



BRAVE

Yemen

**RESTORING FAITH
IN BUSINESS**

Business Resilience Assistance for Value-adding Enterprises (BRAVE)

January 2021

About BRAVE Yemen

The Business Resilience Assistance for Value-adding Enterprises (BRAVE) project aimed to enhance the resilience of the small and medium-sized enterprises (SMEs) in Yemen in vital sectors against the impacts of the ongoing conflict. Some positive results of the project include: the creation of new jobs, the sustaining of existing ones and the restoration of trust links across various value chains.

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Cover photo: Sunrise in the old city of Sana'a. Inhabited for more than 2,500 years and at an altitude of 2,200 m, the Old City of Sana'a is a UNESCO World Heritage City now destroyed by the civil war.

Acknowledgements

The Islamic Development Bank (IsDB) is grateful to the key interviewees for this report, which was written by Markus MacGill of Green Ink under the guidance of Ismael Barry, Programme Principal, Industry and Business Environment Support (IBES), Islamic Corporation for the Development of the Private Sector (ICD). The interviewees included, from beneficiary firms, Mohammed Aljaradi, Manager of the Green House Company, and Elham Jameel, Executive Director of BioMove; from partner banks, Taha Eskandar, Head of Microfinance Sector at Kuraimi Islamic Microfinance Bank, and

Arzaq Mohammed, Partner Bank Project Coordinator and Direct Investment Specialist at Tadhamon Bank; from the Small and Micro Enterprise Promotion Service (SMEPS, the executing agency), Faizah Alsulimani, Partnership and External Relations Director, Rana Anwar, Aden Branch Manager, and Safiya Al-Jabry, Executive Director; and from ICD, Mohammed Alyami, Director of the Development Effectiveness Department, Arman Kulchmanov, Principal of the IBES programme, and Bakkar Ali Maasher, former IBES Programme Manager.



Abbreviations

| | |
|-----------------|---|
| BRAVE | Business Resilience Assistance for Value-adding Enterprises |
| COVID-19 | coronavirus disease 2019 |
| G8 | Group of Eight |
| ICD | Islamic Corporation for the Development of the Private Sector |
| IBES | Industry and Business Environment Support (ICD) |
| IsDB | Islamic Development Bank |
| MENA | Middle East and North Africa |
| MSME | micro, small and medium-sized enterprise |
| SDG | Sustainable Development Goal |
| SMEPS | Small and Micro Enterprise Promotion Service |
| SME | small and medium-sized enterprise |

Yemen: business in a conflict context

The conflict in Yemen is entering its sixth year. Infamously referred to as the world's worst humanitarian crisis, there are, according to the United Nations High Commissioner for Refugees, more than 3.6 million people thought to have fled their homes since the start of violence in 2015. The conflict has not been helped by the events of 2020 – there was both the COVID-19 pandemic and the flooding, which has affected over 100,000 people in numerous governorates, including Abyan, Aden, Amanat Al Asemah, Lahj, Marib and Sana'a.

The United Nations Office for the Coordination of Humanitarian Affairs said in 2018 that around three-quarters of the population of Yemen was in need of some form of assistance. A 2016 business impact report on the Yemen crisis from the United Nations Development Programme found that more than a quarter (26 per cent) of businesses had to close due to the war. The percentage was worse for female business owners – 42 per cent of women entrepreneurs closed their facilities. Physical damage was to blame for the closure of businesses in most cases. Some 73 per cent of enterprises had not been able to obtain funding after the conflict began. In

summary, the challenge for small businesses to survive in the context of conflict in Yemen has been huge, but the BRAVE Yemen project has proven the ability of the private sector to rise up and mount a sustainable response.

This report looks back on the successes, along with some lessons learned, of the Business Resilience Assistance for Value-adding Enterprises (BRAVE) Yemen project, which ran from 8 November 2016 to 30 June 2020. The insights given by people with on-the-ground experience from the project, combined with a review of the formal evaluation, show that it is possible – and desirable – to have faith in the private sector to deliver real impact with sustainable results in spite of conflict.





Physical therapy being provided by BioMove, a healthcare firm that received a matching grant to expand to new premises, allowing easier access for patients in Yemen.

“

It is very rare, if not the unique case among all the development financial institutions ... to deal with fragile settings in the context of ongoing conflict ”

– Arman Kulchmanov, BRAVE Yemen Lead Project Manager

BRAVE: a new way of working through conflict

The traditional response to rebuilding businesses affected by conflict is to enter the arena in the aftermath – a delayed response. Post-conflict reconstruction programmes tend to follow immediate responses that are, rather than supporting the private sector earlier on, purely humanitarian. International programmes such as these may distribute direct cash, medical supplies, and so on. The BRAVE Yemen project, conversely, found a new way of working through conflict: supporting local businesses in the community *through* conflict rather than *after* it.

Arman Kulchmanov was the Lead Project Manager of BRAVE Yemen. Principal of the Industrial Business Environment Support (IBES) programme at the Islamic Corporation for the Development of the Private Sector (ICD), Arman said: “We don’t argue that it’s important to provide humanitarian help. What we are saying is that our project actually

had an alternative opportunity.” This project was “absolutely innovative,” he added. “It is very rare, if not the unique case, among all the development financial institutions, for the international organizations to deal with fragile settings in the context of ongoing conflict.”

This sort of intervention, Arman explained, provided the difference between opportunities for employment, or people and businesses simply leaving the country. Without such opportunities, he said, “the population can feel lost,” and in a setting where there are a lot of internally displaced people and immigrants, they may simply exit. “When we speak about the private sector, some enterprises prefer not to continue. They would rather liquidate their businesses, gather the capital and exit the country. So this kind of intervention can actually stimulate them to stay resilient and not to give up.”



