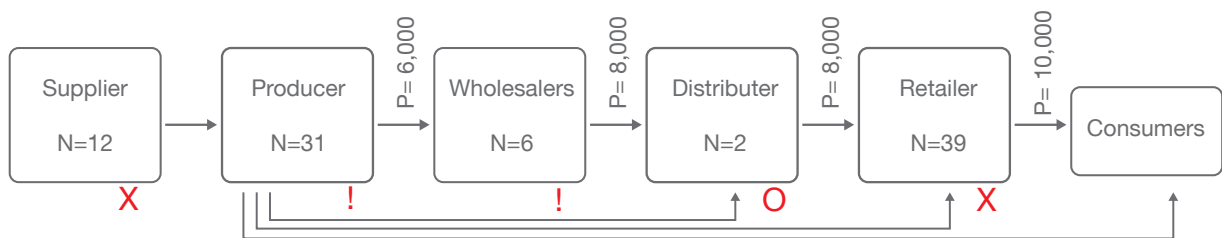
Critical Issue !

Major Disruption X

Partial Disruption O

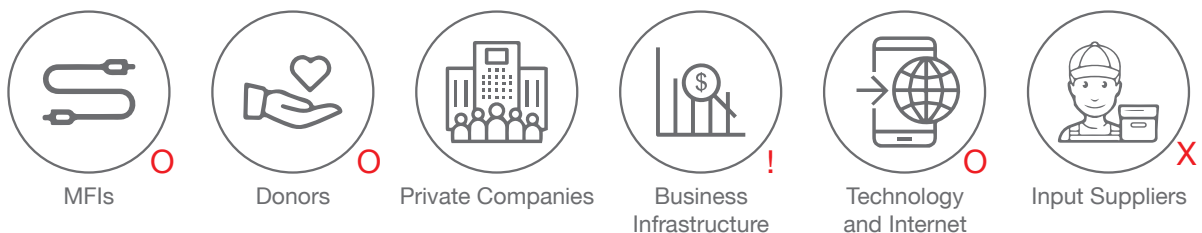


Market Actors and Their Linkages



*P= Price (All price amounts in are YER)

Key Infrastructure, Inputs and Market Support Services



Value Chain Parties

Suppliers

Suppliers provide producers with raw materials required for producing the three products: Maawaz, ladies' dresses and baby clothes. These include yarn, cotton, different fabrics, wool and threads. Equipment like handlooms, sewing machines and needles are also provided by suppliers. Suppliers import materials from outside the country, mainly from Indonesia, India and China. Wooden handlooms, however, are locally made. Suppliers can be found in big markets, whereas in rural areas and villages, only a few of them exist.

Producers

Producers include weavers and tailors who transform raw materials procured from local suppliers inside or outside the district into finished products using handlooms, sewing machines or needles. Producers of handloom and textile products sell their finished products to wholesalers, retailers, distributors or directly to the customers. In villages, producers hand products to brokers to market them to customers in their homes. In those areas, products are not always sold in cash, rather they are sold on debit terms and brokers pay to producers after collecting money from customers.

Wholesalers

Wholesalers represent traders and shop owners who sell finished products in large quantities either to other intermediaries such as distributors and retailers or directly to customers. Along with selling the locally made products, wholesalers also sell imported similar products which stiffens competition with local producers.

Retailers

Retailers are just like wholesalers but sell in smaller quantities, usually directly to the consumer. They also use distributors to sell their products to other retailers in different markets or districts. They give products to brokers as well to cover wider areas.

Distributors

Distributors act as intermediaries who link all actors together. They send products from producers to wholesalers and retailers or directly to the customer. Distributors also serve wholesalers and retailers and transfer their products to other retailers. They facilitate the distribution of products to cover wider geographical areas.

Consumers

The consumer is the end user in the chain who benefits from the product consumption. There are various routes for a product to pass through until it reaches the consumer. The length of the route is positively related to the size of the market and geographical area covered. The chain, however, starts with the supplier and ends with the consumer.

Governorate	District	Supply Market
Hajjah	Bani Qais	Souq Al-tour, Souq Al-lawha,
Hajjah	Abs	SouqAlmadeena, SouqShafar
Taiz	AlTaiziyah	Souq Alhoban, Ma-fraqMawya, Alqaeda
Taiz	Alshamayteen	Al-markez for Wholesaling, Alsafia for Retailing
Lahj	Almusaymeer	Outside the District (Aden)
Abyan	Sarar	Sana'a, Aden, Abyan

Table 1: The Local H&T Markets in the Targeted Districts

The Market Environment, Social, Norms and Trends

Local Authorities

Along with numerous challenges encountering the H&T sector development, the weak state is the dominant obstacle facing the H&T industry in Yemen. As actors have less contact with authorities, it was advised to increase motivational support and capacity building programs for the local authorities and government offices. Authorities' role is to facilitate collaboration between chain sectors. Therefore, authorities shall be activated in facilitating entrepreneurs' and SMEs' work, in particular in the rural areas; enhancing the physical and non-physical or soft infrastructure to create a conducive business environment for SMEs to prosper and to compete in the global market.

Customs and Tax

Businesses are highly affected by customs and taxes. They limit supplies and transport and increase product prices. The Government should consider the rules and laws, reducing customs and taxes on entrepreneurs in the industry.

Ministry of Trade

The Ministry plays a role in provision of technical and legal support to chain actors in the industry. The role of its technical offices in the targeted districts needs to be strengthened.

Currency Fluctuations/CBI

As the Central Bank of Yemen is divided between two governments of Yemen, the currency fluctuations is dramatically accelerated. It affects provision of supplies materials and inputs.

Social Aspects

The study analyzes social and economic issues related to value chain actors in the handloom and textile industry as

well as related parties (support actors) in the value chain. The study focused on the working conditions, poverty level, education, age, gender and ownership of the hand loom process production chain. In addition, the study discusses women and youth involvement in the value chain of the textile industry. The study particularly analyzes the socio-economic status of the actors in the value chain (business owners, managers and workers) investigating specific issues concerning women and young people's participation in the sector including level of participation, barriers to participation, forms of participation, conditions of employment, ownership of assets, and gender inequalities.

Technology and Internet

It was found that product sales are correlated with internet connectivity. Internet is one of the channels for promotion and sales.





Market Inputs, Infrastructure, and Services

Business Infrastructure

In the H&T chain, many producers do not have the basic infrastructure such as sufficient business facilities, water sources, electricity and other necessary facilities to manage and support production and sales. Additionally, although the demand for Maawaz and dress is very high, many areas of the targeted districts are still without the necessary infrastructure for producing, storing, processing and selling, including buildings, roads, transport networks, electricity and cooling facilities.

Microfinance Institutions and Donors

have a very appreciative role to support handicraft actors mainly H&T players along the chain to get access to technologies and equipment and to pursue market growth opportunities. More support is required to increase supplies and penetrate the market, especially in hard to reach areas. However, actors are not rapidly taking up these opportunities, to some extent because they are not familiar with the

scheme, but to a much greater extent because they struggle to meet basic criteria required to qualify for a loan.

Inputs Provision/Suppliers

The study revealed that production is subject to the smooth supplies in the business cycle. Therefore, inputs are controlled by few suppliers with prices going high as a result of monopoly. Investment opportunities are to be taken into consideration for potential suppliers to pursue provision of yarn, for instance.

