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Market Assessment: Enhanced Rural Resilience in Yemen Programme (ERRY)

Lahj and Abyan





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**By
Adnan Qatinah
September 2016**



**50
YEARS**

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Abbreviations

CAC	Cooperative and Agricultural Cooperative Bank
CARE	CARE International
CDS	Consumer Demand Survey
CSO	Central Statistics Organization
CSOs	Civil Society Organizations
ERRY	Enhanced Rural Resilience in Yemen Programme
FAO	Food and Agriculture Organization
FGDs	Focus Group Discussions
GC	Global Community
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit (German International Cooperation)
IDPs	Internally Displaced Persons
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
INGOs	International Non-Governmental Organizations
IRC	International Rescue Committee
KIIs	Key Informant Interviews
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MFI	Microfinance Institutions
MOPIC	Ministry of Planning and International Cooperation
MOS	Market Opportunities Survey
MSEs	Micro and Small Enterprises
NGO	Non-governmental Organization
SFD	Social Fund for Development

SMEPs	Small and Micro Enterprise Promotion Service
TOT	Training of Trainers
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	The United Nations Children's Fund
USD	United States Dollar
WFP	World Food Programme
YR	Yemeni Rial
YS	Youth Survey



➔ Executive Summary

The Enhanced Rural Resilience in Yemen Programme (ERRY) is a joint programme funded by the European Union and implemented by four UN agencies: UNDP, ILO, WFP and FAO. It seeks to enhance self-reliance of rural people and help communities to better cope with crises, risks and shocks.

The ERRY Programme will be implemented in four governorates: Hajjah, Hodeidah, Lahj and Abyan. Two districts from each governorate will be targeted. Target groups include most vulnerable people such as women, unemployed, youth, the *Muhamasheen*, internally displaced persons (IDPs) and stressed host communities. The programme uses inclusive, participatory and conflict-sensitive tools to mobilize and get them involved in the proposed activities.

As part of UNDP's contribution to the ERRY joint Programme under livelihoods interventions, this market assessment was conducted to identify market gaps and opportunities in micro-business start-ups and highlight potential threats or opportunities related to business operations in the target districts, with a special focus on women and youth in Lahj (Tuban and Habeel Jaber districts) and Abyan (Kenfar and Lawdar districts).

This assessment reviewed available secondary data to identify: 1) most in-demand goods and services in target districts; 2) sub-sectors conspicuously absent in the market; 3) sub-sectors whose micro-businesses have flooded the market; 3) micro-business opportunities, especially those appropriate for women and youth with a focus on social entrepreneurship; 4) business opportunities for working capital of USD 900, and 6) potential pitfalls in new micro-businesses within the four target districts.

The study took place July-September 2016. A combined quantitative-qualitative approach was followed. In addition, participatory methodology was used to capture data and information about the views and perceptions of the following groups: unemployed youth, Bazaar/Souq, Yemen Business Club, Chambers

of Commerce, employers, recently employed youth, service providers, civil society organizations (CSOs), government authorities, private sector and microfinance institutions (MFIs). Data collection documents for desk review included programme documentation, previous market assessments, and available literature/reports/research studies on the issue. Eight 'observations' were conducted in the central business districts, local markets and key transport/trading hubs. This included 48 key informant interviews (KIIs) with government institutions, local councils, Chambers of Commerce, Yemen Business Club, industry associations, local implementing partners, international organizations, microfinance institutions, banks, CSOs, non-governmental organizations (NGOs) and other stakeholders in target governorates and districts. In addition, 63 interviews were conducted with consumers and 85 with businesses/vendors; 16 focus group discussions (FGDs) were organized with 210 youth. Three quantitative surveys were conducted: a Consumer Demand Survey (CDS) for 134 consumers, a Market Opportunities Survey (MOS) for 129 business/vendors and a Youth Survey (YS) with 266 youth from target districts.

A sample selection was made using a pre-defined group with specific parameters, including geographical cluster sampling combined with random sampling including gender parameters. The actual sample for most of the tools exceeded the plan.

Findings

Yemen is a Least Developed Country, and one of the poorest in the world. Before conflict broke out, Yemen ranked 154 out of 177 in the Human Development Index¹. It has the highest levels of poverty, unemployment and illiteracy among Arab States countries, a population of nearly 26 million and population growth rate nearing three percent². Yemen is a young country: 75 percent of its population is below the age of 30. Population settlements are widely scattered and 75 percent of the total population live in rural areas.

The main challenges faced by Yemenis are significant population growth, political tensions and conflict, sluggish economic development, depleting water resources, poor standards of public health and education, widespread poverty, poor governance and insecurity.

Yemen's economy has been significantly affected by the conflict. In addition to the direct impact of fighting, a shortage in fuel and electricity supply has affected every aspect of the economy.

Yemen suffers from high unemployment, reaching 40 percent in 2014 (World Bank, 2014). Among young people, this percentage is estimated to be as high as 65 percent. Yemen is the poorest country in the Middle East and North Africa (MENA) region with over 50 percent of the total 26 million people below the poverty line. Eighty-two percent of the population requires some form of humanitarian assistance to meet their basic needs³. In addition, over 55 percent of the population is now food insecure and around 2.8 million people are currently displaced from their homes⁴.

This study covered four selected districts in Lahj and Abyan Governorates. Lahj Governorate is located in southeastern Yemen, 337 kilometres northwest of Sana'a, and the majority of population lives in rural areas (91%). Two of its 15 districts were covered by this study: Tuban and Habeel Jabr. Located on Wadi Tuban Delta, Lahj has diverse topography, ranging from mountains, plains, coast and desert. Agriculture,

1 UNDP, Human Development Index 2014. <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>

2 The Central Statistical Organization (2013). Statistical Year Book.: <http://www.cso-yemen.org/content.php?lng=arabic&cid=131>

3 OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf

4 UN OCHA (2016). <http://www.unocha.org/yemen>

livestock and fisheries are the main activities of most of the population. The region also produces cereals, fruit, feed, cash crops and vegetables. Handicrafts, including textiles, pottery, ceramics, and sweets are also an important industry for the region.

According to the Humanitarian Needs Overview (2016), 80 percent of the population in Lahj requires some form of humanitarian assistance to meet their basic needs⁵. According to the local council, the estimated unemployment rate stands at 68 percent; most of them youth. Very poor education levels, as well as a lack of skills, work experience, and employment services are the main employment challenges facing youth in Lahj.

Abyan Governorate is located in southeastern Yemen, 427 kilometers northwest of Sana'a, and is composed of 15 districts. According to the Central Statistical Organization (2014), Abyan Governorate has a population of 576,222, representing 2.2 percent of the total population of Yemen, and an annual growth rate of three percent. Males represent 51 percent and females 49 percent of the population. More than 75 percent live in rural areas. Abyan has a 300km long coastline, which yields high quality fish. The climate of Abyan Governorate is moderate in the winter and hot in the summer. It has a diversified landscape, from coastal plains to hinterland plateaus. Agriculture, fisheries and livestock are the main sources of income for most of the population. Fruits, cotton and vegetables are also produced in Abyan.

According to the Humanitarian Needs Overview (2016), 94 percent of the Abyan's population requires some form of humanitarian assistance to meet their basic needs⁶. According to the local council, the estimated unemployment rate stands at 70 percent; most are youth. Like Lahj, poor education levels, a lack of skills, work experience, and employment services are the main employment challenges faced by youth in Abyan.

Consumer Demand

The market assessment results found that the most in-demand goods and services in target districts were food commodities, clothes and footwear, handicrafts, electronic devices, agriculture toolkits, restaurants and coffee, tailoring, repairing and maintenance, hairdressing, motorcycle maintenance and medical services. The majority of goods and services in target districts have a low level of satisfaction among consumers due expense, poor quality, lack of supply, poor customer service and not matching customers' needs.

This study indicates that the causes of dissatisfaction with goods and service activities can be addressed with entrepreneurship skills training in project development, marketing and customer service to make graduates more competitive in the marketplace. Findings show there is an opportunity to develop the market for most services, which simultaneously provides micro-business opportunities for youth.

Market Supply

The findings indicate that at the local level in target districts the economy is heavily reliant on informal agriculture and livestock sectors. The present market structure in most target districts comprise of micro, small and medium-sized enterprises mainly in trade, services, handicrafts and agriculture, which represent 62 percent, 18 percent, 13 percent and seven percent respectively. Markets in all target districts share

5 OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf

6 OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf

almost the same characteristics. The main goods available in markets were food commodities, fish and meat, clothes and footwear, ice, furniture and household goods, equipment and machinery, handicraft products, electronic devices and pharmaceuticals. The main services include restaurants/coffee and fast food, repair services, animal rearing, transportation (motorcycles), tailoring and embroidery, hairdressing and beauty and medical care.

Findings from the consumer survey/interviews were combined with the Market Opportunities Survey/interviews and qualitative research to determine the goods and services that are absent from or flooding the market. Absent goods and services included financial services, solar lighting/power maintenance, clothes laundering, locally processed food, computer and business services, internet services, display centres for local handicrafts, entertainment services and packaging and marketing services. Goods and services that have flooded the markets include vegetables and construction workers. This indicates that most sectors are still expandable.

The lack of available goods indicates a supply side issue, such as a limited number of suppliers holding a monopoly over the supply chain. It also indicates there may be a gap here for wholesale businesses or new transport/distribution businesses to fill.

The study found that the business sector faces the following challenges: security threats (mainly Al-Qaeda); a weak enabling environment; and a lack of basic infrastructure, financial services, information and skilled workers. Most businesses operate informally without licensing or registration. However, the majority of traders/vendors plan to expand their businesses in the future for different reasons, including to grow income, meet customer demand, create more job opportunities for family members and to become more competitive in the market.

Loans are an important source of ongoing capital in most of the markets; it was found that most business in target districts had taken loans from parents, a family member, husband/wife or friends, while three percent had obtained a loan from microfinance institutions (MFIs) or banks. The reasons for obtaining a loan included expanding business, buying material or stock, and buying equipment.

The assessment found that some MFIs operate in Tuban and Kenfar districts. There were no MFIs in other districts. MFIs provide a variety of financial and non-financial services including lending, savings, deposits, current accounts, money transfer, micro-leasing, training and technical assistance to small and medium enterprises (SMEs). Reasons for not obtaining a loan from MFIs or banks included: absence of MFIs, inability to afford interest payments, not having the required documents to apply for financing, not meeting eligibility requirements for lending, no knowledge of how to apply for financing, a fear of being denied, and geographic barriers.

Most entrepreneurs did not have entrepreneurship skills training. Young females cited limited mobility, lack of access to business support services (such as financial, marketing and consulting services), socio-cultural factors continuing gender stereotypes, as well as lack of the requisite skill set (business development skills, marketing, financial literacy knowledge) as barriers for them. Similarly, for young males carrying out self-initiated income generating activities, a lack of requisite entrepreneurship skills and capital seemed to be the greatest barriers to business growth and potential.