'First aid' for small and medium-sized enterprises

Bakkar Ali Maasher designed the BRAVE Yemen project in his capacity as a former Programme Manager of IBES. He said that the usual post-conflict response would not have worked in Yemen. There were early warning signs, Bakkar said, of the conflict persisting in the country. "It wouldn't be just six months, or a one-year conflict, after which you go for damage assessment and then you start a reconstruction process," he said. Instead, micro, small and medium-sized enterprises (MSMEs) would suffer the most in a much longer-lasting conflict, and "it would eventually cripple the capabilities of MSMEs to really do their job and create and sustain jobs, and provide sometimes basic services in many places where even government public delivery is lacking, or deteriorating as a result of the conflict." Instead of a humanitarian response followed by a reconstruction effort, explained Bakkar, "We said, no, there needs to be something in between – really, first aid for SMEs."

"We said, let us design an intervention that will go for specific priority sectors and

targeted SMEs, with a first aid, integrated package of support. That is really helping them either to repair or rehabilitate, or expand their capital goods primarily, which will allow them to sustain their core operations."

Bakkar continued: "We said, okay, let us design an intervention that deals with the situation as it is: a failed state, a full-scale conflict, a rapid shutdown among SMEs, particularly including of course women entrepreneurs. They were even more affected I guess at the time – naturally, because they had less formalized businesses. And a lot of deterioration in key sectors that are critical to the survival of the society, including food supply, health services supply."

The priority sectors targeted by BRAVE Yemen were healthcare, agriculture, fishing, food processing and clothing. The project was implemented across the country, with a focus on Aden, Hadramout, Hodeida, Sana'a and Taiz.



A lot of deterioration in key sectors that are critical to the survival of the society, including food supply, health services supply ”

– Bakkar Ali Maasher, former IBES Programme Manager,
Islamic Corporation for the Development of the Private Sector

'Daring' intervention

Bakkar added that the nature of the conflict in Yemen made the intervention a “daring” one. “Donors asked, ‘How can you inject millions in Yemen, in conflict zones that are managed by three different conflict groups?’ So it was very important for us to prove the concept, that a well-designed, private-sector-minded, non-government-led, but yet very integrated approach would be very useful to work if designed properly – with actual core stakeholders of a typical SME ecosystem: banks, cooperatives, lead firms, small firms.” If the intervention were proven right, Bakkar said, local stakeholders and international donors could be convinced of future expansion – “and gradually work with them to accomplish sensitive national initiatives for SME resilience.” Indeed, national scale-up is now very close, Bakkar confirmed.

“

The BRAVE project didn't just empower us, it also made us resilient. Thank you, and with hard work we will always be brave! ”

– Mohammed Aljaradi, Manager,
Green House Company



88% of MSMEs

92% of lead firms and business associations

agreed “project was relevant” to country circumstances

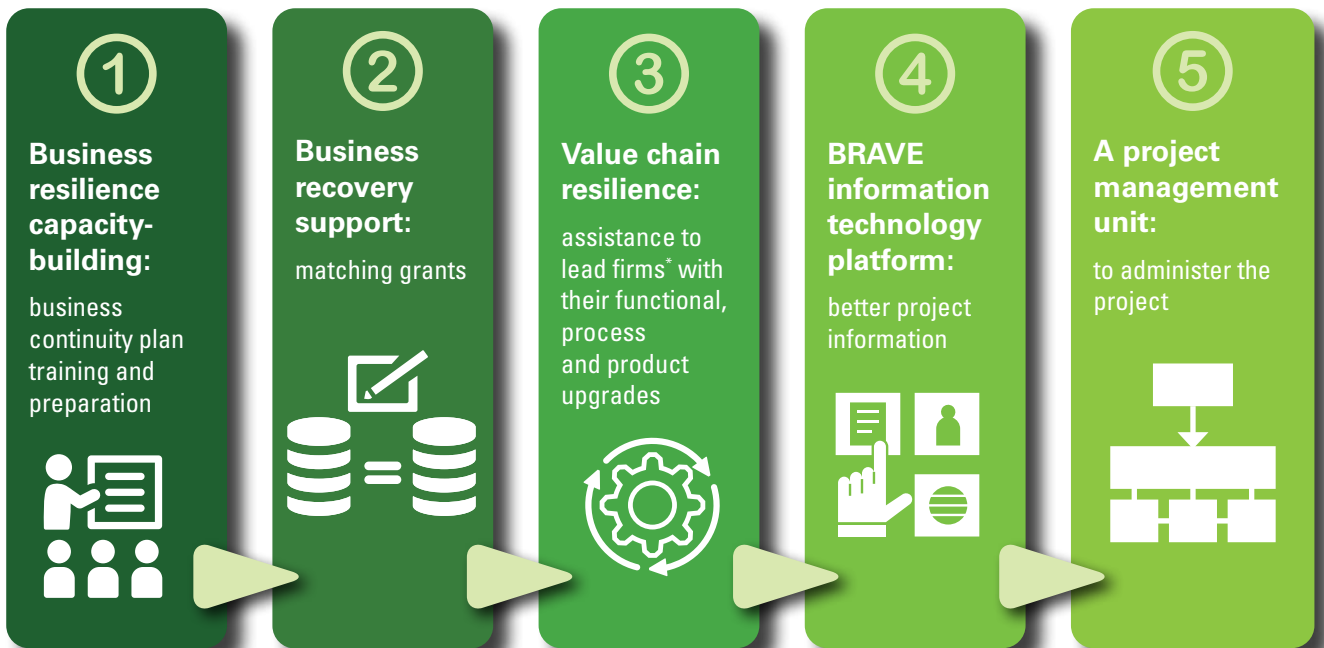


Project structure

The overall objective for BRAVE Yemen has been to:

Enhance the resilience of the private sector, as the engine of sustainable growth, against the impact of ongoing conflict

There were **five** components of BRAVE set up to deliver this objective:



* Lead firms were those in the value chain that could produce spillover effects to the many other firms they did business with.