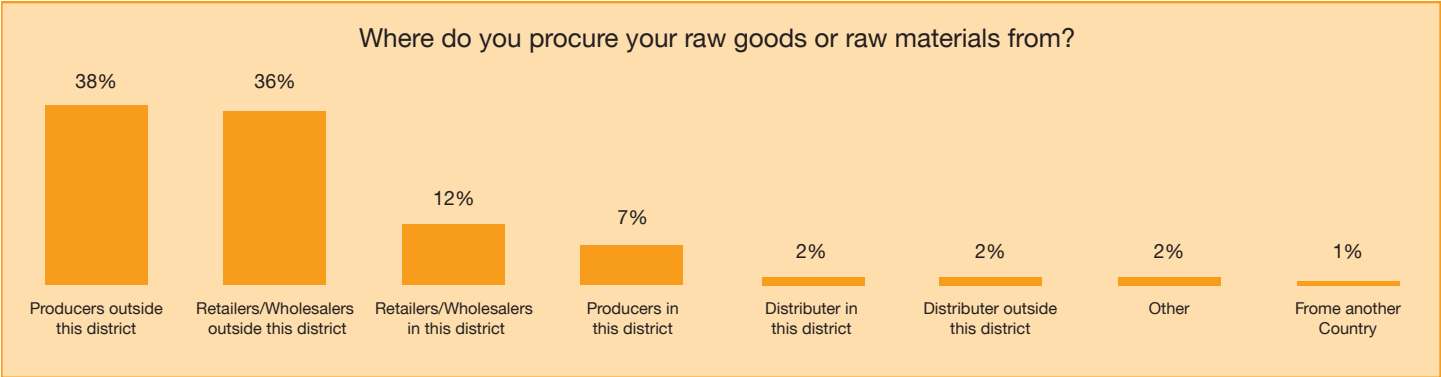
Inputs and Production Base

One of the handloom and textile sector's main inputs is cotton. It should be noted that despite insignificant domestic cultivation, a few tonnes of domestically produced cotton fibre is used in the H&T value chain, but this figure is decreasing due to the deteriorated situation and current conflict. These production levels are not enough to meet the demand from spinning mills. Most of the imported cotton

and fabric, representing 2.2% of the imported products, is purchased from China, Turkey and India. As the textile factories were suspended, the cotton ginning ended its operations accordingly. Therefore, the sales productivity declined to 80% and as a result, farming land was used for tobacco planting instead. The raw material is imported from outside Yemen. The study found that traders monopolize yarn imports and control the quantity and prices in the market. Thus, there is a difficulty in obtaining raw material due to the monopoly of a few traders in the local market.

The study indicated that raw materials to many sellers comes from outside the district they operate in, whether

from producers or wholesalers. A few actors, mainly females in Abyan and Hajjah, get their raw materials from producers and wholesalers in the same district. The districts targeted in the study embrace more finished-product sellers than suppliers and this means higher costs per unit for goods sold. The fact that almost all acquired raw materials from inside the country is a good indicator; however, not all traders, especially wholesalers and producers in Taiz, seemed to be satisfied with the suppliers they are dealing with. Actors satisfied with their suppliers had problems with the availability of traders; others had issues with the consistency of goods or their quality.



It can be seen that sellers prefer short durations between each purchase of raw materials which means saving inventory costs but may indicate high spending on transportation costs since most of them deal with suppliers from outside the district. 32% of the sellers (retailers and distributors) buy materials on a monthly basis, while 33% make orders within shorter time spans, especially those in Hajjah. Other actors, mostly wholesalers, request inventory with longer duration exceeding one month and reaching up to once a year.

Business Ownership and Manpower

Half of the business owners; women specifically, have no employees at all and work alone, which reflects high workloads on the business owners, that can have side effects on them personally and on their business. Having the owner taking care of all aspects of the business can sometimes also be an obstacle for its expansion. However, the other half has more permanent employees than seasonal ones. 43% have 1 to 3 employees and only 4% have more than 3 but not exceeding 20 employees. 29% of business owners have 1 to 3 seasonal employees, whereas 16% have more than that and up to 10 employees. Wholesalers, retailers and distributors tend to hire seasonal employees more than pro-

ducers do. The latter depend on permanent employees due to the nature of work they perform which requires technical experience that cannot be easily gained unless someone had been in the field for quite a long time. It was also found that hiring employees, whether seasonal or permanent, is more common in Taiz than in other governorates.



Employees mean additional costs to the business and that's why business owners tend to work on their own rather than hiring people to work for them. On the other hand, additional skilled employees mean higher productivity and outcome, and those hiring skilled employees are found to be better performers.

Vocational Skills and Training

The study shows that more than two thirds of the employees had not received any training, with Abyan scoring the least in number of employees trained. 17 % of actors have up to 3 trained employees; 3% only, from Lahj and Taiz, have more. Wholesalers and producers were more concerned about their employees training than retailers and distributors. The low training rate can be due to the fact that half of the entrepreneurs and SMEs do not offer apprenticeship to employees and most of those who offer, train only up to three employees. Others who train many employees form a small portion of businesses in the market and are most of them found in Hajjah.



Entrepreneurs receiving training represent only one third of business chain actors, most of them male, while 67% of actors did not get the chance to be trained or gain skills; half of them were from Taiz. 4% of the chain actors went for training not related to handloom and textile business. 67% acquired the skills themselves, whereas others who acquired the skills from NGOs or parents form 17% and 14% of respondents respectively. The rest gained skills from oth-

er resources such as government centres, technical schools and businesses. Nevertheless, entrepreneurs believed the skills they acquired were useful, regardless of their source.

Business Nature

As the conflict adds huge burdens affecting family incomes, women in particular were forced to contribute to the family economy, which led them to start their own businesses working from home, especially those operating at village level.

There are more producers than retailers in Lahj and Hajjah, while there are more of the latter in Abyan and Taiz. 68% of businesses, especially those in Taiz and Abyan, sell at district level, while the rest only serve at village level and those are mostly women. This is due to the limitation in resources and capabilities that if available would allow business expansion. It is also notable that most women-owned businesses operate from home. 39% have shops and are all men; being retailers and wholesalers, mainly found in Taiz. 15% have workshops where goods can be produced and sold. The remaining chain actors were street sellers or had kiosks. People tend to work from home because it is not easy to open a shop for business owners with small capital. This is due to the difficulty in loan acquisition for small business owners, as elaborated later in the Access to Finance section. Another reason would be cultural barriers which restrict women from working outside home, especially in rural areas.

Market Potential: Inventory, Sales, Demand and Supply

Three products were identified by study participants as the most commonly sold products in the H&T industry; Maawaz, Women's dresses and wool baby socks, and the study focuses on those products. The most frequently sold product was found to be Maawaz, which is a piece of cloth that is worn by men in different cities of Yemen. The levels of stocks in inventory with business owners varied depending on the size of the business and geographical area. Around one third of business actors had below fifty units in inventory. 20% of actors had between 50 and 100 units and another 20% had up to fifty units more. 30% had more than 150 but not exceeding 200 units.




Product	Product Price (YER)	Stock	Units Sold Per Month	Sales Earnings per Month (YER)	Average Annual Spending for Household (YER)
 Maawaz	10,000	150	40	400,000	25,084
 Women's Dress	6,000	25	12	72,000	20,000
 Wool Baby Socks	1200	15	10	12,000	23,607

Table 2: Average Monthly Stock, Sales and Household Annual Spending

The low level of inventory may be a result to the low level of sales. However, some said sales levels were medium and very few had high levels of sales, reaching 150 units per month. On the other hand, the reason behind low sales levels for individual businesses can be the high level of

competitiveness and the existence of many nearby rivals. Only around one quarter of the VC actors said there are few sellers near them. 73% of them said competition was high and that there are many sellers in the market selling similar products.