Youth

Youth unemployment in both Lahj and Abyan is high, and the level of engagement in entrepreneurial activity is low. The majority of youth respondents expressed a willingness to start up a business to create sustainable economic opportunities for themselves. However constraints included a lack of funding, high

financial risk, economic barriers, political and security unrest (mainly Al-Qaeda and absence of state), lack of access to skills training, absence of support from the families and local communities, and an absence of institutional support services. The education system in Yemen did not sufficiently prepare youth to be self-employed. Access to the necessary knowledge and skills for enterprise is very limited, and absent in all target districts.

The majority of youth enterprises in target districts were in trades, services, handicrafts and agriculture. Preferred and in-demand enterprises among youth in target districts were trade (food commodities shops, clothing shops, electronic devices shops, sweet shops, spare parts shops and incense and perfume selling); services (clinics, restaurants/coffee shops, mechanics and repair workshops, computer and business services, solar power maintenance, tailoring and embroidery, hairdressing and beauty, henna, and internet cafes); production and handicrafts (sweet making, handloom textiles, weaving fronds, recycling, making incense and local perfumes, sesame oil production and agriculture tool production); and agriculture enterprises (livestock, fisheries, poultry, beekeeping, veterinary clinics and flower growing). Most businesses required between YR 100,000 (USD 400) to YR 250,000 (USD 1,000) to be established and to generate sustainable income.

It is recommended that youth be encouraged to diversify their projects to align with market demand. Ideally, around 30 percent of new youth business should be trade, 24 percent services, 18 percent agribusiness, 18 percent handcraft business and 10 percent production businesses.

Providing youth and women with entrepreneurship knowledge, skills and support to establish their own business in these sectors will have a significant social and economic impact in local communities. An increase in micro businesses will have a positive impact on local economic growth, contributing to reducing poverty and unemployment, promoting social integration and cohesion in target districts, and providing alternatives for youth from joining terrorist groups and armed militias.

Women's micro enterprises offer many advantages for rural women including flexible hours, and having the business located in or near their homes. This provides autonomy, independence and a reduced need for social support. In this way, entrepreneurship stands as a means to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

Evidence also indicates that social enterprises contribute to building sustainable rural communities, and youth-specific social enterprise opportunities were identified, such as adult education and youth centres.

The assessment identified the following agriculture and non-agriculture sectors are undeveloped: handloom textiles (*Mawwaz*)⁷, sesame oil, clay ceramic pottery and agriculture tools production. If these sectors were to be developed and supported, a significant number of job opportunities would be created.

Potential pitfalls for new micro businesses in target districts were identified, including: 1) insecurity, mainly due to Al-Qaidah; 2) inability to gain funding; 3) economic barriers including high levels of poverty and high inflation; 4) market volatility and high competition in traditional business activities; 5) lack of support from families and local communities; and 6) lack of access to a reliable infrastructure (transportation, electricity, etc.).

⁷ Maawaz is a rectangular piece of cloth used to cover a man's lower body from under the abdomen to the knees. It can be one or multiple colors. It is produced by weaving cotton or other fabrics.

Training needs included: 1) life skills (self-confidence, self-awareness, communication, time management, self-marketing, leadership, influencing, creativity and innovation, social inclusion and self-planning); 2) entrepreneurship skills; 3) financial literacy; 4) vocational skills (for females: tailoring, hairdressing and beauty, sweet making, incense and perfumes making, and for males: motorcycle repair, solar system maintenance, electric wiring).

Recommendations

Based on the findings of this market assessment, the following recommendations are made:

1. Create and implement an integrated project including:
 - Support services linking target youth to microfinance, mentoring and advisory service providers;
 - Entrepreneurship enabling environment: enhancing the link between youth entrepreneurs and stakeholders and creating a youth entrepreneurship network in target districts;
 - Integrated to improve awareness and recognition of o.
2. Develop rigorous selection procedures, including an independent selection committee, ensuring that the most vulnerable people such as women, unemployed and youth and *Muhamasheen* benefit from the intervention;
3. Entrepreneurship training focusing on youth micro-business opportunities. Emphasis should be given to customer service and improving the quality of goods and services provided by youth;
4. Build on what already exists. Findings show curricula/training manuals have been designed and developed by international organizations and NGOs for youth entrepreneurship, including by ILO, CARE, GC and SOUL. Review these and identify what, if any, additional curricula needs to be developed;
5. Partner with government, local councils, community leaders and the private sector, to build on what these actors can offer to assist and coordinate the work of the project team and implementing partners;
6. When designing and implementing training courses and support services, take into consideration the sensitivity of women's situations, particularly the type of cash-for-work, venue of training and duration of the training program;
7. To ensure sustainability of interventions, enhance linkages between youth entrepreneurs and stakeholders, and create youth entrepreneurship networks in target districts. This encourages informal learning and provides the collective power that may be required to reach out to new markets.
8. Provide gender-sensitive capacity building for project staff, trainers, mentors and implementing partners to better understand gender-based differences in approaching entrepreneurship and self-employment. Women are an integral part of project activities and are beneficiaries. For example, women's entrepreneurial activities are often home-based and grow at a slower pace than men's. Women may require additional market and entrepreneurship skills training compared to men, as they may not have undertaken any business activities previously.
9. Develop apprenticeships and build links with the private sector for youth to practice their skills in the real market, enhancing their professional confidence and competitiveness for self-employment;
10. Establish a peer education mechanism that encourages youth who benefited from training and support services to share their knowledge, skills and experience among their peers;
11. To enhancing the sustainability of the project, engage the whole range of stakeholders, including community members, local and national government, MFIs and private sector;

12. Encourage local production of goods that are currently being imported, particularly fruits and vegetables. This would also reduce the price and the expense of transportation, which would, in turn, make local products more competitive and improve food security within the target districts;
13. Allocate adequate time to promote project activities in order to enhance the quality of selection and identify most in-need target groups;
14. Conflict sensitivity and prevention capacity building for stakeholders, including participants, project team and implementing partners to ensure the success of the project;
15. Further to point 14, a training of trainers (TOT) workshop on conflict sensitivity and prevention for targeted individuals to ensure sustainability and transfer of knowledge;
16. Consider extending project's preparatory phase to carry out a robust outreach activity in target districts for orientation on the project objectives and 3X6 approach, as well as mobilizing community support for the intervention;
17. Encourage youth to use social media, such as creating Facebook or WhatsApp groups to networking or promote their goods and services.



Introduction

1. Background and Objectives

The Enhanced Rural Resilience in Yemen Programme (ERRY) is a joint programme funded by the European Union and implemented by four UN agencies including UNDP, ILO, WFP and FAO. It seeks to enhance the self-reliance of rural people and communities to better cope with crises, risks and shocks. This will be achieved through a complementary approach, building on participating agencies' comparative advantages through the following two outcomes:

- **Outcome 1:** Communities are better able to manage local risks and shocks for increased economic self-reliance and enhanced social cohesion;
- **Outcome 2:** Institutions are more responsive, accountable and effective to deliver services, build the social contract and meet community identified needs.

Within its two-year timeframe, the following results/outputs will be achieved:

- **Output 1.1:** Community livelihoods and productive assets are improved to strengthen resilience and economic self-reliance;
- **Output 1.2:** Communities benefit from improved and more sustainable livelihoods opportunities through better access to solar energy;
- **Output 1.3:** Informal networks promote social cohesion through community dialogue and delivery of services
- **Output 2.1:** Functions, financing and capacity of local authorities enabled to deliver improved basic services and respond to public priorities;
- **Output 2.2:** Increased capacity of local actors and strengthened partnership of private sector to enhance collective actions, aid delivery and economic recovery.

The ERRY Programme will be implemented in four governorates: Hajjah, Hodeidah, Lahj and Abyan. Within each governorate two districts will be targeted. The target group included the most vulnerable parts of the population, such as women, unemployed, youth, *Muhamasheen*, internally displaced persons (IDPs) and stressed host communities, using inclusive, participatory and conflict-sensitive tools to involve them in the proposed activities.

As part of UNDP's contribution to the ERRY joint Programme under livelihoods interventions, this market assessment was conducted to identify gaps and opportunities in micro-business start-ups and highlight opportunities related to business operations in target districts, with special focus on women and youth.

The objective of market assessment, as described in the Terms of Reference (*Annex 2*) is as follows:

- Review available secondary data;
- Identify goods and services most in demand in target districts;
- Identify sub-sectors conspicuously absent from the market;
- Identify sub-sectors for which micro-businesses have already flooded the market;
- Identify micro-business opportunities appropriate for women and youth, with a focus on social entrepreneurship;
- Identify business opportunities for a working capital of USD 900; and
- Identify potential pitfalls for new micro-businesses.

2. Methodology

In order to best meet the above objectives, a quantitative-qualitative mixed approach was adopted. The participatory methodology was used to capture data and information on the views and perceptions of unemployed youth, Bazaar/Souq, Yemen Business Club, Chambers of Commerce, recently employed youth, service providers, CSOs, government authorities, private sector and microfinance institutions (MFIs). Data collection included a desk review of existing reports and studies, key informant interviews (KII), focus group discussions (FGDs), observations, a Consumer Demand Survey, Market Opportunity Survey and Youth Survey, which are summarized in *Table 1* below.

Table 1: Data distribution, data sources and number of participants

Method		Lahj		Abyan		Total
		Tuban	Habeel Jabr	Kenfar	Lawdar	
Key Informant Interviews		15	14	13	6	48
Focus Group Discussion		49	46	69	46	210
Interviews	Interviews with consumers	19	15	19	10	63
	Interviews with suppliers	31	15	22	17	85
Questionnaire	Consumer Demand Survey	39	31	32	32	134
	Market Opportunity Survey	40	28	32	29	129
	Youth Survey	80	72	58	56	266
Observation		2	2	2	2	8
Total		275	223	247	198	943

The study followed a consultative and participatory approach, with UNDP’s programme team engaged at all stages of the assessment. The study framework and tools were designed following extensive consultations with UNDP’s programme team. The fieldwork-based primary data collection commenced soon after approving data collection tools and field plan by UNDP. Field activities were carried out with support from UNDP and research teams in Lahj and Abyan.

Desk Review

A desk review was done to inform data collection tools, perform critical market analysis and review the current situation of youth and women’s livelihoods in Yemen, mainly in the target governorates. Reviewed documents include: project documentation, previous market assessments conducted in Yemen by CARE, UNDP and the World Bank. Desk research also involved a revision of available literature, reports and research studies specific to the issue. A complete listing of the secondary literature reviewed can be found in the *References* section of this report.