BRAVE Yemen focused on healthcare, agriculture, fishing, food processing and clothing, and on Aden, Hadramout, Hodeida, Sana'a and Taiz.

**79% of MSMEs and
82% of lead firms and business associations
rated technical advice as "Excellent or good"**

Beneficiary story

BRAVE gave motivation to business

“The BRAVE project didn’t just empower us, it also made us resilient,” said Mohammed Aljaradi, Manager of the Green House Company. “Thank you, and with hard work we will always be brave!” A specialist in the agricultural science of vegetable production and horticulture, Mohammed runs one of the largest vegetable producers in Yemen. The challenge, he explained, was to cover the cost of electricity and fertilizers. “We had a plan to keep running the business for six more months. If we failed, we would have taken a decision to stop working.” But BRAVE “came at the right time” and helped the business to spot gaps in its planning, and to overcome challenges with keeping the right temperatures in the greenhouses. The support of US\$15,000 through the Small and Micro Enterprise Promotion Service (SMEPS) enabled the Green House Company to make its own investment to grow the business, putting in a further US\$35,000 – “the support motivated us to do so,” Mohammed said. He had dreamt for seven years to start producing potatoes in the lab, “but all my previous attempts failed.” Now the company was able to produce the seed for the first time, and the profit from the sales to farmers meant “all the hard work has paid off and this is our achievement.” The laboratory has “finally started funding itself,” Mohammed said with a smile.

The Green House Company was cited by Arman Kulchmanov, the Lead Project Manager of BRAVE Yemen. Principal of the Industrial Business Environment Support (IBES) at the Islamic Corporation for the Development of the Private Sector (ICD), Arman explained that potatoes were not by nature produced in Yemen, and that it was an extraordinary dream to develop potato seeds. Mohammed’s dreams had been “destroyed,” Arman said, and he was “about to sit down and lay off all the people” and “couldn’t imagine that somebody will come to this kind of condition, an international organization, and trust us, and push us not to shut down.” It was not so much the cash support itself, Arman said, that was the main catalyst, but a “spiritual or non-material push that, hey, you are not alone here. You can continue. We want you to resume, we want you not to lose and shut down your jobs, we want you to grow and increase. So this is something that brings them a lot of self confidence, and has a spillover effect.” And the results for the Green House Company certainly show this to be true.

More insights from beneficiaries can be seen at the SMEPS YouTube channel: <https://tinyurl.com/y56gt8g8>



The conflict in Yemen caused the Green House Company to lose its laboratory and plants.

International funding

BRAVE Yemen was funded by the Deauville Partnership, which was initiated in 2011 by the Group of Eight (G8) Summit of Deauville in France. The G8 summit committed to respond to the aspirations for freedom and empowerment in the Middle East and North Africa (MENA), particularly for women and youth. The Deauville Partnership was launched as a long-term, global initiative with aims including to provide an economic framework for sustainable and inclusive growth and employment in MENA, and to give business resilience assistance for value-adding enterprises.

Addressing youth unemployment was a key issue, Amadou Thierno Diallo, IsDB Director of Global Practices, Economic and Social Infrastructure, said, “because in those countries, you had well-educated youth, but they were not educated for the market.” Amadou served as the IsDB Group’s representative within the Deauville Partnership and played a key role as a champion of the BRAVE Yemen project.

“These countries [in MENA] were transitioning from least-developed countries,” explained Amadou, but were “trapped into the middle-income country discourse.” To transition to a higher level of development, resources needed to be used for “transformative projects.” This meant projects had to address job creation, inclusion, and women’s and youth empowerment. The BRAVE Yemen project “came into the picture because Yemen was hit by two problems at

the same time,” he said – civil unrest within the population, and between the political parties. There was “a big negative impact on employment and youth empowerment – because you had these young people on the street,” Ensuring enterprises could be resilient in such a context, “it was no longer business as usual here – they have to find different ways of planning their work.”

“So what we decided to say was, okay, what can we do to support these businesses?” Amadou explained that these were the small businesses, the ones that formed part of the community, not the larger companies that had simply withdrawn from Yemen. They were the local butchers and tailors. For the economy to get going, these were the MSMEs that needed capacity-building alongside “maintaining the youth in the community.”



We are in for the long haul. We are not giving the money and going away. ... We are making it so that they know how to develop their programme ”

– Amadou Thierno Diallo,
IsDB Director of Global Practices,
Economic and Social Infrastructure

Amadou said the success of the project came from its two-pronged approach. One, the project built the capacity of businesses by helping them “set up their own forward-looking business plan” and, two, gave support with investment. The matched funding was key to the latter because it meant the businesses had “skin in the game.”

To make the businesses resilient, Amadou added, there had to be proper planning. “They have to be able to do a business plan, to know when they should invest, and how much. We have to make sure when we give the money, the job creation and the business itself is making money – that’s the resilient part of the process.” This was one of the special features of the BRAVE Yemen project, Amadou said – that businesses were invested in their own futures as well as supported in them. This contrasted with a lot of projects supported by multilateral development banks through pure grants. The matched funding ensured long-term success. “We are in for the long haul. We are not giving the money and going away. We are making it so that they know how to develop their programme. We are making sure that the resources are being used for the intended purpose and, at the end of the day, we ensure that the project is viable. So we are not giving money and going away; we are there for the long haul. So I think this makes a big difference.”