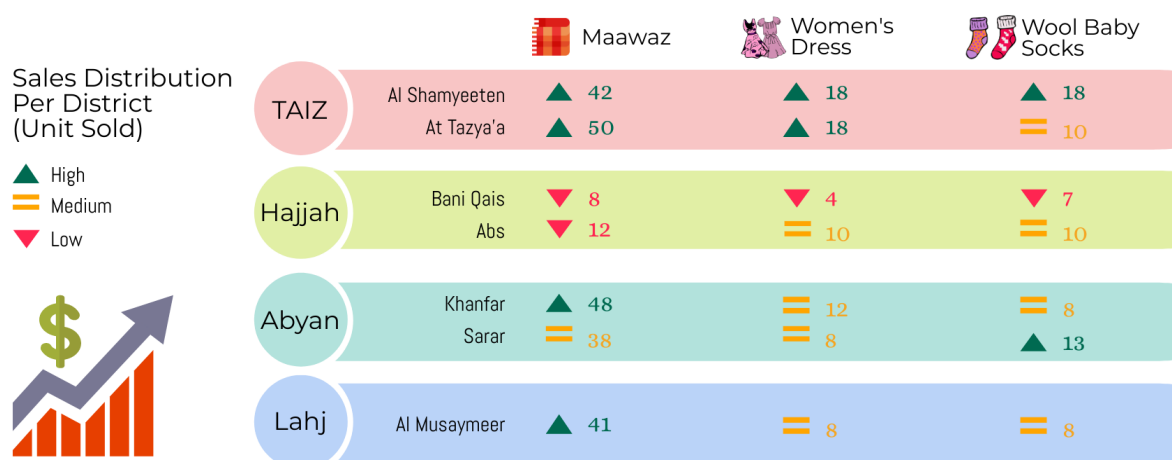
Product	Governorate			
	Taiz	Hajjah	Abyan	Lahj
 Maawaz	46	10	43	41
 Women's Dress	18	14	10	8
 Wool Baby Socks	14	7	11	8

Table 3: Sales Distribution Per Governorate

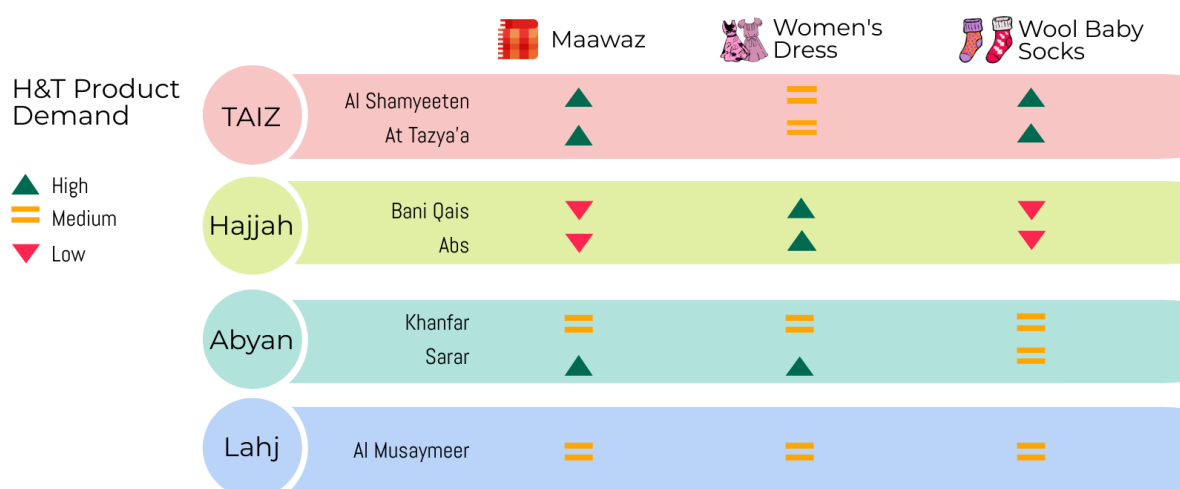
Ladies' dresses were found to be the second most sold products. Levels of inventory on hand were lower than those of Maawaz; most sellers had less than 20 units in inventory

as the sales level was not that high either as indicated by 50% of respondents. 40% were satisfied with the level of sales and described it as high.



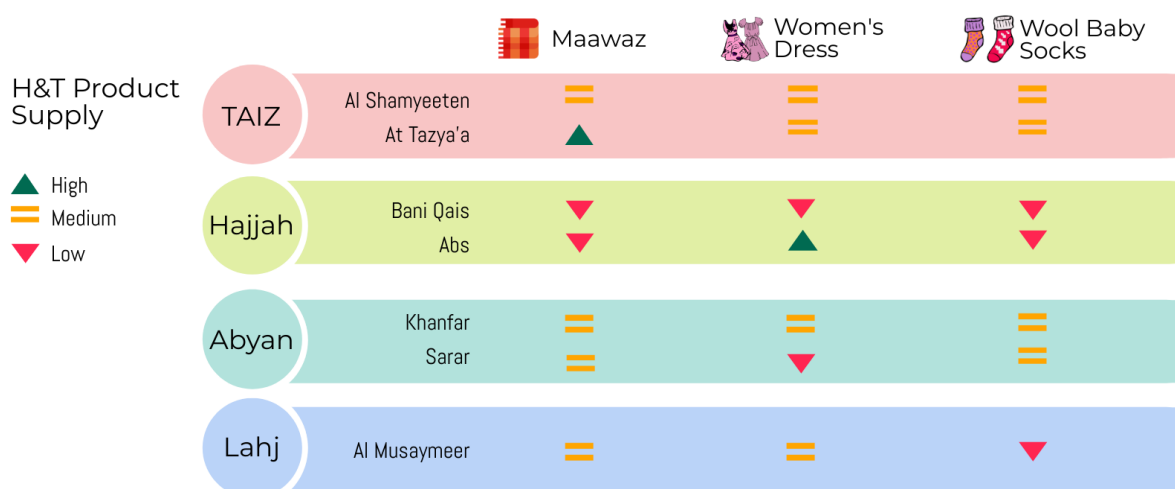
The third product with high sales level compared to other products in the market is wool baby socks which is especially sold in cold areas. Current level of inventory on hand with sellers is low to medium, ranging from 10 to 100 units.

Sales levels were found to be medium, with a maximum of 120 unit sold per month. Competitiveness was found to be high as per 80% of the VC actors, which explains the comparatively low sales levels.



Finished products are mostly sold directly to customers, either in seller's shops (70%) or delivered to customers' homes (15%). Only a few products (15%) are handed to brokers, traders and other retailers. The highest sales were identified in Taiz and Hajjah, followed by Abyan and Lahj as indicated in table 5. In Taiz and Hajjah, products are sold

through shops, which are in most cases owned or run by men, whether producers, wholesalers, retailers or distributors. In contrast, in Abyan and Lahj, products are delivered by women producers and brokers directly to customers' homes. Distributors usually deliver products to customers in other public or private locations as convenient.



Suppliers were said to be a good source for information about the market as indicated by 31% represented by retailers, wholesalers and distributors. Other market information sources were competitors, other cities' visits, and the internet. However, 36 % of VC actors, producers and wholesalers, confirmed getting information from other resources than the ones mentioned above. Only distributors in Lahj (5%) search

the internet for acquiring information about the market and this can be due to the lack of information about these markets on the internet, the internet access difficulties in some cities or the inability of sellers to use the internet, which can be an affordable and easily accessible source.




Calculating the Profit Margin					
Product	Actor	Purchase Price (YER)	Selling Price (YER)	Average Profit Margin (YER)	Profit %
 Maawaz	Supplier	2,000	4,000	2,000	50%
	Producer	4,000	6,000	2,000	20%
	Wholesaler	6,000	8,000	2,000	20%
	Distributor	6,000	8,000	2,000	20%
	Retailer	8,000	10,000	2,000	20%
	Consumer	10,000			
 Women's Dress	Supplier	1000	2500	1500	50%
	Producer	2500	4,000	1,500	33%
	Wholesaler	4,000	5,000	1,000	20%
	Distributor	4,000	5,000	1,000	20%
	Retailer	5,000	6,000	1,000	20%
	Consumer	7000			
 Wool Baby Socks	Supplier	200	400	200	50%
	Producer	400	600	200	33%
	Wholesaler	800	1,000	200	20%
	Distributor	800	1000	200	20%
	Retailer	1000	1200	200	20%
	Consumer	1200			

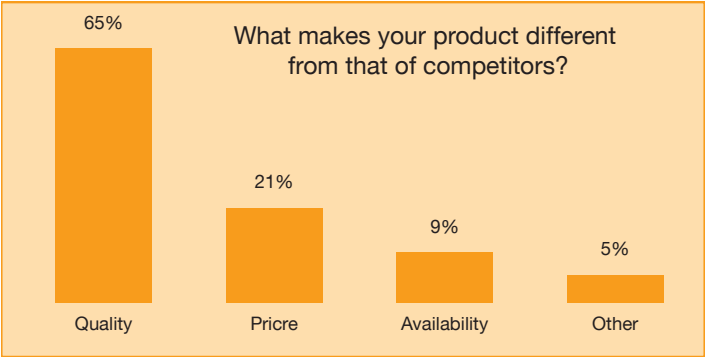
Table 4: Profit Margin in the H&T Chain

Market Competitiveness

The competitiveness in the handloom and textile market varies depending on the area where the business operates. In some districts such as Khanfar, At Tazy'a'a and Abs com-

petitiveness is high due to the availability of more than 10 competitors as indicated by 35% of the VC actors. On the other hand, 36% of actors in other districts declared having medium competition from 2 to 5 competitors. In between

both categories falls a middle range of 6 to 10 competitors in some areas like Alshamayteen and Bani Qais as indicated by 22% of actors. 7% of business owners, retailers and producers, had only 1 competitor which enabled them monopolize the market.