Qualitative Tools

Qualitative interviews complemented the quantitative survey, providing context for the quantitative data, as well as a more in-depth evidence base.

Observation

To understand goods and services being supplied and demanded in the community, eight observation visits were made to central businesses districts, local markets and key transport/trading hubs, interacting with local sellers and producers (See *Table 2*). The observations also sought to identify: goods and services most and least in demand, most successful district businesses, highly competitive sectors, imported goods and local goods being exported to other districts, regions and governorates. The observations took place at different points throughout the day (morning and midday), and during interviews with the consumers and businesses.

Table 2: Number of observations

Governorate	Districts	No. of observations	Location
Lahj	Tuban	2	- Al-Gauosh Market (daily market) - Al-Anad Market (daily market)
	Habeel Jabr	2	- Al-Asbow Market (weekly market) - Habeel Jabr Market (daily market)
Abyan	Kenfar	2	- Jaar Market - Zanjabar Market (daily market)
	Lawdar	2	- Al-Aam Market (daily market) - Meat and Fish Market (daily market)
Total		8	

Key Informant Interviews

A total of 48 key informant interviews were conducted with government institutions, local councils, Chambers of Commerce, Social Fund for Development, industry associations, local implementing partners, international organizations, microfinance institutions, Banks, CSOs, NGOs and other stakeholders from the target governorates and districts. This helped to identify the following: key stakeholder policy and/or supportive environments for youth and women, market gaps and opportunities for micro-business start-ups, and detailed assessment of market challenges. A list of organizations interviewed is presented in *Annex I* while types of organizations interviewed are summarized in *Table 3* below.

Table 3: Number of key informant interviews (KII)

Group	Lahj		Abyan		Total
	Habeel Jabr	Kenfar	Lawdar	Al-Zuhrah	
Government institutions	2		2		4
Local councils	2	2	2	2	8
Local partners			1		1
Chambers of Commerce	1		1		2
INGOs	2	2		1	5
LNGOs	4		3	2	9
Local community	2	4			6
CSOs		1	1		2
Banks and MFIs	2	2	3	1	8
Service providers		3			3
Total	15	14	13	6	48

Interviews

To complement the quantitative data and gain a better understanding of the demand and supply sides in target districts, 148 qualitative interviews were conducted with consumers and businesses/vendors.

Interviews with consumers:

To determine the extent of availability of and satisfaction with goods and services currently provided in the target districts and understand which goods and services are most in demand, 63 interviews were conducted with consumers (33% female and 67% male; 54% in Lahj and 46% in Abyan) (See *Table 4*).

Interviews with businesses/vendors:

In order to understand reasons behind shortfalls and consumer dissatisfaction according to business owners and service providers, gain an in-depth picture about the performance of existing businesses (income, size of customer base), and to identify sub-sectors conspicuously absent from the market and those flooding markets of target districts, 85 interviews were conducted with businesses, vendors/producers (35% female and 67% male; 54% in Lahj and 46% in Abyan) (See *Table 4*).

The objective of the interviews with consumers and businesses was to gain a better understanding of the gap in markets in target districts and identify micro-business opportunities most appropriate for women and youth. The sample was selected using a pre-defined group with specific parameters, such as geographical cluster sampling combined with random sampling considering gender parameters.

Table 4: Number of interviews with consumers and businesses

Governorate	Districts	Consumers			Businesses		
		Male	Female	Total	Male	Female	Total
Lahj	Tuban	12	7	19	19	12	31
	Habeel Jabr	10	5	15	10	5	15
Abyan	Kenfar	10	9	19	12	10	22
	Lawdar	10	0	10	14	3	17
Total		42	21	63	55	30	85

Focus Group Discussions

To complement the quantitative data and gain a better understanding of youth entrepreneurship, micro-business opportunities, rural employment preferences and challenges to seeking employment, 16 FGDs (8 in Lahj, and 8 in Abyan) were organized with youth aged 18-40 years in the selected districts. A total of 21 participants (44% female, 56% male) took part in the FGDs. The number of FGD participants by district and gender are summarized in *Table 5* below.

Table 5: Number of FGDs and number of participants

Governorate	Districts	No. of FGDs	Businesses		
			Male	Female	Total
Lahj	Tuban	4	26	23	49
	Habeel Jabr	4	26	20	46
Abyan	Kenfar	4	43	26	69
	Lawdar	4	22	24	46
Total		16	117	93	210

Quantitative Tools

Prior to data collection, researchers and local enumerators received training which provided an overview of the market assessment objectives and data collection tools (mainly quantitative surveys, sampling methodology, respondent selection, collecting and recording documented evidence from the field).

Three quantitative surveys were conducted: a Consumer Demand Survey (CDS), Market Opportunity Survey (MOS) and Youth Survey (YS). Data gathered from the surveys was disaggregated by gender and location. The surveys were developed and tested in Lahj, with 10 respondents for each survey, and carried out in the four selected districts. The number of respondents for each survey are summarized in *Table 6* below.

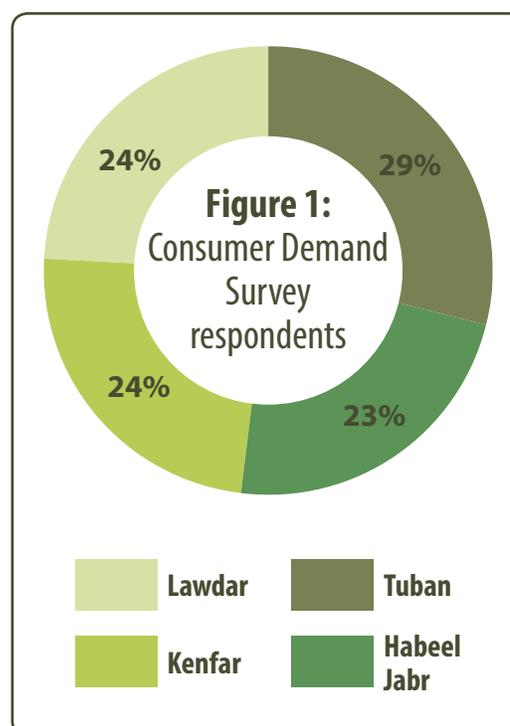
Table 6: Number of survey respondents

Governorate	Districts	Consumer Demand Survey			Market opportunity survey			Youth survey		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Lahj	Tuban	25	14	39	23	17	40	52	28	80
	Habeel Jabr	18	13	31	18	10	28	52	20	72
Abyan	Kenfar	19	13	32	22	10	32	34	24	58
	Lawdar	25	7	32	21	8	29	30	26	56
Total		87	47	134	84	45	129	168	98	266

Consumer Demand Survey:

The Consumer Demand Survey (CDS) aimed to determine the extent to which goods and services currently provided markets in target districts are available and satisfactory, and which are most in demand. The survey identified areas in the market with unfulfilled demand and those likely to improve with support or training.

A sample was selected using a pre-defined group with specific parameters, such as geographical cluster sampling combined with random sampling considering gender parameters. The actual sample surveyed exceeded the plan. e and; in and in s



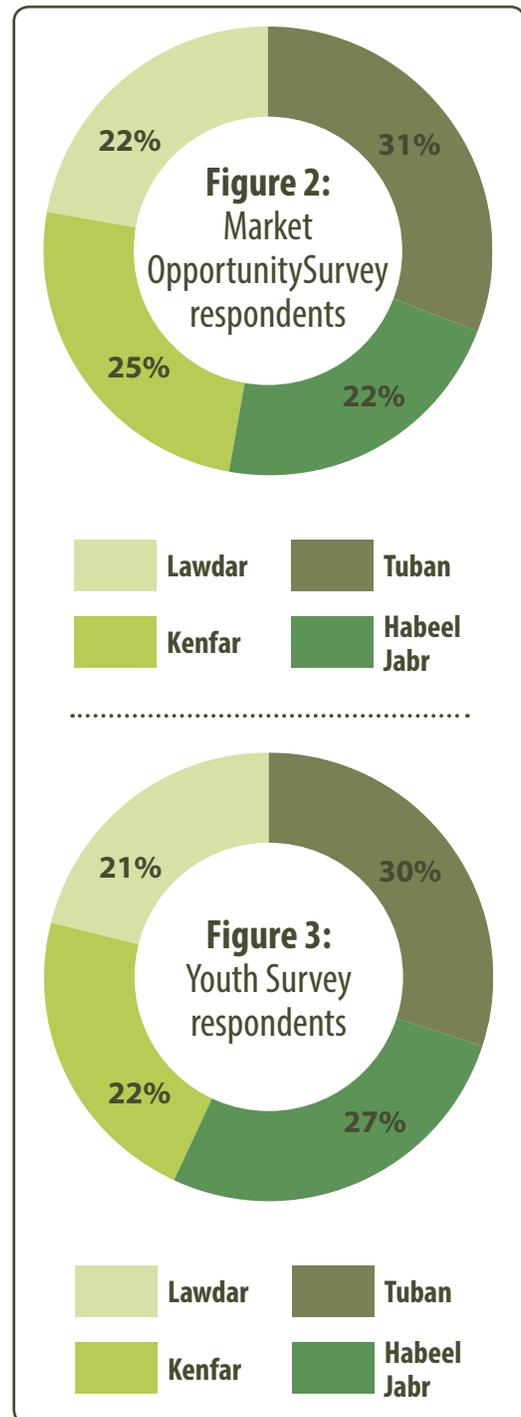
Market Opportunity Survey:

The Market Opportunity Survey was conducted to better understand reasons behind shortfalls and consumer dissatisfaction according to business owners and service providers; to come up with an in-depth picture about the performance of existing businesses (income and size of customer base), and to identify sub-sectors conspicuously absent from the market and those flooding markets of target districts. It aimed to identify micro-business opportunities more suited to women and youth. Data collectors targeted vendors and producers working in the markets of target districts using systematic random sampling. 129 observations took place (35% female and 65% male; 53% in Lahj and 47% in Abyan) (see *Table 6* above).

Youth Survey:

The Youth Survey assessed the current level of skills, interest and desire among youth to access training and support. It captured key trends in micro-business opportunities vis-a-vis UNDP’s 3X6 approach, rural employment preferences and challenges in seeking employment in the entrepreneurship and in accessing skills development and financing services.

Sample selection was done using a pre-defined group with specific parameters, such as geographical cluster sampling combined with random sampling considering gender parameters. All samples from Abyan were youth who had received training the past year. 266 youth participated in the survey (37% female and 63% male; 57% in Lahj and 43% in Abyan) (see *Table 6* above).



Conflict sensitivity approach

Considering the current situation in Yemen, a quick analysis of key drivers of conflict, dynamics and actors in target governorates and districts was conducted to have a better understanding of the best way to conduct the market assessment and achieve its objectives in this context. Field researchers were trained on communicating with different actors and working in a conflict sensitive manner, and one female was included in the team in each district.