Artisans waiting for potential customers, finalizing work and chatting with their friends.

The true meaning of bravery

The project’s name, BRAVE – short for Business Resilience Assistance for Value-adding Enterprises – is no coincidence. The play on words has a particular relevance to the context in Yemen. Bakkar Ali Maasher – who designed the project as the former Programme Manager of Industry and Business Environment Support (IBES) at the Islamic Corporation for the Development of the Private Sector – said the branding reflected a society where “bravery was always associated with demonstrating force.” Bakkar said the kind of local civil war in Yemen inspired the male youth in particular into “fighting and conquering,” especially in light of the scale of gun adoption in the country. “It was part of a kind of masculinity and tribalism – tribal pride,” Bakkar said. “So we said, okay, while the militias and those fighting groups will try to inspire young people to carry guns and engage in conflict, let us inspire a counter message and say that the real bravery is engaging in productive business that actually brings resilience and sustainability to people’s life.”

Arman Kulchmanov also described this “philosophy.” As Principal at IBES, he was the Lead Project Manager of BRAVE. Staying in business provided an “opportunity cost for them to switch from this conflict,” Arman said. BRAVE gave an opportunity to “disengage” from destructive activities, “towards producing economic value, and sustaining their livelihoods for their families.” Arman said this was “another view of being brave – because your energy and your efforts are directed, not to destroy the context in your own country, but to contribute to its restoration, and providing a kind of stability in the economic sense.”



BRAVE came like a light of hope to us, to say that we are not alone ... and encouraged us to open a new branch. Our vision is to reach every home with special needs in Yemen ”

– Elham Jameel, Executive Director, BioMove

Local partnership

The BRAVE Yemen project’s implementation began at the end of 2016 and continued until the autumn of 2020. It was financed by US\$9 million in grants paid to firms through local banks coordinated by the Small and Micro Enterprise Promotion Service (SMEPS), IsDB’s local executing agency. The beneficiary companies matched these grants with their own funding, totalling just over US\$15 million.

SMEPS was respected widely and had a good reputation, as confirmed by Bakkar

Ali Maasher, former Programme Manager at IBES and architect of the project. “SMEPS had previous experience in grant-matching for stimulating innovation,” he added. “We said, let us reverse this mechanism: instead of stimulating for innovation, we’d rather support for resilience and sustainability.”

SMEPS and the project partner banks were given additional human, operational and technological capabilities through ICD.



71% of MSMEs

63% of women-owned MSMEs

believed “business cooperation strengthened”

Beneficiary story

BRAVE inspired confidence to expand

“BRAVE came like a light of hope to us, to say that we are not alone ... and encouraged us to open a new branch,” said Elham Jameel, Executive Director of healthcare firm BioMove. “Our vision in the BioMove centre is to reach every home that has a person with special needs in Yemen.” Elham said the private sector had been neglected – no one supported it. “We were surprised that BRAVE supported the private sector.” BioMove transforms people’s lives through prosthetics and physical therapy: “There was a lot of pressure on us, as many cases came from cities outside Sana’a, searching first for a place to stay to get treated.” BioMove initially had a single branch in Sana’a. “We noticed that most cases came from areas that are far away. We noticed that Ibb is the right place to open a

centre, where it’s easier for many cases to visit us there.”

Ibb governorate included many displaced people from the governorates of Al Dhale’e, Al-Hudaydah, Lahj and Taiz. Previously, Elham said, “nothing encouraged us to invest in another place or even to consider opening another branch, but BRAVE project did encourage us to open a new branch in Ibb, and we did.” The firm matched the US\$50,000 grant it received to set up in Ibb. “I call for all the organizations and the government to support the private sector,” Elham said. “The private sector and the public sector complete one another.”

See YouTube for the heart-warming story of the powerful support given to BioMove: <https://tinyurl.com/y3v2uzv5>

A young patient benefits from help from BioMove.

Key results

By August 2020, business continuity training had been given to 620 firms – outperforming the key performance indicator to 124 per cent. Hundreds of these businesses also received matching grants:

- ◆ **284 small and medium-sized enterprises** (SMEs) received a total of over US\$3.3 million
- ◆ **51 lead firms** were granted almost US\$2.6 million between them
- ◆ **10 business associations** received grants totalling nearly US\$400,000
- ◆ BRAVE grants volume to the firms: **US\$6.3 million**
- ◆ SMEs' investments: **US\$15.3 million**, including:
 - Firms' investments for grant matching **US\$7.7 million**
 - Firms' self-investments as spill-over effect of BRAVE Project **US\$7.6 million**
- ◆ Gross investments to SME sector produced by the project **US\$21.6 million**
- ◆ **2,469 new jobs** created

84% of MSMEs and

85% of lead firms and business associations

rated the grant process “Excellent or good”