In order to compete in markets with other businesses selling similar products, entrepreneurs have differentiated their products. Based on data gathered, 65% of sellers prided themselves for having good quality which adds value to their products. Others (21%) were more into being cost focused to gain competitive advantage over competitors in the area. 9% of sellers ensured the availability of products and set it as a priority to compete.

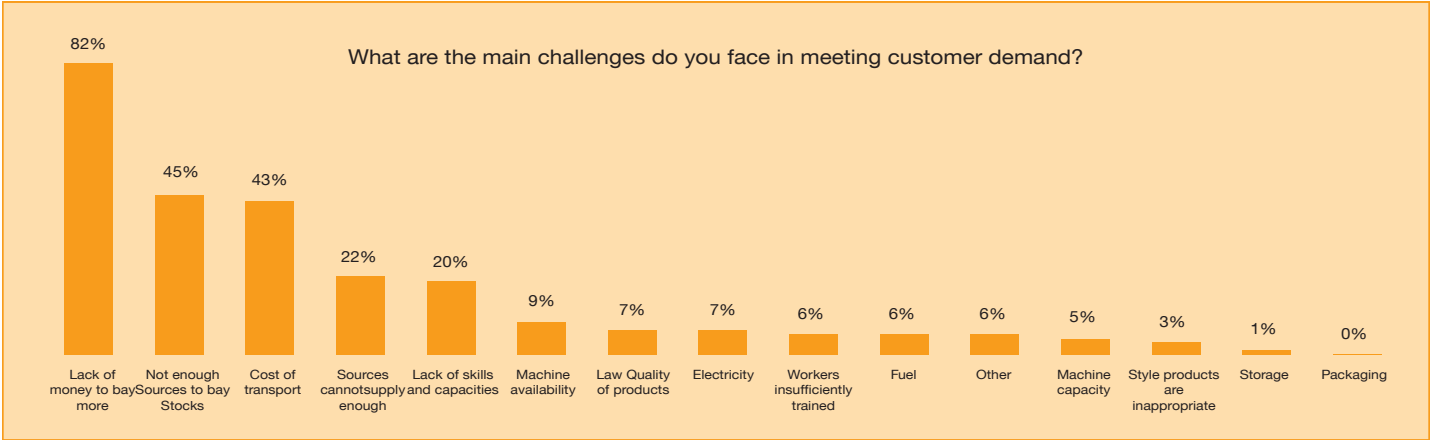
84% of traders were found unable to compete with rivals, except for those in Lahj, and the main reason behind that was indicated to be the limitation in capital as per 58% of responses, which may mean inability to buy more machines for producers or limitation in purchasing stock for traders. Mass production helps producers save costs and be cost focused, but when they are unable to produce more due to limitation in capital or unskilled labour, they become unable to compete. 15% of producers in Hajjah and Abyan declared that having less quantities is the main reason they are not

able to compete, while 7% believed the lack of skilled labour is the reason. 8% (from Taiz) thought that the less variety in products they sell may be the obstacle they are facing. Differentiation is another strategy for gaining competitive advantage, but businesses are not able to offer a variety of products due to lack of skills and capital.

Business owners, especially producers and distributors, believed that receiving training will enable them to compete with their rivals. Training, from their point of view, should mainly be in handloom and textile subject matter. Only few believed training on marketing, entrepreneurship, management and finance is essential. Some actors expressed the need for communication and customer service skills. These findings show that business owners are aware of the need for training to their employees but lack the resources. However, there were some VC actors, retailers and wholesalers from Taiz, who were uncertain and others who thought training would not be the solution.

Consumer Demand

The study revealed that sellers or business owners declared they are unable to meet their customers' demands. Most of these were producers and wholesalers. The main reason for this problem is the lack of supply. According to business owners, lack of money to buy more is the reason they are unable to meet demand. Other main challenges were lack of resources and inability of sources to supply enough from producers' perspective, transportation costs from distributors, wholesalers and retailers' point of view, and lack of skills and capabilities for producers and distributors as per 45%, 22%, 43% and 20% of sellers' responses respectively. This is an effect of the conflict that has restricted resources entering the country.



Even if raw materials were supplied from inside the country, the fuel crisis during most of the times and the increased fuel price can be a huge barrier that restricts transport of goods. The inflation that has caused price hikes is another reason why retailers and wholesalers are unable to meet demand. The increased unit cost decreases sellers' profit margin if they wish to maintain their products' affordability. Poor quality of internal suppliers and other reasons could also add magnitude to the problem. The real difficulty is that sellers are frequently unable to meet demand, and this shows the seriousness of such problems. 29% of sellers (retailers and wholesalers) do not keep track of how often they are unable to meet demand, which may indicate weak planning in terms of how much and when to order. Most producers, especially in Hajjah, were unable to satisfy customers' needs every few days due to the same reasons.

As mentioned earlier, most businesses' employees did not complete vocational training and this makes them lack the required capabilities to be productive, and as a result they produce less while they can achieve more. Fuel and electricity unavailability also interrupt the production of goods, as well as the inability to buy machines or extend their capacity. However, it was agreed by producers that the main reason is the lack of money to buy more and this could be a reason for the frequent stock purchase orders.

Business Growth

Seeking the generation of more profit, both male and female business owners expressed having plans for expansion in the next few years despite the difficulties they face in running the business, as indicated by 99% of respondents. Half of them believed they need from 1 to 3 additional employees in order to expand, and these would be small business owners. 33% of owners expected needing 4 to 10 workers to be hired had they applied the expansion plan.

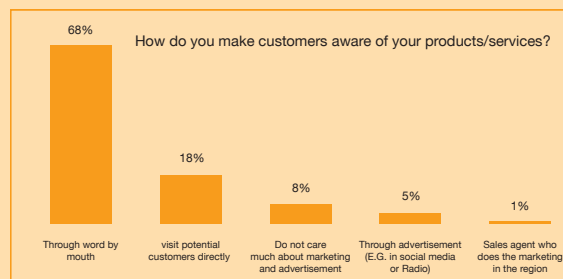
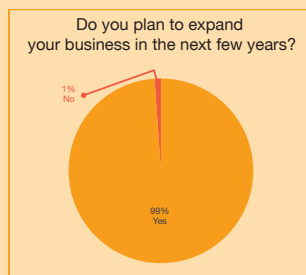
Producers and wholesalers with bigger businesses need more employees depending on the size of the expansion. These were

in Abyan and Taiz. However, business owners in Lahj and Hajjah did not find it necessary to add more than 10 workers. Two thirds of business owners approved the need for training for newly hired employees in the handloom and textile market, whereas the rest thought it is not necessary for employees to be trained on special skills in order to carry out their work. On the other hand, 2% of actors said they do not need extra employees to expand as the expansion to them might be in terms of machine capacity or other resources. The majority believed that a limit for growth in the value chain is the lack of qualified labour. The fact that there are some producers, retailers and wholesalers who think that unqualified labour is not an obstacle for their growth is a barrier itself.