Data entry and analysis

A spreadsheet was used to enter quantitative data, which was then coded, processed and analyzed using the STATA 11 statistical analysis software. Graphs used in this report were prepared using Microsoft Excel and based on STATA outputs.

Limitation of the research

Some business owners and consumers interviewed in the course of the study expected some sort of support from the enumerators. This meant enumerators had to spend time explaining the purpose of the study and how the outcomes would be utilized. This explanation seemed satisfactory to those who were interviewed. In addition, it was very difficult for enumerators in some districts, such as Lawder district, to find businesswomen, thus the sample of businesses was less than planned.



Context

1. Yemen's Economy

Yemen is a Least Developed Country, and one of the poorest in the world. Before conflict broke out, Yemen ranked 154 out of 177 in the Human Development Index⁸. It has the highest levels of poverty, unemployment and illiteracy among Arab States countries, a population of nearly 26 million and population growth rate nearing three percent⁹. Yemen is a young country: 75 percent of its population is below the age of 30. Population settlements are widely scattered and 75 percent of the total population live in rural areas.

The main challenges faced by Yemenis are: significant population growth, political tensions and conflict, sluggish economic development, depleting water resources, poor standard of public health and education, widespread poverty, poor governance and insecurity.

Yemen's economy has been significantly affected by the conflict. In addition to the direct impact of fighting, a shortage in fuel and electricity supply has affected every aspect of the economy. According to the Ministry of Planning and International Cooperation (MOPIC), Yemen's GDP contracted nearly 35 percent in 2015. This is largely driven by a 75 percent decline in oil and gas revenues, which represents more than 75 percent of the total public budget expenses. The foreign reserves at Central bank of Yemen

8 UNDP, Human Development Index 2014. <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>

9 The Central Statistical Organization (2013). Statistical Year Book.: <http://www.cso-yemen.org/content.php?lng=arabic&cid=131>

decreased rapidly to worrying levels, and Yemeni Rial (YR) has significantly depreciated, losing 45 percent of its value. Inflation rose 36 percent in 2015¹⁰, leading to rising food prices and a weakening of household purchasing power and access to food.

Investments and development gains from the past are evading. Due to the crisis, economic activities have ground to a near standstill and are negatively impacted by a shortage of fuel, food and basic commodities due to the blockade on imports. The massive destruction of socio-economic infrastructure and the impact of the escalating conflict on lives and livelihoods will also have grave consequences for longer-term development.

Yemen suffers from high unemployment, recorded at 40 percent in 2014 (World Bank, 2014). Among youth, it is estimated to be as high 60 percent, and is expected to reach 65 percent in 2016 due to investment project crashes and the laying off of many private sector employees. A UNDP and SMEPS Rapid Business Survey (2015) indicated that more than 26 percent of all businesses have closed since March 2015: 35 percent of medium enterprises, 27 percent of small business and 24 percent of micro businesses were forced to shut their doors, compared to 17 percent of large firms. According the Yemen Damage and Needs Assessment (2016) conducted by ILO, employment declined in Abyan by 11.6 percent due to the impact of the current crisis¹¹, while the number of women in employment has declined by almost two-thirds since 2014.

Unemployment will remain a major problem facing development in Yemen due to the impact it has on social, security, and economic spheres. Of particular risk is unemployed youth joining militia or terrorist groups as a source of income.

Entrepreneurship training is considered a way to support these at-risk youth to pursue sustainable self-employment opportunities. The education system in Yemen did not sufficiently prepare youth to be self-employed. Access to the necessary knowledge and skills for enterprise development is very limited in Yemen overall, and absent in all target districts.

Yemen is the poorest in the Middle East and North Africa (MENA) region, with more than half of its 26 million population already below the poverty line. Thirteen million are in need of immediate help, and 82 percent of the population requires some form of humanitarian assistance to meet their basic needs¹². Furthermore, more than 55 percent of the population is now food insecure, and around 2.8 million people are currently displaced from their homes¹³.

The political instability is fueled by conflict and widespread insecurity, large-scale displacement, internal and international population movement, civil strife, endemic poverty and a breakdown of social and public services.

10 MOPIC (2016). Yemen Socio-economic Update. Issue (16) Jul. 2016: file:///C:/Users/E440/Downloads/YSEU16_%D9%90English_FinalFinalFinal.pdf

11 Yemen Damage and Needs Assessment, Crisis Impact on Employment and Labour Market, ILO 2016

12 OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf

13 UN OCHA (2016) <http://www.unocha.org/yemen>

2. Overview of Lahj and Abyan

Lahj Governorate

Lahj Governorate is located in the southeast part of Yemen, 337 kilometers northwest of Sana'a. According to Central Statistical Organization (2015), Lahj governorate has a population of 955,126 representing 3.7 percent of the total population of Yemen, with an annual growth rate of 2.6 percent. Males represent 50 percent while females 50 percent of the population. More than 91 percent live in rural areas.

Lahj located on Wadi Tuban Delta, and topographically diverse, ranging from mountains, plains and coast to desert. Agriculture, livestock and fisheries are the main activities of most of the population, but the region also produces various types of cereals, fruits, feed, cash crops and vegetables. Handicrafts represent an important industry, including textiles, pottery, ceramics and sweets.

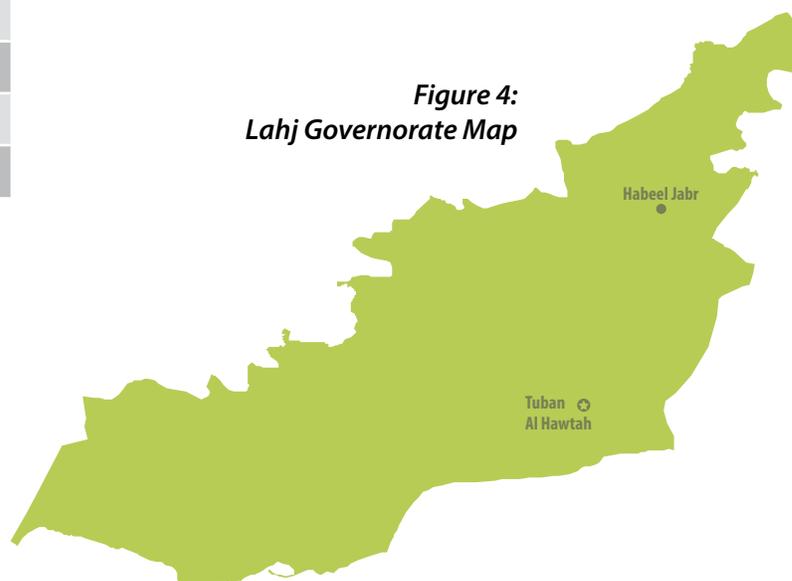
According to the Humanitarian Needs Overview (2016), 80 percent of the population in Lahj requires some form of humanitarian assistance to meet their basic needs¹⁴. Unemployment is high: according to the local council, unemployment rate stands at an estimated at 68 percent, most of whom are youth. Very poor education levels, a lack of skills, work experience, employment services, opportunities and security unrest (Al-Qaidah) are the main employment challenges facing youth in Lahj.

Lahj Governorate consists of 15 districts. The market assessment covered two districts, Habeel Jabr and Tuban (see *Table 7*).

Table 7: Population for selected districts in Lahj

	Habeel Jabr	Tuban
Population	52,727	109,703
Male	50%	50%
Female	50%	50%
Area km2	647	1,528
Population Density	64.10	71.80

Source: Central Statistics Organization, 2014.



¹⁴ OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf

Abyan Governorate

Abyan Governorate is located in southeastern Yemen, 427 kilometers northwest of Sana'a, and is composed of 15 districts. According to the Central Statistical Organization (2015), Abyan Governorate has a population of 576,222, representing 2.2 percent of the total population of Yemen, with an annual growth rate of three percent. Males represent 51 percent while females 49 percent of the population. More than 75 percent of the population lives in rural areas.

Abyan has a 300 km long coastline, which yields quality fish. The climate of Abyan Governorate is moderate in the winter and hot in the summer. It has a diversified landscape, from coastal plains to hinterland plateaus. Agriculture, Fisheries and livestock are the main activity of most of the population. In addition, it is produces various types of fruits, cotton and vegetables.

According to Humanitarian Needs Overview (2016), 94 percent of the population in Abyan requires some form of humanitarian assistance to meet their basic needs¹⁵. Unemployment is high - according to the local council, it is estimated at 70 percent; most of them youth. Very poor education, plus a lack of skills, work experience, employment services, opportunities and security unrest (Al-Qaidah) are the main employment challenges that youth face in Abyan.

Abyan Governorate consists of 11 districts. The market assessment covered two districts, Kenfar and Lawdar (See Table 8).

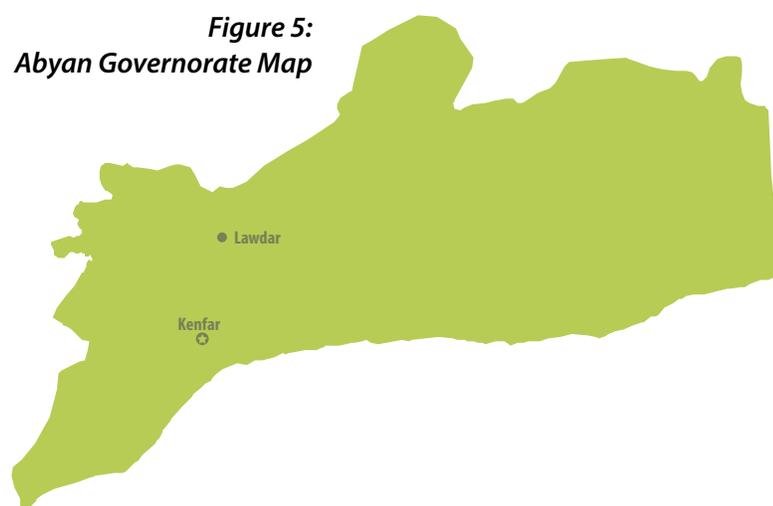


Table 8:
Population for selected districts in Abyan

	Kenfar	Lawdar
Population	161,988	117,814
Male	50%	50%
Female	50%	50%
Area km2	4,398	2,166
Population Density	36.83	54.39

Source: Central Statistics Organization, 2014.