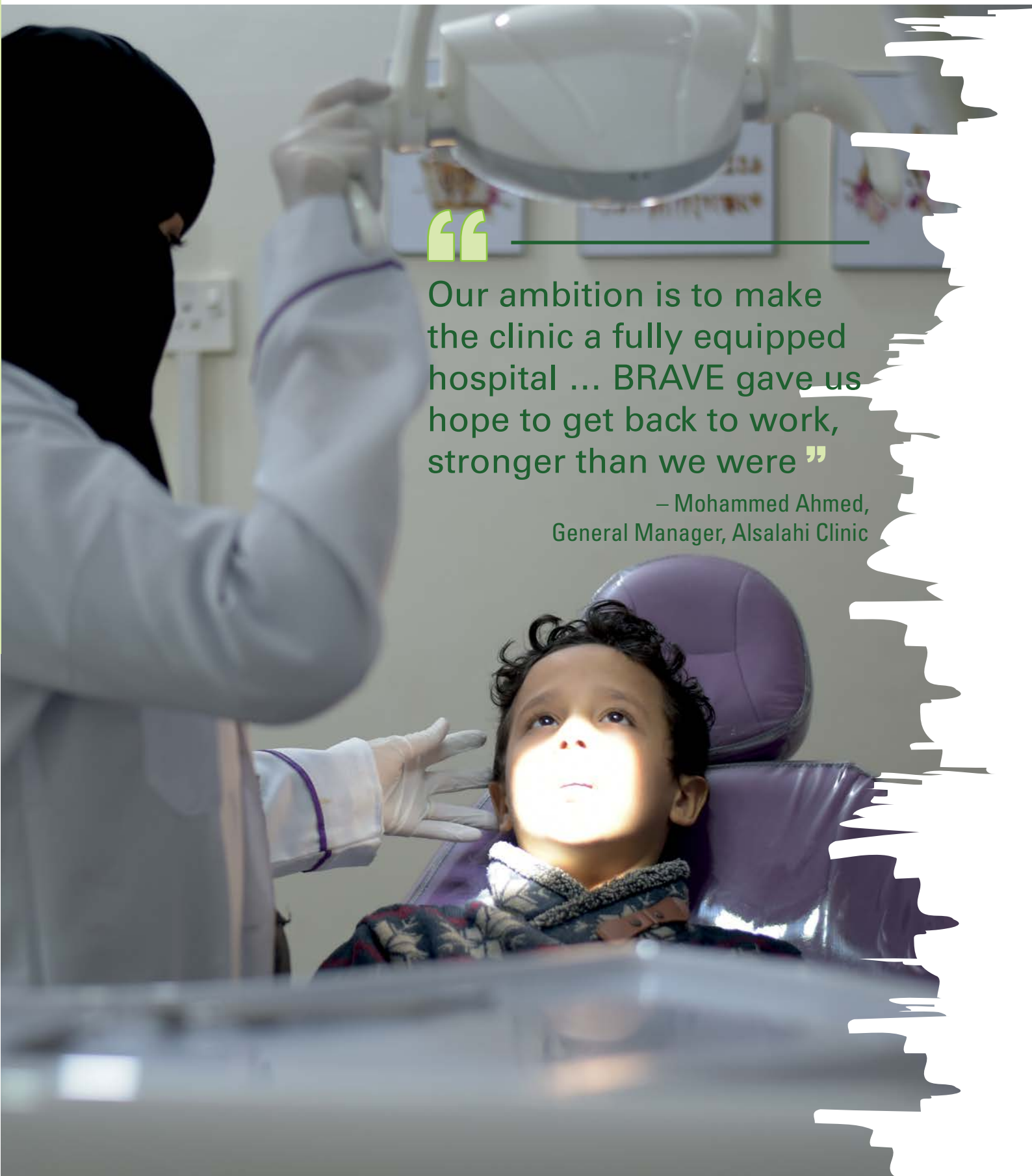


SMEPS also supported business networking through workshops and dialogue events, including to improve the capacities of businesses on new technologies. The training helped firms to develop business continuity plans, helping them to continue operating during the difficult economic times created by the conflict. BRAVE Yemen helped them to develop crisis management skills to overcome the challenges, teaching entrepreneurs to, among other themes, make business plans, deal with risks, assure business continuity during a crisis, and understand the investment climate. The need for such training is clear not only in the context of conflict, but also the disruption caused by COVID-19. Building a readiness against future shocks will always be relevant.

Faizah Alsulimani, Partnership and External Relations Director at SMEPS, said: “BRAVE came at a really sensitive time, providing the right kind of assistance to support the resilience of private-sector enterprises.” She explained that this was crucial because the “private sector did not have any kind of support from the government,” and other organizations were not there to help.

Remote dashboard

Part of the BRAVE Yemen project was to develop an information technology platform to allow remote oversight and reporting. BRAVE developed a successful management and monitoring model that allowed this oversight from a distance, to overcome the



“

Our ambition is to make the clinic a fully equipped hospital ... BRAVE gave us hope to get back to work, stronger than we were ”

– Mohammed Ahmed,
General Manager, Alsalahi Clinic

access difficulties in Yemen caused by conflict. Faizah explained: “We use a dashboard for remote monitoring that provides information and transparency by being able to zoom in to each business location and see financial disbursements and real-time impacts that the project has had.”

With the oversight of IsDB, this technical layer to the project called on a well-established, open-source client relations management system. In addition to tracking grants and reporting outcome and output measures, the platform allowed project stories to be documented and shared among beneficiaries.

The status could be monitored at each step of the process from application to supplier payment. This was a powerful improvement made to the system to speed up grant disbursement, after the lesson learnt in phase one of the project that saw some slow payments.

In a further role for SMEPS, a project management unit was recruited with full-time staff and was equipped to manage the grant-making and the training – and to provide the agency’s expertise with local awareness and conflict sensitivity.