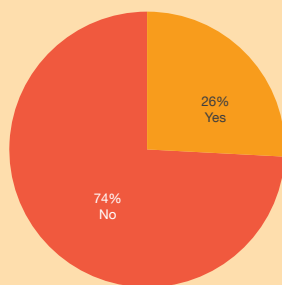
Marketing and Promotion

In the H&T industry, marketers think of only advertising to promote or sell their products, but it is not this simple. This includes all the weapons in the marketing armoury – advertising, selling, sales promotions and public relations. Information on market and business services is vital for the efficiency of the value chain. There is no information made available to the producers on marketing and business opportunities. Producers lack complete knowledge of alternative input products and equipment. Also, business development and advisory services are absent from the target area.

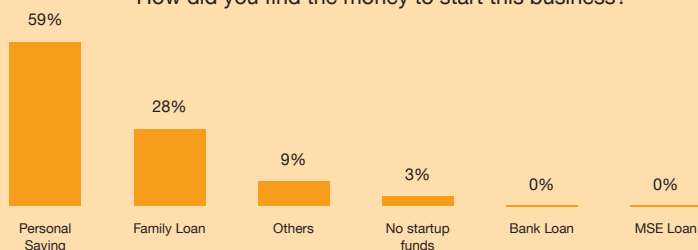
Therefore, the study found that value chain entrepreneurs rely on word-of-mouth advertising. 18% of them, mainly male distributors, visit potential customers directly and 5%, producers and retailers in Lahj and Taiz, use social media. Advertising using social media seems ineffective for players in rural areas due to internet connectivity issues, and in this case word-of-mouth advertising would be the best approach. Visiting customers directly might be effective but costly at the same time. Having sales agents is beneficial especially for those who operate in remote geographical areas, like what producers do in Hajjah.



Did you plan and implemented a marketing strategy?



How did you find the money to start this business?



Access to Finance

Provision of loans is one of the indicators used in the study to track the value chain development. The H&T enterprises do lack access to loan opportunities although they are in dire need to rehabilitate the enterprise and achieve desired business growth. As per Yemen Multi-Sector Early Recovery Assessment, humanitarian organizations in Yemen refrain from economic support to enterprises due to funding gaps and emergency approaches, where the majority of responses concern lifesaving services for the most affected people and provision of emergency employment projects. The declining presence of community-based organizations (CBOs) with mandates to provide grants and loans add a myriad of challenges such as funding gaps in sustained ability to continue responding. The most frequently cited challenges were the lack of financial support to carry out socio-economic activities, insecurity and a lack of support from authorities. That explains the insignificant presence of organizations working with socio-economic and empowerment interventions.

The study found that very few entrepreneurs received start-up finance. The personal saving was rated to be the first source for business finance, followed by family members, and husband or wife. H&T entrepreneurs and SMEs certainly face difficulties in accessing start-up finance for many reasons. One of these challenges is the inability to access loans as they are not aware of credit opportunities, others do not comply with legal business requirements, have less capacity or fear the interest payments required. Broadly, 26% of entrepreneurs did not find any lending organizations, followed by 24% who were unable to afford the interest payment. A notable proportion of the businesses were not able to meet the loan criteria which made them ineligible as targeted SMEs. 17% have no idea of the application process and 4%

did not have the appropriate and sufficient documentation to access the loan. Furthermore, 9% of actors were not interested in receiving loans.

Supplier Relations

Supplier relation is one of the essential factors in the business process. Good relationship among suppliers and clients was observed. This indicator was highly significant among distributors, as they receive bonus and motivational incentives when transporting products to targeted locations. Moreover, retailers usually receive good support from suppliers in the form of marketing, capacity building and other essential services. However, not all sellers seemed to be satisfied with suppliers they are dealing with. Almost half of actors were not having long standing relationships with their suppliers and were not satisfied, having issues in terms of availability of traders and materials whereas others had issues with consistency of goods and required quality. These issues come up with high frequency among producers and workshops owners. Furthermore, suppliers are not cooperative enough with other chain actors and resist to offer support services such as after sales services.

Business Partnership and Joint Venture

According to EOF (2014), the handloom and textile value chain is in need of identifying possible opportunities for partnership, collaboration and synergy of the sector operations. 94% of respondents stated that they have not formed any joint ventures or partnerships. Chain actors went through bad experiences of business partnering and they failed at an early business stage. People refer the failure of partnerships to conflict about profit and loss. Therefore, the study recommends establishing a H&T cluster with responsibility for governing the business chain and providing information sharing with required guidance for entrepreneurs on how to engage in joint ventures and business partnership.

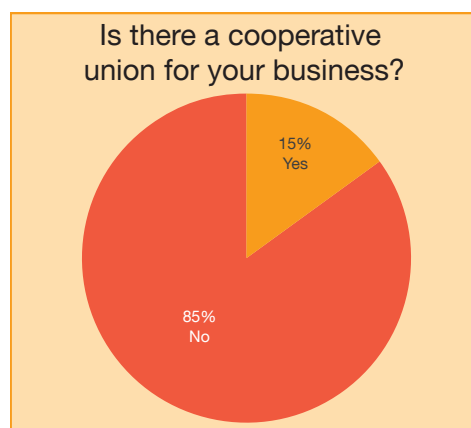
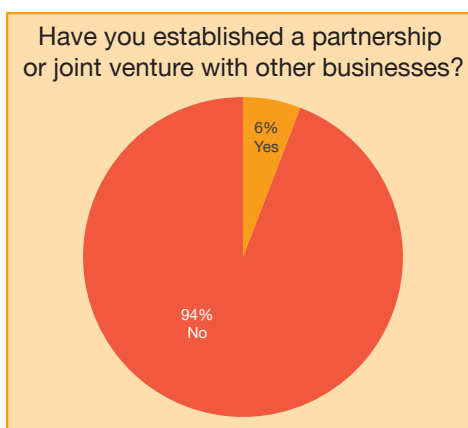
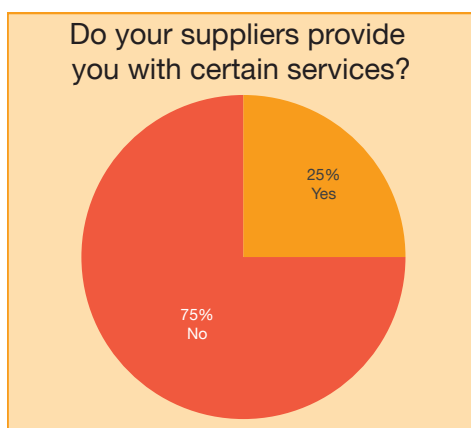
Cooperative Unions

The study revealed that entrepreneurs and SMEs in the textile and handloom industry have no connection or membership in cooperative unions, as indicated by 85% of respondents. Entrepreneurs indicated the importance of activating cooperatives in order to provide essential services such as facilitating tax and customs deduction, building enterprise capacity and facilitating finance of start-ups. They believe cooperatives will protect them and ease business growth.

Relations with Authorities

The study finds that entrepreneurs in the value chain have no or little communication with authorities and technical government offices concerning business operations and affairs, as stated by 64% of respondents. Good communication was perceived by 29% of respondents. The respondents attached that to lack of motivational support and capacity building programmes from authorities and government offices towards entrepreneurs and SMEs. Authorities in Taiz, Abyan and Lahj, for instance, deliver little in fostering collaborating strategies.

Therefore, authorities are advised to take the lead in assisting entrepreneurs and SMEs, in particular in rural areas. Their intervention may focus on addressing identified gaps and enhancing further the physical and non-physical (soft) infrastructure to create a conducive business environment for SMEs to prosper in the local market and compete in the global market.