15 OCHA (2016), Humanitarian Needs Overview, Yemen: http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf



Findings

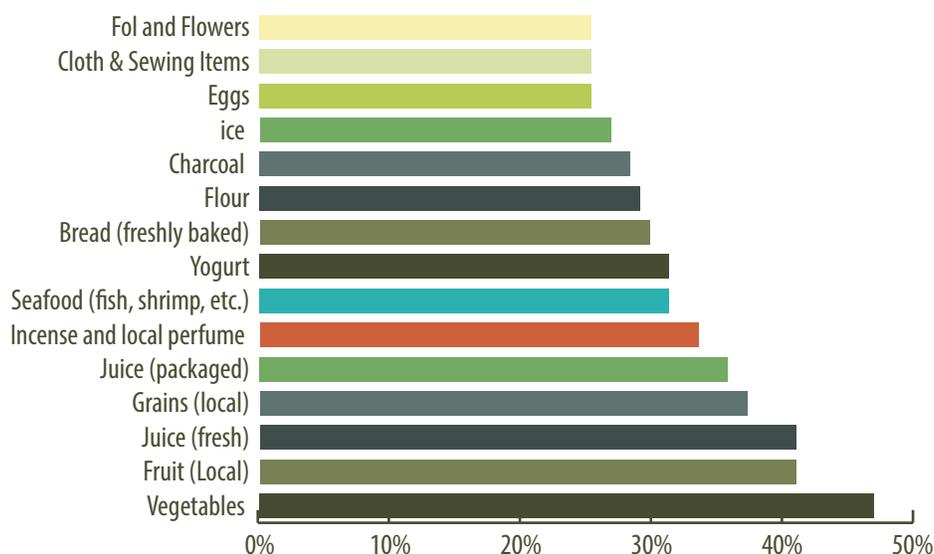
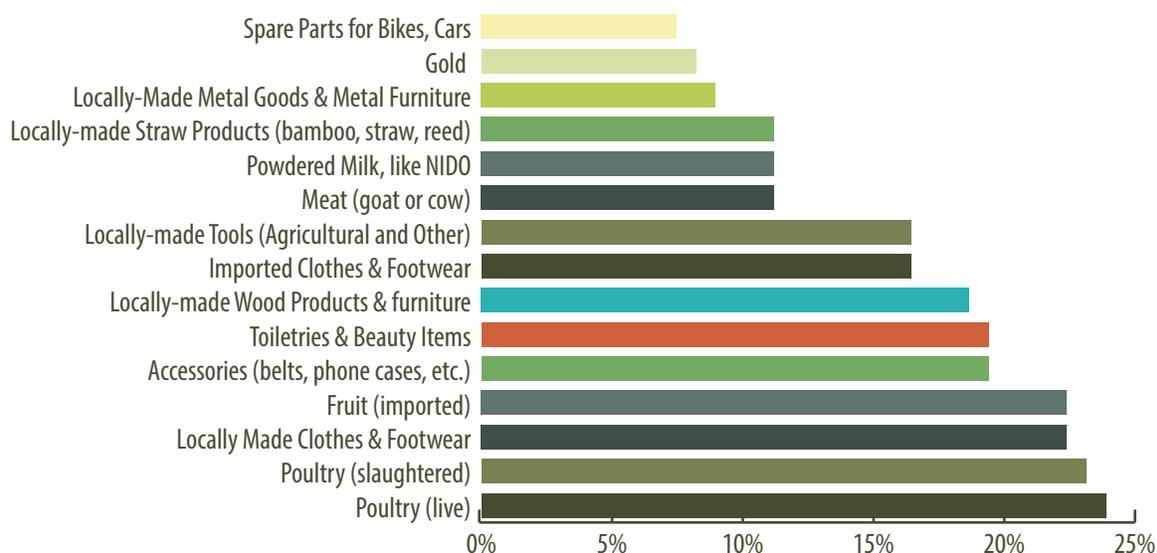
1. Consumer Demand

This section presents an analysis based on the consumer demand assessment in target districts in Lahj and Abyan Governorates. The first part of the section describes the consumer market satisfaction or dissatisfaction with current goods and services offered within their area. Subsequent sections explain the unmet demand and market gaps in goods and services. The main findings of the Consumer Demand Survey regarding goods and services are analysed in this section.

1.1. Goods Demand

Figure 6 shows that the majority of goods have low levels of market satisfaction; all are less than 50 percent. The highest was for vegetables at 47 percent, then fruit (local) and juice (fresh) at 41 percent. Results in both Lahj and Abyan are very similar; the only notable difference is seafood in Abyan, which has a higher level of satisfaction at 39 percent. *Figure 7* shows that market dissatisfaction (goods with low level of satisfaction) is substantial for spare parts (bikes and cars), clothes and some food, gold, locally-made metal goods and furniture, locally-made straw products, locally-made tools, clothes and footwear, meat, fruit (imported), toiletries and beauty items and accessories. Comparing Lahj and Abyan, there are some differences in toiletries, beauty items and accessories, which have a higher level of dissatisfaction in Abyan. These goods show greatest potential for new businesses.

The assessment found that high costs are the leading cause of dissatisfaction among almost all the bottom 15 goods – accounting for 14 out of 15, while ‘not good match with customer needs’ was the cause of dissatisfaction for locally-made straw products, as seen in *Table 9*. The second most-cited reason

Figure 6: Market satisfaction top 15 goods**Figure 7: Market dissatisfaction bottom 15 goods (goods with low level of satisfaction)**

of dissatisfaction was lack of supply, while there were a number of goods for which the second and third cited reason of dissatisfaction was poor quality. These results were confirmed by observations and consumer interviews.

These causes of dissatisfaction with goods can be addressed through training to make graduates more competitive in the marketplace. Results suggest there is a good opportunity to develop the market for most products, or to improve the quality of goods, creating potential micro-business opportunities for youth.

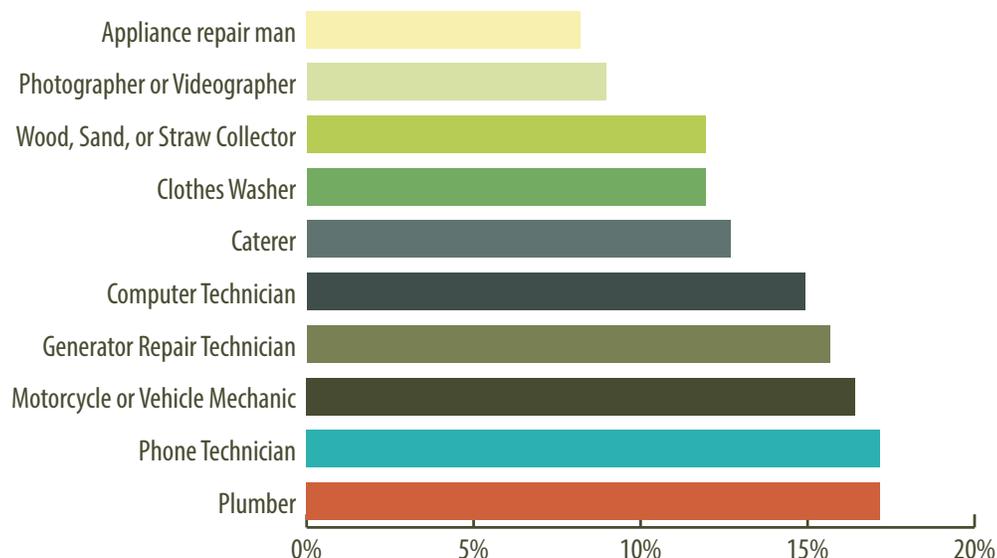
Table 9: Goods: Causes of goods dissatisfaction by order of frequency

Goods	% of satisfaction	Causes of goods dissatisfaction					
		1st	2nd	3rd	4th	5th	6th
Poultry (live)	24%	Too expensive (59%)	Lack of supply (19%)	Poor customer service (12%)	Poor quality (10%)		
Poultry (slaughtered)	23%	Too expensive (53%)	Lack of supply (21%)	Poor quality (14)	Poor customer service (11%)		
Locally made clothes and footwear	22%	Too expensive (41%)	Lack of supply (34%)	Poor quality (15%)	Not Good match (5%)	Poor customer service (3%)	Do not trust vendor (3%)
Fruit (imported)	22%	Too expensive (61%)	Lack of supply (19%)	Not good match (8%)	Poor quality (5%)	Poor customer service (5%)	Do not trust vendor (1%)
Accessories (belts, phone cases, etc.)	19%	Too expensive (51%)	Not good match (15%)	Poor quality (14%)	Lack of supply (12%)	Poor customer service (8%)	
Toiletries and beauty Items	19%	Too expensive (60%)	Lack of supply (21%)	Not good match (11%)	Poor customer service (9%)		
Locally-made wood products and furniture	19%	Too expensive (33%)	Lack of supply (27%)	Not good match (22%)	Poor quality (13%)	Poor customer service (4%)	
Imported clothes and footwear	16%	Too expensive (62%)	Lack of supply (17%)	Poor quality (12%)	Not good match (4%)	Poor customer service (4%)	Do not trust vendor (1%)
Locally-made tools (agricultural and other)	16%	Too expensive (34%)	Lack of supply (27%)	Not good match (15%)	Poor quality (15%)	Do not trust vendor (7%)	Poor customer service (2%)
Meat (goat or cow)	11%	Too expensive (68%)	Lack of supply (14%)	Poor customer service (6%)	Not good match (6%)	Poor quality (3%)	Do not trust vendor (3%)
Powdered milk, like NIDO	11%	Too expensive (67%)	Poor quality (14%)	Lack of supply (10%)	Not good match (5%)	Poor customer service (3%)	
Locally-made straw products (bamboo, straw, reed)	11%	Not good match (38%)	Lack of supply (33%)	Poor customer service (13)	Too expensive (10%)	Poor quality (8%)	
Locally-made metal goods and furniture	9%	Too expensive (46%)	Lack of supply (17%)	Poor quality (15%)	Poor customer service (12%)	Not good match (10%)	
Gold	8%	Too expensive (74%)	Lack of supply (11%)	Not good match (8%)	Poor quality (6%)	Poor customer service (2%)	
Spare parts for bikes, cars, bodas	7%	Too expensive (48%)	Not good match (17%)	Lack of supply (13%)	poor customer services (10%)	Poor quality (8%)	Do not trust vendor (4%)

1.2. Services Demand

According to the Consumers Demand Survey, interviews and observations, most of the services in target districts also have low levels of satisfaction. Motorcycle transportation and tailoring have the highest level of satisfaction among the top 10 of services at 41 percent and 40 percent respectively, while dairy farmer and barber services are next with 38 and 37 percent satisfaction respectively (see *Figure 9*). Compared to Lahj, motorcycle and barber services have lower levels of satisfaction in Abyan at 34 percent and 21 percent. Market dissatisfaction (services with a low level of satisfaction) is substantial for repairing and maintenance services such as appliance repairs, computer technicians, generator repair technicians, motorcycle or vehicle mechanics and phone technicians. In addition, photographers, videographers, wood, sand or straw collectors, clothes washers and caterers have high level of dissatisfaction (see *Figure 8*). Computer technicians and phone technicians in Abyan have higher levels of dissatisfaction at 13 percent and 15 percent respectively compared to Lahj.