**“Trust rebuilt” between banks and beneficiaries:
for 100% – 3 out of 3 partner banks**



Beneficiary story

A stitch in time for clothing companies

Al-Ameer Tailoring Factory was established in Sana'a in 1984 and won support from BRAVE that enabled the firm to continue operating "in all circumstances" despite the challenges, said facility owner Mohammed Aldubai. "BRAVE allowed us to expand the number of our customers because of the high-quality product we offer." The support also enabled staff expansion, from 60 to 100 workers, with further plans for growth, including for more female staff, Mohammed said. Retailers said the quality of the product could now match that available outside Yemen – yet at local costs. "We weren't the only ones who benefited," Mohammed said, "everyone benefited".

See the story of Al-Ameer Tailoring Factory at YouTube: <https://tinyurl.com/y2q78p5f>



95% of women entrepreneurs very satisfied with training quality (good or excellent)

Al Ameer Menswear and Textiles, based in Aden, also benefited from BRAVE support, through both training and a grant. "When we attended the business continuity training, we learnt how to define and mitigate the risks and overcome any challenges in the conflict context," said owner Mouneer Al-Ameer. With the help of the consultant from SMEPS, Mouneer was able to draw up a plan for expansion. "Frankly, BRAVE was the right partner for success and resilience in such a situation." The grant helped the firm to add a new production line to develop a new product, new colours, and target the markets in the Kingdom of Saudi Arabia and the United Arab Emirates. "We used to produce about 1,000 pieces per week, and currently we produce 1,000 pieces per day," Mouneer said.

See the story of Al Ameer Menswear and Textiles at YouTube: <https://tinyurl.com/y5unx6ss>

Success in numbers

The results presented here were produced by the end-line evaluation report by Ghubril, completed at the end of 2020. This was designed to assess project implementation, outputs and outcomes, and impact on the business community, and used a quasi-experimental methodology (to compare findings between beneficiaries who received only training with those who received both training and grants, and to do so before and after intervention). It conducted phone-based and face-to-face interviews with employees at a sample of micro, small and medium-sized enterprises (MSMEs) and lead firms and business associations.

345 grants to beneficiaries

US\$12,622 average grant – MSMEs

US\$44,687 average grant – lead firms and business associations

620 MSME beneficiaries trained

Total budget: **US\$9 million**

Phase one grants



US\$2.4 million – health



>US\$502,000 – food processing



>US\$476,000 – garments



>US\$316,000 – fishing



>US\$300,000 – agriculture

Phase two grants:



>US\$559,000 – health



>US\$556,000 – agriculture



>US\$536,000 – food processing



US\$235,000 – fishing

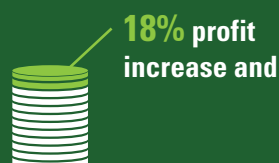
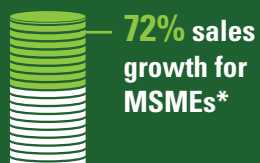
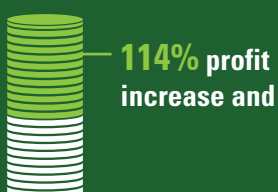


>US\$189,000 – garments



Considerable sales growth (2016–2020):

for **46%** of MSMEs*



Notes

* Of those receiving both grants and training

Many results are percentages of a survey sample to represent proportions of the total number of businesses

374% **growth in imports** in 2020
for recipients of both grants and training

40% for recipients of training only

442% **had increases in average wages**
by 2020 (training and grant recipients)

200% for recipients of training only



Trust in banking restored

Three banks in Yemen took part in the project – Kuraimi Islamic Microfinance Bank, Saba Islamic Bank and Tadamon Bank. Key interviewees from two of these have described how the project improved trust in banking, which had been lost as war tore away at financing confidence.

Taha Eskandar, Head of Microfinance Sector, Kuraimi Islamic Microfinance Bank, explained that, in addition to serving on committees to evaluate business plans, the banks had a role in “encouraging” clients, including women, to participate and apply for the BRAVE assistance. Taha learned through his staff that the grants and training had “opened the mind of the clients, so they can extend their business.” The grants enabled firms to consider branching out beyond their location in just one place, where the business was more vulnerable to war, to another city after a year or so. Such expansion improved business stability, Taha said. Some businesses had only one shop, “now they have two,” or only one line of business, but now diversified to a second.

Trust was restored by the examples of real support being delivered by BRAVE Yemen through the local financial institutions. Taha said that the bank’s ability to give financing and to “help them to build their business ... also helped them to see that there is hope, and also we can continue, and maybe we can take financing next time.”

Arzaq Mohammed, Partner Bank Project Coordinator and Direct Investment Specialist at Tadamon Bank, said the lack of trust had simply been the result of conflict – “the lack of the money or the lack of [financial institutions] being able to provide a service for businesses, because of the conflict.” But the real results on the ground were what engendered the trust. “This BRAVE project in general brought back hope,” Arzaq said, “because there was a link: we saw real reasons or real results on the ground, which is why all businesses started spreading the word of trust among them.”



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– Arzaq Mohammed, Partner Bank Project Coordinator and Direct Investment Specialist, Tadamon Bank

“

We really hope that this partnership [will] bring back more peace, and try to separate the politics from the economic sector in order to have more development”

– Arzaq Mohammed, Partner Bank Project Coordinator and Direct Investment Specialist, Tadhamon Bank

Arzaq also spoke about the trust being spread among the women in business. There had been scepticism among the women, she explained: “Providing such a service, such a loan, without a payback ... it’s like, why are you giving me this amount of money without a return? But once they see the development that happens to their companies or their institutions, they understand the reason why.”