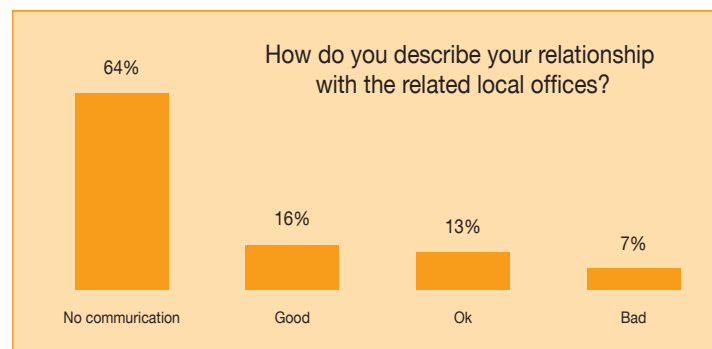
Business Bottlenecks

Obstacles Associated with Supplies/Raw Materials Value Chain

The study highlighted different problems related to inputs supplies/raw materials, including:

- The scarcity of yarn associated with high prices due to currency fluctuation. It was found that H&T supplies are monopolized. The interruption of yarn availability is an issue occurring from time to time and affecting business production.
- Dramatic increase of taxes and customs on raw materials and goods. This has led to increased prices of supplies.
- High costs for transportation between districts and governorates due to road closure add burdens on raw material supply.
- Alternative supplies/raw materials with less quality. Entrepreneurs in Hajjah go to Sana'a to collect their raw

materials to get good quality, instead of going to Hodeida in order to do so.



Obstacles Associated with Production Value Chain

- The scarcity of locally produced yarn perceptibly affects the price of the yarn as the weavers are dependent on private yarn suppliers who charge high rates and also compromise on the quality of the yarn supplied. It is evident that in the absence of supply of yarn from government agencies such as Yemen Textile Corporation, the

weavers are forced to procure yarn from private dealers at higher prices.

- Lack of technical skills for workers in weaving, branding and designing. Moreover, producers were found to be unaware of good yarn production techniques, as well as health and environment techniques. Therefore, it becomes difficult to satisfy consumer needs.
- Insufficient space for weaving as entrepreneurs, in particular women, run businesses from their homes, which restricts production capacity and results in limited innovation.
- Increased operational cost, including costs for water, electricity and other utilities.
- Production machinery for weaving is insufficient. This has led to decreased product quantity in terms of economics of scale.

Obstacles Associated with Storage Value Chain

- Entrepreneurs are not able to continue paying storage facility rent. This was noticed among people in Taiz, Hajjah and Abyan.
- Some businesses have no warehouse to store their products and raw materials in. This is often the situation for female entrepreneurs as they run their business from homes. The lack of storage space relates to the low product stock for H&T products described earlier in the report.

Obstacles Associated with Distribution Value Chain

- The continuous interruptions of transportation and road closure, putting more pressure on distributors or brokers in targeted districts, mainly in Taiz governorate.
- High quality products have less opportunity to be distributed as there is no good market for sales, which comes along with decreased purchase power for consumers.
- It is difficult to distribute products like Maawaz due to the strong dominance of big traders who offer cheaper prices.
- Limited distribution due to use of sales per demand model. This affects the distribution pattern as stated by actors in the value chain.

Obstacles Associated with Marketing Value Chain

- Lack of understanding of marketing and promotion best practices and strategies. Marketing is still the responsibility of distributors or brokers to deliver products to consumers.

- Lack of information available concerning consumer preferences, demand, competitors and markets. Consumers still walk long distances to purchase products and cannot connect to businesses using technologies or other means.
- The seasonality of sales for cotton or wool products and fierce competition from Chinese and Turkish products.
- The finished products do not meet consumer demand as the production takes longer time and consumers perceive product prices to be too high.
- Interventions of government and local authorities, adding pressure on businesses. For instance, authorities do not allow small shops to advertise their quality products through social media, claiming that prices are high.

Obstacles Associated with Consumption Value Chain

- Consumers cannot purchase products due to increased prices. Purchasing power is considered low also due to salary suspension in recent years, especially in Hajjah.
- Sales on credit as consumers do not settle payment on time. Consequently, an effect on production and distribution occurs.
- For wool or cotton, the demand is limited to specific seasons; winter is a good market for such products.
- Chinese and Turkish products are affecting local product consumption due to their availability and affordable prices,
- The local products are not reaching consumers easily. Demand in rural areas is still not met and markets are poorly covered.

Exporting and Importing

In 2018, the yarn fabric import reached 1.8% of total imports from China, Turkey and India. In addition, the imported cotton from China reached 2.2%, equivalent to an amount of USD 65.83 million. All yarn is imported. Traders who import this yarn monopolize their imports and control the quantity and prices of yarn in the market. Previous studies revealed that there is a difficulty in obtaining raw materials due to the monopoly of few traders who import raw materials from outside Yemen to the local market (Trading Economics, 2019).

On the other hand, Yemen textile exports has increased, now reaching USD 86.38 million. The main textile exports go to Saudi Arabia, United Arab Emirates and countries in the Horn of Africa. Some Maawaz types such as Sabaeya are consid-

ered to be high-quality brands produced in areas of Hodeida, Hajjah, and Lahj.

The study shows that one third of entrepreneurs and SMEs export their products. As the majority of traders never engage in exporting, the study has advised to build the capacity of local entrepreneurs and SMEs in obtaining certifications, training and development, and provision of investment.

Women Involvement and Opportunities

The study revealed that women involvement in the H&T sector is very low and in decline. Actors confirm that women employment is not in place at their businesses, in particular in case of retailers and wholesalers. The findings highlighted the following;

- The community culture and religious perceptions restrict women's work in the market. Thus, a partial role for women was observed in the production chain. Employing women requires having a suitable office or shop considering their dignity and community sensitive culture. For those managing business from home, it is difficult to bring females to work.
- Hiring women requires additional cost, and that is not doable for certain entrepreneurs who are managing their business themselves. Others state that their business is small and they do not see it wise to hire extra staff or are not able to take risks. Employees mean additional costs to the business and that's why business owners tend to work on their own rather than hiring people to

work for them. On the other hand, additional productive employees mean higher productivity and outcome, and those hiring skilled employees are found to be better performers.

- Unlike male workers, women are, from the entrepreneurs' perspectives, not able to work with sales and marketing as this involves high work pressure. Female workers have no skills as stated by actors.

The study revealed that the H&T industry is a good domain for vulnerable women to be involved in income generating activities and livelihood employment opportunities, especially in rural areas of Yemen. 84% of business players view the sector as a promising market for women. Women are found with high income opportunities in tailoring, dress making, and Maawaz weaving.

The handloom and textile industry is considered as one of the good domains for women to initiate start-ups, as supported by 74% of respondents who see supporting female entrepreneurs as a good intervention, especially in remote areas where women have good market positioning.

Small enterprises provide a number of benefits for women, including flexible work hours and allowing them to work from home or nearby places. This will make it easier for them to enter the business sector. Women believe that being able to work near their homes makes it easier for them to work and be more independent. It makes them less reliant on others and allows them to rely less on social support.














Product	Governorate	District	Producer		Wholesaler		Distributor		Retailer	
			 M	 F	 M	 F	 M	 F	 M	 F
 Maawaz	Taiz	Al Shamyeten			16%		4%		80%	
		At Tazy'a	30%		10%				70%	
	Hajjah	Bani Qais			10%		10%		80%	
		Abs			10%				90%	
	Abyan	Khanfar			20%				80%	
		Sarar							100%	
	Lahj	Al Musaymeer			20%				80%	
 Women's Dress	Taiz	Al Shamyeten			20%		10%		70%	
		At Tazy'a	10%	10%	10%		10%	10%	50%	
	Hajjah	Bani Qais		25%				5%	70%	
		Abs	20%	20%	10%				50%	
	Abyan	Khanfar		15%			10%	15%	40%	
		Sarar		10%		10%			80%	
	Lahj	Al Musaymeer	20%	10%				20%	50%	
 Wool Baby Socks	Taiz	Al Shamyeten			20%				80%	
		At Tazy'a		5%			5%		90%	
	Hajjah	Bani Qais					10%		90%	
		Abs		10%					90%	
	Abyan	Khanfar		20%			10%		80%	
		Sarar			20%				80%	
	Lahj	Al Musaymeer					10%		90%	

Table 5: Gender Distribution at H&T Value Chain

Youth Involvement and Opportunities

The handloom industry in the country is in the hands of youth, adults and the aged; men dominate as indicated in table 9. The study revealed that youth are unenthusiastic about going into this business as they perceive it as a hard work with no economic incentive and probably with no future given the shift to imports. There has been a high rate of rural–urban migration with youth being affected by the conflict.