Figure 8: Market dissatisfaction bottom 10 services (services with low level of satisfaction)



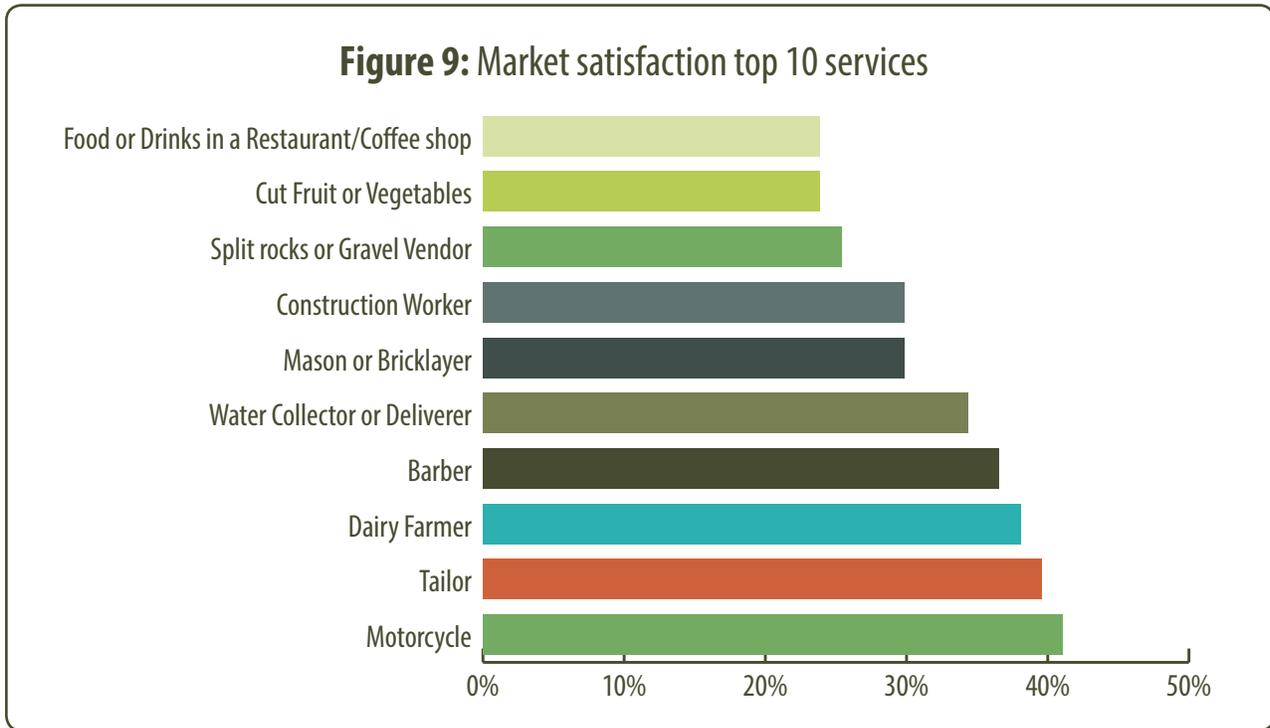


Table 10 breaks down the causes of dissatisfaction of services with which the markets were most dissatisfied. The assessment found the leading causes of dissatisfaction among the bottom 10 services were: too expensive, poor quality and poor customer service. For repairing and maintenance services, 'too expensive' was the most- or second most-cited cause of dissatisfaction. Of respondents, 65 percent were dissatisfied with appliance repairmen, 47 percent were dissatisfied with computer technicians, 38 percent with generator repair technicians and motorcycle or vehicle mechanics, and 33 percent were dissatisfied with phone technicians. Poor quality appears several times as a powerful barrier to satisfaction and is frequently the first or second most-cited cause of dissatisfaction. Furthermore, 'lack of supply' and 'poor customer service' were frequently first or second most-cited causes of dissatisfaction. Other cited causes of dissatisfaction were, 'service not matching customer needs' and 'customer does not trust vendor'.

These causes of dissatisfaction with services can be addressed through entrepreneurship skills training by making graduates more competitive in the market place by strengthening their project development, marketing and customer service customer care skills. Results suggest there is a good opportunity to develop the market for most services, creating potential micro-business opportunities for youth.

Table 10: Services: Causes of services dissatisfaction by order of frequency

Services	% of satisfaction	Causes of services dissatisfaction					
		1st	2nd	3rd	4th	5th	6th
Plumber	17%	Too expensive (35%)	Lack of supply (27%)	Do not trust vendor (16%)	Poor quality (8%)	Poor customer service (8%)	Not good match (5%)
Phone technician	17%	Too expensive (33%)	Poor quality (20%)	Lack of supply (17%)	Poor customer service (13%)	Not good match (10%)	Do not trust vendor (7%)
Motorcycle or vehicle mechanic	16%	Too expensive (38%)	Poor customer service (31%)	Not good match (15%)	Lack of supply (8%)	Poor quality (8%)	
Generator repair technician	16%	Poor customer service (36%)	Too expensive (21%)	Lack of supply (18%)	Poor quality (14%)	Do not trust vendor (11%)	
Computer technician	15%	Too expensive (47%)	Poor customer service (13%)	Not good match (13%)	Lack of supply (11%)	Poor quality (8%)	Do not trust vendor (8%)
Caterer	13%	Poor quality (43%)	Poor customer service (36%)	Lack of supply (14%)	Not good match (7%)		
Clothes washer	12%	Poor quality (29%)	Lack of supply (27%)	Too expensive (24%)	Poor customer service (18%)	Do not trust vendor (3%)	
Wood, sand, or straw collector	12%	Poor quality (27%)	Poor customer service (24%)	Lack of supply (21%)	Too expensive (21%)	Do not trust vendor (6%)	
Photographer/ videographer	9%	Poor customer service (23%)	Lack of supply (25%)	Too expensive (19%)	Poor quality (16%)	Not good match (16%)	
Appliance repair man	8%	Too expensive (65%)	Lack of supply (20%)	Poor quality (7%)	Poor customer service (7%)		

1.3. Most in-demand goods and services

According to the consumer and businesses surveys, interviews, observation and key informant interviews with local councils and communities' leaders, the most in-demand goods and services in target districts were identified as follows:

Table 11: Most in-demand goods and services in target districts

Governorate	District	Goods	Services
Lahj	Tuban	<ul style="list-style-type: none"> - Food commodities: Vegetables, fish, grains & flour, poultry & meat (goat, sheep), cooking oil, rice and sugar, fruit - Clothes & footwear - Ice - Sweet - Fuel - Agriculture toolkits - Electronic devices - Qat 	<ul style="list-style-type: none"> - Mechanic - Appliance repair and maintenance - Food or drinks in restaurant/coffee shop - Tailor - Barber - Electronic appliance maintenance - Transportation: car, bus, motorcycle - Medical - Hairdressing and beauty - Patterns and henna
	Habeel Jabr	<ul style="list-style-type: none"> - Food commodities: Vegetables, grains and flour, poultry and meat (goat and cow), fish, cooking oil, rice and sugar, fruit - Clothes & footwear - Ice - Fuel - Sweet - Waving and textile - Agriculture toolkits - Electronic device (Cellphone, T.Vs, solar PV system, etc) - Qat 	<ul style="list-style-type: none"> - Food or drinks in a restaurant/coffee shop - Transportation: Motorcycle - Tailor - Medical - Electronic appliance maintenance - Motorcycle or vehicle mechanic - Hairdressing and beauty - Patterns and henna
Abyan	Kenfar	<ul style="list-style-type: none"> - Food commodities: Vegetables, fish, grains and flour, cooking oil, rice and sugar, canning (Bazalaa, beans), fruit, poultry and meat (goat or cow) - Clothes & footwear - Ice - Fuel - Electronic device (Cellphone, T.Vs, solar PV system, etc) - Qat 	<ul style="list-style-type: none"> - Food or drinks in a restaurant/coffee shop - Tailor - Electronic appliance maintenance - Transportation: cars, buses, motorcycle - Medical services - Motorcycle and vehicle mechanic - Hairdressing and beauty - Exchange and transfer money - Patterns and henna
	Lawdar	<ul style="list-style-type: none"> - Food commodities: Vegetables, fish, grains and flour, drinking water, rice, fruit, poultry and meat (goat or cow) - Clothes & footwear - Ice - Fuel - Waving and textile - Medicines - Electronic device (Cellphone, T.Vs, etc) - Qat 	<ul style="list-style-type: none"> - Food or drinks in a restaurant/coffee shop - Transportation: Motorcycle - Tailor - Medical services - Electronic appliance maintenance - Motorcycle mechanic - Hairdressing and beauty - Patterns and henna

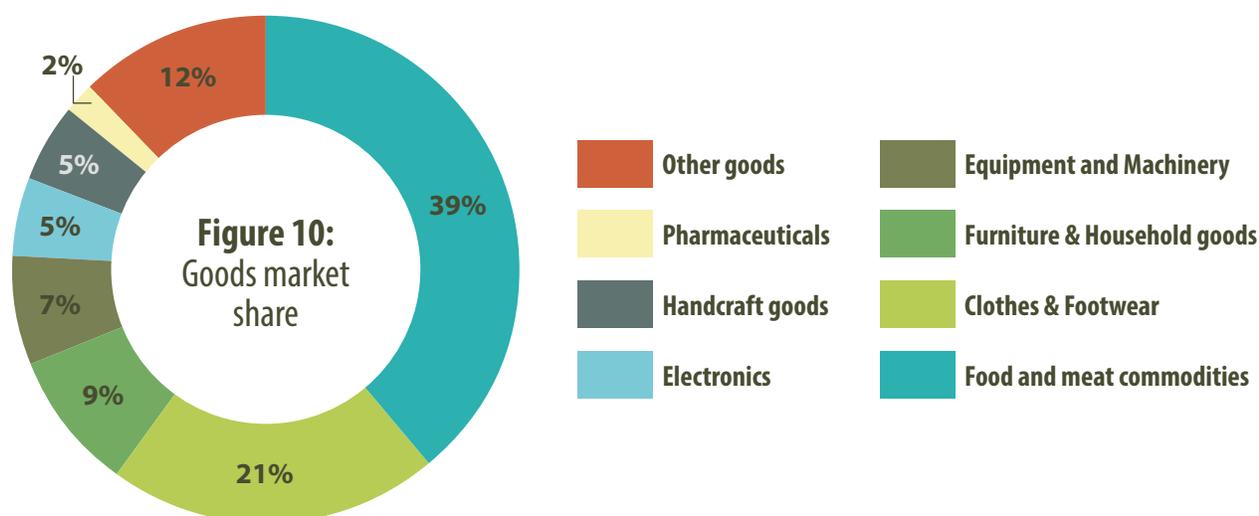
The study also found some goods and services almost absent from the market, including financial services, solar energy maintenance, clothes laundering, locally processed food, computer and business services, internet services, display centres for local handicrafts, entertainment services and packaging and marketing services.