Building trust was “a little bit harder for females,” Arzaq said, “but we’re working on it.” She has great hope for the scaling up of the BRAVE approach. “Thank you so much,” she said, “and we are really looking forward to having this project on a larger scale, not only within four or five governorates, but also to cover the whole republic. We really hope that this partnership [will] bring back more peace, and try to separate the politics from the economic sector in order to have more development.”

The themes of trust and hope engendered by the BRAVE project were echoed by Rana Anwar, Aden Branch Manager for SMEPS. She confirmed there had been a “gap in trust between the firms and the banks.” “Our mission is not just to give them the training and the grant, it is to return the trust between the banks and the beneficiaries, and we spread the hope for the beneficiaries to help to think differently, to think out of the box, to think



Business confidence restored to Yemen markets:
 for **77%** of MSMEs and
73% of lead firms and business associations



how they can improve their businesses.” The firms would say, “You just gave us the key and hope that we can continue working, even in this bad situation. Nothing can stop us and nothing can make our businesses stop, we can continue, we can think differently, we can think of a proper solution for each problem to continue with our businesses.”

Trust was a key theme for all of the interviewees for this report. Dr Mohammed Alyami, Director of the Development Effectiveness Department at ICD, said firms in Yemen “lack so many things that others have today, and yet it turned successful.” Yemen is a unique Member Country, he said, because of the conflict, but this did not stop the success of the project. In addition to the many hard indicators covered by the evaluation, there were “some intangible indicators” such as “bringing back the trust between the SMEs and financial institutions in Yemen, and that by itself is an excellent

achievement.” Mohammed said that, beyond the initial donor-backed financing reaching SMEs, the banks were able to facilitate a second loan between the financial institution and beneficiaries directly, because of the level of trust.

“ Firms told us: ‘Nothing can stop us and nothing can make our businesses stop, we can continue, we can think differently’ ”

– Rana Anwar,
Aden Branch Manager, SMEPS



Success factors

Bakkar Ali Maasher, the former Programme Manager at IBES who designed BRAVE Yemen, explained that while the model of grant-matching was key to the sustainability of the support for the small-business private sector; similar grant-matching had not been successful for other agencies in Yemen. He said the key aspects of good governance in the project were:

- ◆ **Inclusiveness**
- ◆ **Transparency**
- ◆ **Traceability of funds**

These factors were “unprecedented – at least in the experience of Yemen-funded projects. And that gave a lot of comfort to everybody because nobody was able to attack the project as being biased to any party, or not inclusive.” There was “very good governance”:



An open call



Open selection process



Transparent allocation



Multilayer governance for decision-making and allocation

The judging panel that awarded grants was composed not only from the local implementation partner but also half made up of the participating banks. The panel itself was approved by the advisory panel, so the selection of the members was not left “for any for one single party to decide on.” The use of an online platform was also crucial, Bakkar added, to know “by the penny where every single penny has been granted, in a given day for a given enterprise to buy what kind of assets.”

The power of training

Training could be just as important as grant-making in turning around the fortunes of businesses. For example, Rana Anwar, Aden Branch Manager for SMEPS, explained that one larger firm in Aden did not need a grant – the food-processing company had sufficient financial resources, “but they needed the training.” Rana said: “There was really a need for the training, and they benefited from the training, they made a lot of changes in their businesses.” They learnt ways to protect their businesses from damage, fires and so on. The training helped the firms to “think differently, change their behaviours, and start to think out of the box.” For example, one firm opened a second branch outside of Yemen, in Djibouti, and began to replace loss with profit. The training also transformed businesses’ abilities to get financing from other sources beyond the BRAVE project itself.

Arman Kulchmanov, the Lead Project Manager of BRAVE Yemen, described training as one of the main pillars. Alongside the financing – which was the “blood system for performance and production to boost growth” – training would build the capacity through business continuity planning and “how to manage the risks and deal in the fragile settings.” Arman said the project witnessed SMEs changing their minds during the training. They might have come “with one investment plan in their mind,” but after gaining “all this knowledge, they were able to evaluate the opportunity cost, the alternative investments, and to rapidly reflect on that by changing their investment plans – because the vision of theirs became much wider.”



Children posing for a photo in the old town of Sana'a.

BRAVE “came at the right time”

Safiya Al-Jabry, Executive Director of SMEPS, said the BRAVE project “just came at the right time.” At the onset of the conflict in 2015, she said, “there was a lot of capital flight.” Because of the bombardment to infrastructure, “most of the private sector was thinking about investing outside.” The liquidity issues in the banking system also caused a “lot of trust between the private sector and the banking system [to be] lost, even at a personal level.” When BRAVE

started, a lot of companies were wondering why SMEPS was offering “this kind of support, at this time in conflict.” There was no trust. “And I think BRAVE really did have a turning point,” Safiya said. “So I think BRAVE project came at a very critical time, and it really shifted the way the private sector was operating in Yemen, and the response basically of the banking system towards these enterprises and supporting that kind of relationship, minimized the risk.”



Father and sons posing in their djellabas at the field of their farm, Jibla.

Lessons learnt – and action taken

As the testimonies and the results in numbers have shown, BRAVE Yemen has generally been a great success – but not without some lessons to learn along the way.

Women’s inclusion and empowerment

The main lesson learnt by the BRAVE Yemen project – one it acted on promptly – was described by Bakkar Ali Maasher, former Programme Manager at IBES and architect of the project. There needed to be better female inclusion, he confirmed. Yet, even as a shortfall was becoming clear against the target of having 25 per cent of beneficiaries being women, the project was quick to act – “we didn’t wait.”