However, youth presence in the H&T value chain is high. Almost half of the respondents fell in the age range 25 to 34 years. 26% of the respondents were 35 to 44 years old, and 17% of respondents were aged 15–24 years.

Most of the youth included in the study expressed their readiness to start their own businesses because this will provide them with sustainable incomes, especially at the current time. They are not able to do this for a number of reasons, including not having financing, high risks of getting loans, difficulties to get training in skills they need, lack of support from their families and communities, and the absence of support services or basic infrastructure, like electricity. Furthermore, their chances to get training and knowledge are very limited.

The H&T sector is a good domain for youth to engage in, to earn livelihood employment opportunities and to establish start-ups. Areas like production, marketing and distribution

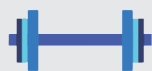
are the most highlighted opportunities for youth to get involved in as per the study. Therefore, supporting youth and helping them start their own businesses will have a large social and economic impact on families and local communities. This can be a tool to strengthen social integration and ties in the areas that are at risk, and will help keep youth away from terrorism and military recruitment.

Barriers

- Female entrepreneurs face limited mobility, lack of access to capital and business support services, socio-cultural factors that reinforce gender stereotypes and lack of requisite skills set (business development skills, marketing, financial literacy knowledge and skills).

- Disruption of transportation and input supplies. That led to limited production and increased product prices.
- Increased competition by the imported Chinese and Turkish products and the high economics of scale compared with limited local production.
- Burdens on new start-ups and entrepreneurs, mainly in terms of tax and business regulations requirements.
- Lack of support given to entrepreneurs along with unavailability of cooperatives tackling enterprise and SME challenges in the H&T industry.
- Support to entrepreneurs and SMEs is limited, especially when it comes to microfinance. This was frequently found in Hodeida and Lahj.

SWOT Analysis



STRENGTHS

- High quality products that represent the culture heritage and durable products;
- High purchasing power in Taiz and Lahj governorates;
- Competition is low especially in rural areas;
- Good relationship with suppliers is maintained in the chain;
- Huge domestic (growing population) demand. Increasing local demand for Maawaz products at an annual growth rate of 5%;
- Acquire weaving skills easily and experience transfer by workers.



OPPORTUNITIES

- Membership of Yemen in the World Trade Organization, giving the opportunity for international trade;
- Displacement accelerates the sales and demand;
- Availability of lending organizations working in micro-financing;
- Promising sector for women to generate income opportunities, mainly in production chain;
- Promising markets for Gulf countries,
- Availability of internet, technology and social media.



WEAKNESSES

- Delivery time delays in customs clearance and high transportation and input costs;
- Cheaper imported Chinese and Turkish Maawaz, lady dress and baby socks;
- Low purchasing power in Hajjah and Hodeida due to salary suspension;
- Lack of skills in product design and branding. Production is low as it takes longer working hours;
- Shortage of capital and difficulties to access finance;
- Despite good relations of actors, partnership is not experienced in the industry;
- High dominance by males with small women representation;
- Low economies of scale;
- Lack of market information (market trends and customer behaviour).



THREATS

- Cooperatives, authorities and government offices are not supportive to entrepreneurs and SMEs;
- The tough competition between the local products and those imported from the international market;
- Increased customs and tax on input supplies/ raw materials and machines;
- Lack of community acceptance for women to work due to social barriers;
- Compatibility of local producers to the international standards of export.

Proposed Intervention Matrix

Proposed Intervention	Modality	Priority	Key Players	Targeted Beneficiaries	Governorate	District	Gender Coverage/Representation in the VC									
							Supplier		Producer		Wholesaler		Distributor		Retailer	
							M	F	M	F	M	F	M	F	M	F
1. Improving productivity of highly vulnerable entrepreneurs and SMEs through provision of:	Cash Microfinance provision of machinery and equipment	Immediate	UNDP, NGOs, UN agencies, INGOs, private sector, Early Recovery Cluster	✓ 40 producers in 7 targeted districts. ✓ 7 suppliers in 7 districts. ✓ 20 retailers in 7 targeted districts.	Taiz Hajjah Abyan	Al Shamyeteen At Tazya'a Bani Qais Abs Khanfar Sara Al Musaymeer										
- Vocational kits, weaving and design machines and maintenance packages; - Solar panel/ Generator; - Good quality and quantity of Yarn and other production inputs (i.e. Turkish and Egyptian); - Vans; - Business and storage facilities rent.																
2. Expanding or opening up new markets in areas with high demand. This will assist in increasing productivity and tackling transportation issues while acquiring the raw materials or finished products from remote markets i.e. Sana'a or Aden.	Economic empowerment Cash for work Microfinance	Medium (YER 2 million per beneficiary is the estimated financial need)	UNDP, NGOs, UN agencies, INGOs, entrepreneurs, SMEs, Early Recovery Cluster	✓ 100 highly vulnerable returnees and IDPs lost their income. ✓ 40 disadvantaged youth and women. ✓ 30 school dropouts. ✓ 30 vocational institute graduates.	Taiz Hajjah Abyan Lahj	Al Shamyeteen At Tazya'a Bani Qais Abs Khanfar Sara Al Musaymeer										
- Weaving, stitching and embroidery using up to date techniques; - Marketing and promotion enhancement including social media and brokers use; - Business management, Leadership skills, trust building, and talents; - Demand and supply forecast.																
3. Maximizing entrepreneurs' and SMEs' work efficiency through provision of skills in:	Training Internship Apprenticeship Consultancy	Immediate	UNDP, NGOs, UN agencies, INGOs, entrepreneurs, SMEs, Early Recovery Cluster	✓ 150 producers/workers in the 7 districts. ✓ 30 distributors at the four governorates. ✓ 7 suppliers in the four governorates.	Taiz Hajjah Abyan Lahj	Al Shamyeteen At Tazya'a Bani Qais Abs Khanfar Sara Al Musaymeer										
- Weaving, stitching and embroidery using up to date techniques; - Marketing and promotion enhancement including social media and brokers use; - Business management, Leadership skills, trust building, and talents; - Demand and supply forecast.																
4. Eliminate burdens on business start-up, market access and penetration, and tackle regulation and logistical challenges through:	Initiatives aiming to open the main roads between cities and governorates connecting markets Cash for work i.e. road rehabilitation/ paving Capacity building programmes	Immediate and Medium	Government/ authorities UN Special Envoy to Yemen CSOs	✓ 5 suppliers. ✓ 30 producers. ✓ 5 wholesalers. ✓ 35 representatives of authorities capacitated.	Taiz Hajjah Abyan Lahj	Al Shamyeteen At Tazya'a Bani Qais Abs Khanfar Sara Al Musaymeer										
- Open up main roads connecting targeted business and markets; - Ease the license and work permit and tackle customs on new or affected entrepreneurs; - Build local authorities and technical line ministries' offices concerning the entrepreneurs and SME support.																

Map Keys:

High	
Medium	
Low	

Potential Impact of COVID–19 on the Sector¹

It is important to note that Yemen is still, as of June 2020, at the early stage of the COVID–19 outbreak, with mainly cities affected and no reported cases in rural areas. Local authorities have not been active in locking down markets in rural areas, but there are indirect economic effects on rural life through distorted value chains and plummeting demand. However, for most rural people in Yemen the coronavirus outbreak is overshadowed by the protracted political crisis, cholera, floods, locust and chikungunya virus.

Value Chain

The handloom and textile sector is heavily dependent on import of yarn, most of it from China, Turkey and India, countries that are affected by the pandemic and ensuing trade restrictions. Suppliers and producers are the most affected actors in the value chain. Prices of input supplies have been on the increase since January 2020 and could potentially increase further with COVID–19 inter–governorate movement restrictions. Prolonged international trade disruption will have serious ramifications for the sector.