2. Market Supply

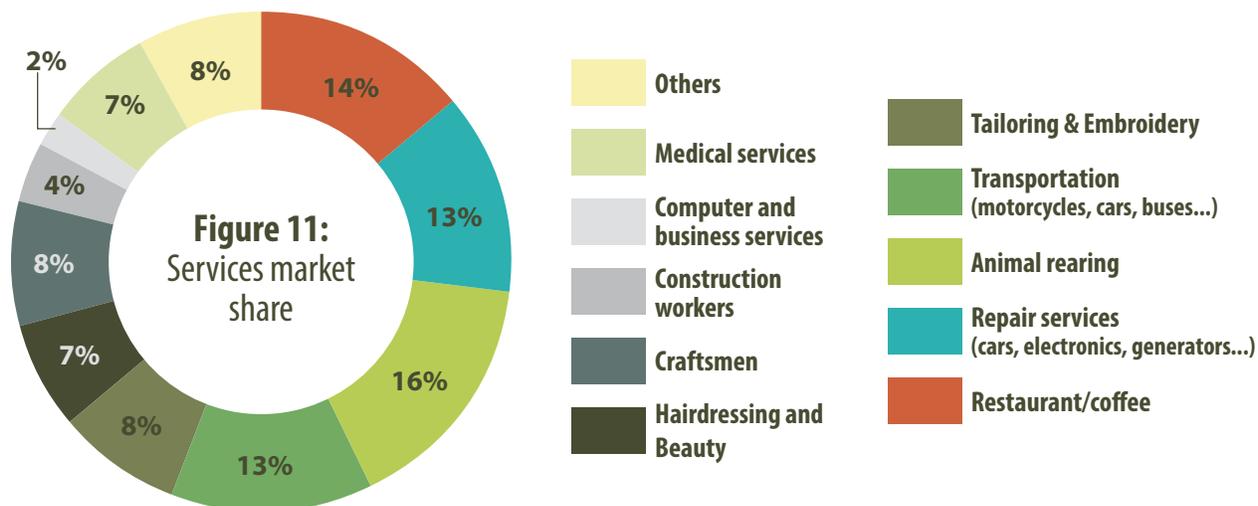
This section presents analysis based on the findings of the Market Opportunity Assessment. The first part of the section describes the major characteristics of the present markets in the selected districts. Subsequent sections explain market gaps and opportunities.

2.1. Understanding the market

Findings show that at the local level in target districts, the economy is heavily reliant on informal agriculture and livestock sectors. The present market structures in most target districts mostly comprises of micro, small and medium sized enterprises mainly in trade, services and handicrafts: 69 percent of respondents have trade enterprises, while 31 percent have services enterprises. In the trade sector, food and meat commodities represent 39 percent of the market, clothes, footwear and related goods represent 21 percent, furniture and household goods represent nine percent, equipment and machinery represent seven percent, handcraft goods represent five percent, electronic products represent 5 percent, pharmaceuticals represent around two percent and other goods represent 12 percent (see *Figure 10*).



Furthermore, in the service sector, animal rearing represents 16 percent in the markets, restaurant/coffee and fast food services represent 14 percent, repair services represent 13 percent, transportation services (mainly motorcycles) represent 13 percent, tailoring and embroidery services represent eight percent (70% female, 30% male), craftsmen services represent eight percent, hairdressing and beauty represents seven percent (85% female, 15% male), medical services such as clinics and nurses represent seven percent, construction workers represent four percent, computer and business services represent two percent, and other services represent eight percent (see *Figure 11*).



The market assessment results found that most female-owned businesses (either producers or service providers) were home based, and part of the informal sector, which represents around seven percent of the market.

In observing the markets in target districts, it was noted that food commodities and clothes were the most common imported goods, and food commodities and livestock were the most common ones being exported. Restaurants/coffee, repair services and transportation by motorcycle were the most common services available; conversely, there were very few medical, mechanic, hairdressing/beauty and computer/business services.

Eighty-nine percent of market trader respondents sold their products to customers, while only 11 percent of traders sold products to other retail shops or traders (mostly in Kenfar and Tuban districts). This indicates that the vast majority of trade in target districts market is customer based. Findings showed that 48 percent of traders buy their goods and raw materials from the same district's markets or from neighboring districts markets, while 23 percent of traders purchase goods from big markets in the capital. A further 29 percent purchase goods from Aden.

2.2. Goods and services absent from/flooding markets

Findings from the consumer survey/interviews were combined with market opportunities survey/interviews and qualitative research findings to identify goods and services that are either absent from or have flooded markets. Those absent included financial services, solar energy maintenance, clothes laundering, locally processed food, computer and business services, internet services, display centres for local handicrafts, entertainment services and packaging and marketing services. Those that have flooded the markets include vegetables, construction workers and motorcycle transportation. This indicates that most sectors are still expandable.

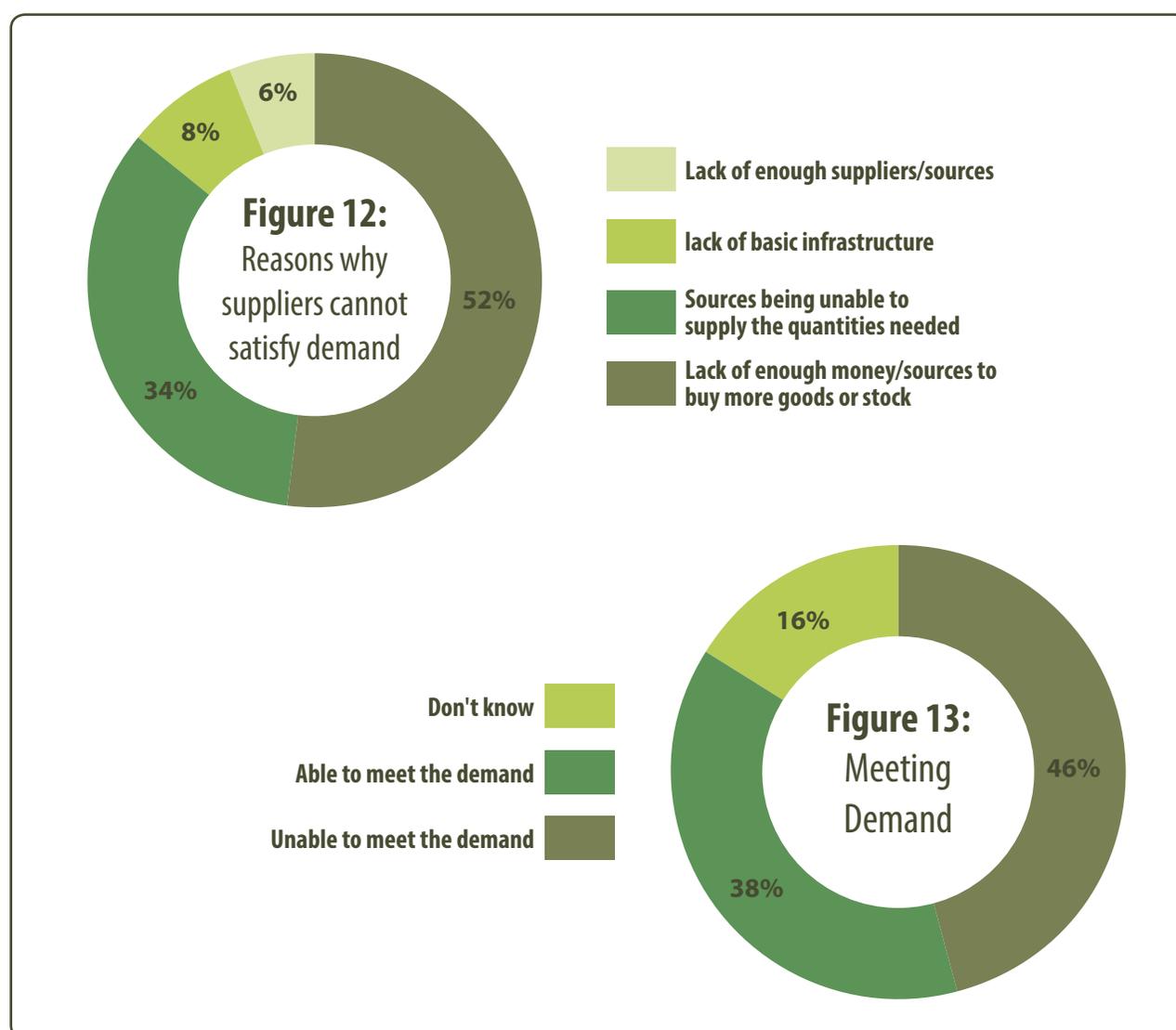
2.3. Source of products or raw materials

Traders buy their products or raw materials from other wholesalers. When asked, 43 percent of respondents said they were satisfied with the traders that supplied them, while 57 percent were dissatisfied for

different reasons including: lack of supply of goods, goods not matching with needs, shortage of traders, unprofessional traders, poor quality and high costs of goods. Interviews supported these results, and provided additional reasons including a lack of: credit facilities, confidence and sharing market information.

2.4. Meeting demand

The study found that 46 percent of vendor/trader respondents felt they were sometimes unable to meet the demand of their current customers. A further 38 percent felt they were able to meet the demand, and 16 percent said they did not know (see *Figure 13*). Traders indicated four main reasons for their inability to satisfy demand: 1) lack of money/resources to buy more goods or stock (52%); 2) sources unable to supply quantities needed (34%); 3) lack of infrastructure such as electricity, fuel and water (8%); and 4) lack of suppliers/sources (6%) (see *Figure 12*). These figures were confirmed by interviews and other reasons including lack of security and cost of transport. These findings indicate that financial limitations are the greatest barriers to meeting demand and expanding businesses. The limited number of suppliers indicates a gap in the market for wholesale businesses or new transport/distribution business.