Bakkar described a situation in which women came forward in business in spite of the normally conservative approach. While the male youth were “engaging in the conflict, consumed by the militias as warriors,” women had “to come forward to sustain family livelihoods, and community livelihood.” But while more women were engaging in business, they were not seen, explained Bakkar. “They were not under the radar of classical formalized businesses that already had bank accounts. They needed a targeted approach.” This was how BRAVE Women was conceived after phase one, in answer to the need to include more women.

BRAVE Women is a five-year programme granted US\$32.2 million for work in three

countries. It has been supported by the Women Entrepreneurship Finance Initiative (We-Fi), a World Bank-hosted partnership between 14 governments, 8 multilateral development banks, including IsDB, and other stakeholders in the public and private sectors. The programme aims to enhance the resilience of female-owned and women-led SMEs in fragile contexts, recognizing their full economic potential.



Thula, Yemen: Unidentified little local girl in hijab looking from window in medieval village Thula. Children grow up in the poorest country with little opportunity for education.

Amadou Thierno Diallo, IsDB Director of Global Practices, Economic and Social Infrastructure, says the success of BRAVE Women is seen in its replication now in Burkina Faso and Nigeria. “So, we have made it a flagship programme,” Amadou said, “because it’s reaching the target, and it’s making a difference.”

Evaluation recommendations

ICD commissioned an independent evaluation of the BRAVE project to assess its impact. This study was conducted by the Canada-based consultancy Ghubril. (The data for the 'Success in numbers' section were drawn largely from that evaluation.)

This evaluation study led to several recommendations for future scaling up, based on the successes and lessons learnt by BRAVE Yemen. These included the following main messages.

- ◆ **Increase the business management** capacity of beneficiaries by improving their ability to keep financial records and track performance
- ◆ **Promote the role of local banks** in providing more financing to MSMEs, and increase the range of financing options
- ◆ Work on the **project's scale-up and replication**. The success of BRAVE Yemen's effective practices should be promoted and replicated. ICD and SMEPS can promote the model regionally and to other countries experiencing similar challenges, such as Burkina Faso and Nigeria.



**92% of MSMEs and
93% of lead firms and business associations
agreed they had received “quality” training**

On the point about increasing the range of financing options, this was a matter that project designer Bakkar Ali Maasher, former Programme Manager at IBES, also raised. “International financiers were largely apprehensive and prudent about engaging in funding by credit,” Bakkar said. But extending credit to the Yemeni banks, “or for the Yemeni market and even another development finance institution, in my view that kind of instrument would have been

equally useful, either as direct money, or as a guarantee concept, should it have been conceived from the beginning in the thinking process.” The option was not available in Yemen, however, he said – “trust was one of the early victims of the conflict.” Yet as many interviewees have confirmed, restoring such trust has been one of the successes of BRAVE Yemen, which has shown that putting faith in the private sector, even where there is ongoing conflict, can pay off.

BRAVE stepped up against COVID-19

The cost-efficiency of the project meant a remaining balance could be used to support the response to the COVID-19 pandemic. An extra nine lead firms in the health sector were granted funding to finance their working capital to produce medical supplies. These applicants had not initially been selected for the matching grants, but the companies were considered vital against the pandemic, producing essential equipment and protective supplies, including gloves, face coverings, sanitizers and oxygen stations.

The efforts to mitigate COVID-19 have also been supported by companies given support in the original allocation. Ibn Khadrouj Pharmaceutical Production, one of the oldest small factories in Aden, was supported by BRAVE to a total of US\$50,000 in the second phase. This allowed the firm to purchase a new automatic production line for sanitizer and other medical products, increasing the company's production value by 50 per cent. The production of hygiene products has doubled during the pandemic compared with pre-COVID-19, to cover the local market.



The support given against the pandemic is in line with the IsDB's '3-R approach' – respond, restore and restart. Dr Bandar Hajjar, the President of the IsDB Group, said that the disruption to supply chains caused by COVID-19 would harm SMEs in particular, a reminder of the relevance of the support that has been given by BRAVE Yemen.

The surplus of 6 per cent of the BRAVE Yemen budget enabled funding of US\$88,000 to be delivered for this response to the pandemic, with working capital grants of around US\$10,000 awarded to the nine firms to increase the production of sanitizers, masks and oxygen cylinders.

67% of MSMEs

68% of lead firms and business associations

rated project potential for high or very high impact



The future of BRAVE support for the private sector

Dr Mohammed Alyami, Director of the Development Effectiveness Department at ICD, said BRAVE Yemen should be seen as a flagship for ICD. In any other country, he said, the positive results would be notable – but in conflict-affected Yemen, they were remarkable. He cited one result as a clear example of the immediate benefit, a health clinic that gave access to almost half a million individuals. “That by itself can tell you how beneficial it was, how good it was, this programme – excellent.”

Thanks to the proven impact of BRAVE Yemen, the future of such programming is promising. National scale-up is an aim, and the model can target wider sectors, including education, construction, marble stone, pharmaceuticals, technology,

and incubators and accelerators, to boost start-ups and support the economy. Beyond Yemen, the success being possible in such a severely fragile, conflict-torn country means that other fragile states, which may be more stable, could certainly benefit from BRAVE.

The incremental improvements made to the intervention during the course of its two main phases and the development of BRAVE Women have resulted in a robustly developed model for which the successes and lessons learnt are available for others to benefit. SMEs, youth and women entrepreneurs are at the core of efforts to keep livelihoods and communities together in the face of conflict, and BRAVE Yemen has proven the power of doing so.



A Yemeni fisherman demonstrates his catch of the day at the fish market in Al Hudaydah.



Optimism for sustaining business:
88% of MSMEs very optimistic
79% of women in business optimistic

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