The level of lockdown in Yemen has been very limited and local authorities realize that such lockdowns could be disastrous for many MSMEs. Whilst no trade restrictions to Yemen or closure of maritime and land ports have occurred so far, traders have had to use alternative routes to reach markets in order to avoid long delays at quarantine checkpoints, leading to significant price increase in almost all governorates despite the falling prices for fuel, particularly diesel and petrol. The increased transport cost has been passed on to higher commodity prices.

At the same time as product prices are increasing, purchasing power has declined as people were laid off and restricted in their movement. Production volume has decreased to almost half of what it was before the virus outbreak. This is expected to get worse. Precautionary measures that force shops to close and consumers to stay at home will result in significantly decreased demand, which, in turn, will lead to inventory build–up across the value chain. Retailers, keen

to dispose of their surplus stock, will cancel or defer orders from wholesalers. Likewise, wholesalers will cancel or defer orders from producers, who will be compelled to reduce production in order to maintain social distancing, occupational safety and health.

With increased prices of goods, combined with overall consumer risk aversion, sales could drop up to 70% at retailers' end, while producers who sell directly to consumers may see a drop of 30%.

Retailers have experienced a sharp reduction in sales during the 2020 Ramadhan season due to decreased demand. Eid festivals are the highest selling seasons for the textile sector, but not so in 2020. With stay–at–home media campaigns, along with the contagion risks of crowded markets, customers did not purchase their Eid finery. With schools being closed, there has also been less demand for school uniforms. Continued social distancing and the suspension of weddings and other social events will reduce the demand for new clothes.

Retailers will face difficulties procuring finished products from producers outside the governorate if the borders are closed. Cross city distribution has been affected by authorities establishing quarantine checkpoints. Replacing drivers at these checkpoints has resolved this distribution challenge. This is easier to do for firms with larger logistics chains and smaller enterprises working in distribution may lose their business to larger firms providing better delivery solutions.

Exporters may lose premiums and this makes them vulnerable to lost sales and lowered incomes. With trade restrictions with Saudi Arabia, tailors and weavers who used to sell goods to Saudi Arabia may lose paying customers.

MSMEs

MSMEs represent a vulnerable sector all over the globe. In Yemen, they have become accustomed to market shocks caused by the ongoing political conflict. Logistical challeng–

¹ For a more comprehensive analysis of the potential COVID–19 impact on micro, small and medium enterprises in Yemen, see a synthesis report at this link: <https://www.ye.undp.org/content/yemen/en/home/library/a-synthesis-report-on-micro--small-and-medium-enterprises-in-yem>

es and nosediving market demand caused by the COVID–19 pandemic now present additional challenges. Seasoned Yemeni MSMEs may have developed resilience that makes it possible for them to take this in stride. However, enterprises that have been in dire straits for years due to the ongoing conflict, operating at low–profit margins, may not be in the best shape to take on one more challenge.

Textile products are usually not sold in cash when making an order between retailers, wholesalers and producers, but are rather sold on credit. When placing a new order, payment related to the previous order is made. Because of the cancellation or deferral of orders, there is now a delay in debt repayment, which leads to liquidity constraints for MSMEs.

Overall shortage in access to finance is expected. Many MSMEs operate on savings and trade on the basis of cash available. Producers in need of cash to purchase new raw materials have to get paid for their previous supply of goods. Retailers will probably delay payments. MFIs have not increased lending to MSMEs after the COVID–19 outbreak as defaults are expected to increase.

If there is still demand for handloom and textile products, an alternative would be vertical expansion of the business and in–house production. MSMEs will also have to consider adopting new distribution mechanisms such as online purchase. Online shopping could be an alternative way to increase demand and sales under conditions of the COVID–19 pandemic. This is rationalised by observed slight changes in customer behaviour with a tendency to purchase online, as well as an increase in the rate of home delivery services. However, buying food items has become more important than buying new clothes, which are no longer a priority for many consumers, especially those who have lost jobs and income.

The development of cluster markets may be a potential trend. Adjacent wholesalers and retailers would pull from clusters, while remotely located producers would find it costly to push their products into the value chain. Unsustainable business models may not survive the pandemic, unless owners are ready to adjust and reform. Procurement challenges related to international trade may imply a need to look for alternative vendors and large companies of wholesalers are better positioned for such outlook.

There is increased demand for face masks, in both domestic and international markets, which could be a new business opportunity. A textile factory has started production of masks to serve local market demand.

Potential macroeconomic measures to support MSMEs could include credit guarantees, postponed tax payments and/or reduction of taxes, loosening of financial regulations, loan restructures, reduction in electricity fees, reduction of customs duties and postponed customs duty payments. Such measures have commonly been implemented by developing countries, acknowledging that MSMEs are particularly exposed to the COVID–19 pandemic’s economic impact because of limited financial resources and borrowing capacity and recognizing that they are the backbone of economies.

Livelihoods

Workers will be greatly affected by the decrease in sales and production, both in terms of employment and working conditions, especially as these workers do not belong to an organized formal sector and are not enjoying the benefits of social insurance. As firms become unable to pay wages, some will lay off workers and others will reduce working hours. However, most handloom and textile businesses are family owned and are considered the only source of livelihood for the household, with income typically fluctuating based on the season. A main challenge faced by family owned business is to keep the family protected from being infected by COVID–19. A female producer interviewed declared that she reduces her working hours for no other reason than falling sick.

The textile industry is among the top employers of women, in the tailoring and weaving processes. Many women are already used to work from home, with limited interaction with clients and other actors being the norm. Women wearing face masks and keeping physical distance are already parts of the culture in Yemen. As women work from home, they could be less affected than men who work in shops that can close. However, there are reports on increase of gender–based violence with a stay–at–home work style. Women also, in addition to having a productive role and bearing the full responsibility for household chores, have to nurse family members who fall sick. Male breadwinners working away from home have higher exposure to virus infection and if they die, women would have to assume economic responsibility for the household.

COVID–19 Coping Strategies

The following table provides potential macro, meso, and micro level outlooks to help handloom and textile value chain actors cope with the COVID–19 pandemic.

	Handloom and Textile Industry Recommendations
<p>Macro level outlook: government policies, relaxations and enforcement measures as a recommendation. This should also include the role of private sector and clusters to support the macro outlook for the identified sectors. It would be good to include the perspectives of insurance companies and their products.</p>	<ul style="list-style-type: none"> • Improve the role of post office services to assist with the logistical challenges and provide door to door package deliveries; • Support mobile money to facilitate remote transactions; • Facilitate international and between cities trade to assure supply chain efficiency; • Support and encourage logistics companies to cope with the challenges; • Relax taxation on MSMEs and telecom operators; • Support local production of COVID–19 prevention supplies such as masks and gloves.
<p>Meso level analysis: this could focus on getting the feedback from the PUNOs and other UN agencies on what are the continuity measures to be taken place to mitigate the impact. This level would also highlight the role of MFIs in such unprecedented crisis and what are the plans to safeguard microfinance and how can MSMEs participate into it.</p>	<ul style="list-style-type: none"> • Provide technical assistance on efficient production of COVID–19 protection supplies; • Support the logistics of locally produced protection supplies and its supply chain; • Support digital literacy, mobile transactions, and ecommerce opportunities associated with textile production; • Support emergency plans to increase demand of locally produced textile; • Cash for clothes themes in cluster locations can improve cluster development.
<p>Micro level: this would focus on the socio-economic impact on MSMEs and their future preparedness plans to contain the impact of COVID.</p>	<ul style="list-style-type: none"> • Follow prevention protocols and assess workers' capacity to work from home; • Enable knowledge transfer among workers and relatives in case some get sick; • Establish network with clients and distributors; • Acquire smart phones and mobile money accounts; • Identify various vendors and collaborators in the market for potential shared work, assets, or supplies; • acquire inventory of potential limited supplies.

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