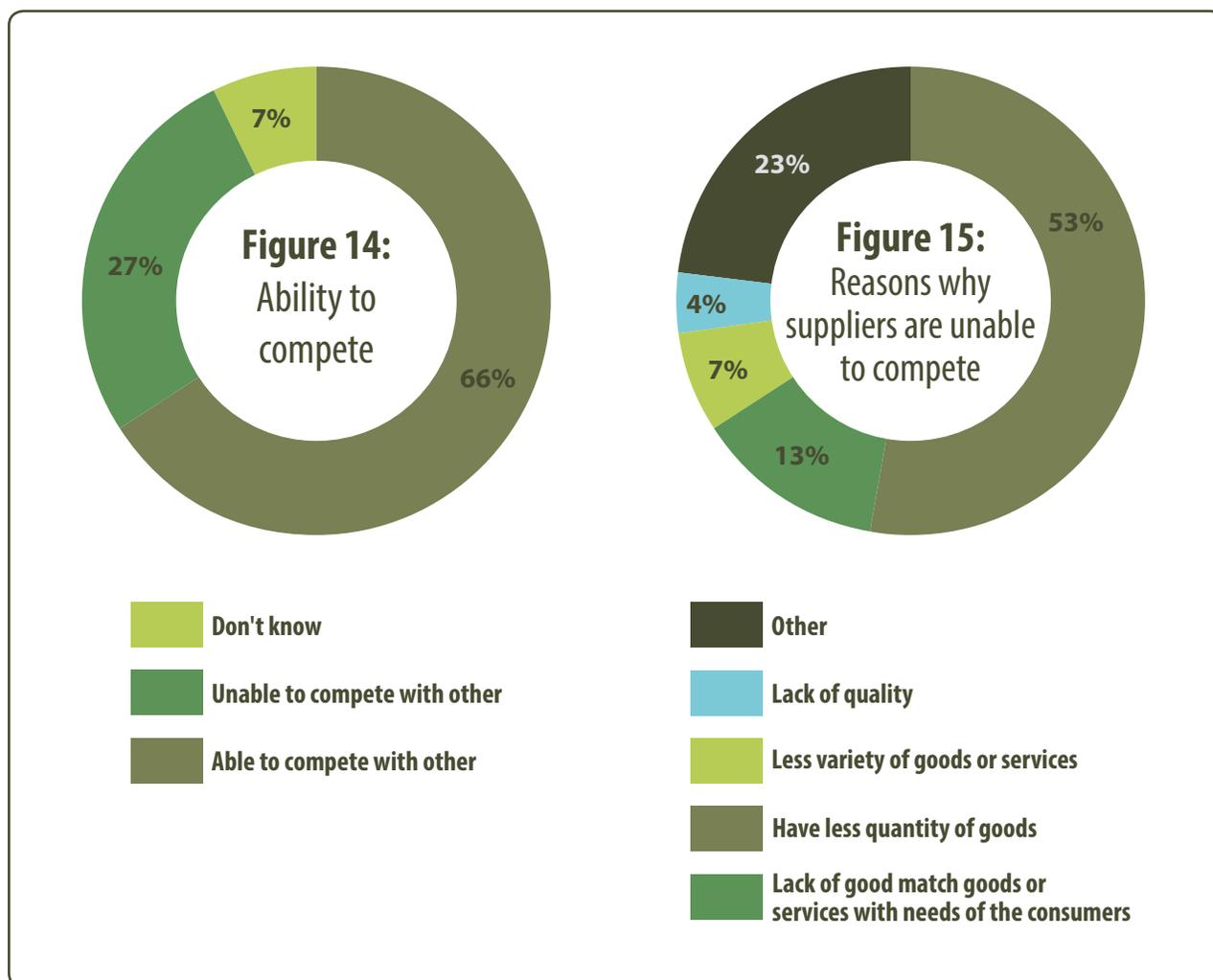


2.5. Business environment

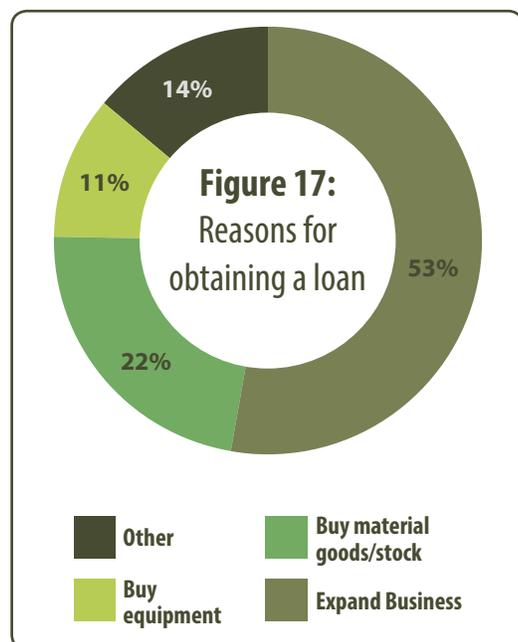
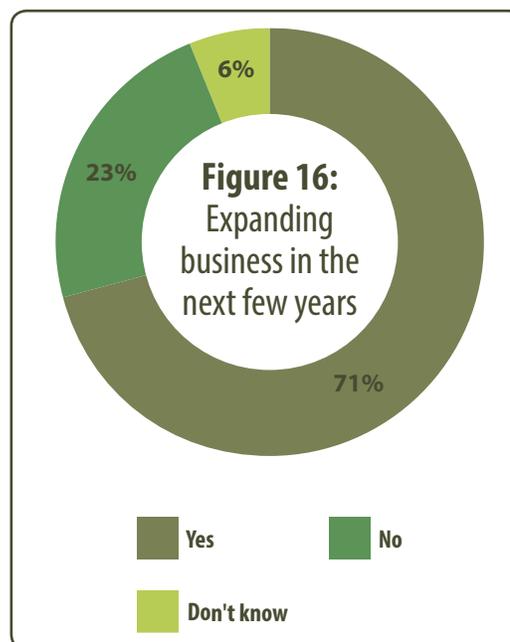
The study found that the business sector faces many challenges including a weak enabling environment, lack of credit, lack of information, lack of skilled workers and insecurity.

Registration: Most businesses operate informally without licensing or registration. According to the Market Opportunity Survey and interviews with businesses, only five percent of respondents said they had an officially registered business.

Competition: More than 27 percent of vendors/traders said they were unable to compete with other traders selling similar goods or providing similar services (See *Figure 15*). Reasons included: 1) having less goods (53%); 2) goods or services not matched with needs of consumers (13%); 3) less variety of goods or services (7%); 4) lack of quality (4%); and 5) other reasons (23%) such as high operation costs and no electricity (See *Figure 14*). These are potential areas to establish new micro business, as the market is not saturated. Entrepreneurship skills training specifically addressing these challenges would provide a competitive advantage for youth in establishing new micro-businesses. More than 54 percent of traders said receiving training entrepreneurship and marketing skills training would make them more able to compete.

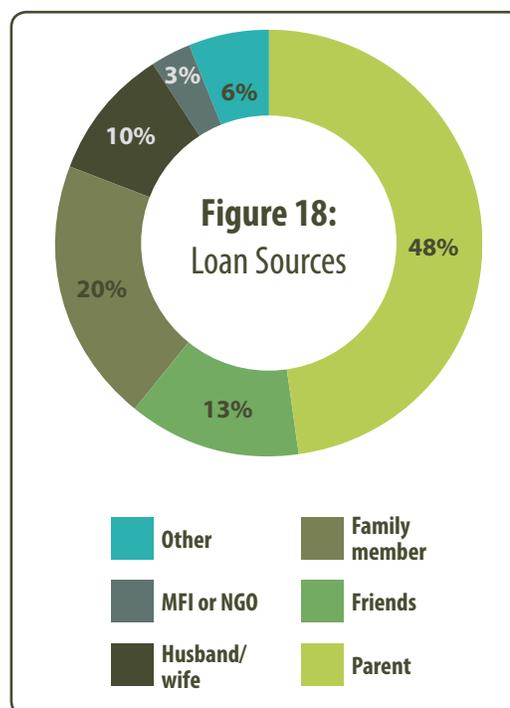


Future: When asked if they planned to expand their business in the next few years, the majority of traders (71%) said yes (see *Figure 16*). Motivations included: 1) to generate more income; 2) to meet customer demand; 3) to create more job opportunities for family members; and 4) to be more competitive.



Access to financial services: Loans are an important source of ongoing capital in most markets. Of the traders, 43 percent had taken out loans for their business in the last year. Of those, 52 percent had borrowed from parents, 21 percent had taken a loan from a family member, 13 percent had obtained a loan from friends, 10 percent borrowed from husband/wife, and three percent from MFIs or banks (See *Figure 18*).

Reasons for obtaining a loan: Primary reasons given were: To expand business (54%), buy material and goods stock (23%), to buy equipment (11%), and other things (13%) (see *Figure 17*). This, combined with the intention to expand, indicates that businesses are looking hopeful in target districts' markets.



However, there is little access to formal credit. Most business owners (30%) said there were no MFIs or bank operating in their areas. A further 21 percent said they were unable to afford interest payments, 21 percent did not have the required documents to apply for financing, 15 percent did not meet eligibility requirements for lending, 11 percent said they did not know how to apply for financing, and two percent gave other reasons, including fear of being forbidden (for religious reasons) and fear of being unable to repay loan due to security unrest.

Findings show few MFIs are operating in target districts (see *Table 12*). Interviews with MFIs show they provide a variety of financial and non-financial services including lending, savings, deposits, current accounts, money transfers, micro-leasing, training and technical assistance to SMEs. Most MFIs comply with Islamic principles. *Murabahah* (mark-up sale), *Mudorabah* (manipulation) and *Musharakah* (joint venture) are key Islamic products; *Murabahah* is the most common in Yemen.

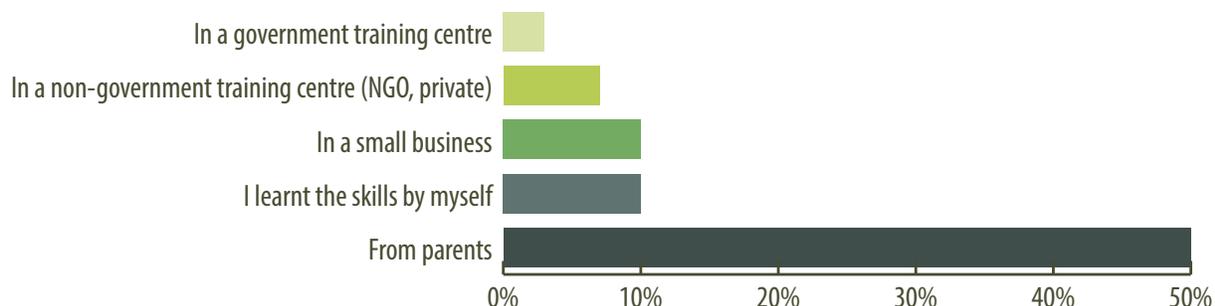
Table 12: MFIs operating in target districts

Governorate	District	MFI	Services
Lahj	Tuban	Al-Amal Microfinance bank	Loans, saving and transferring money
		Al-Kuraimi Microfinance Bank	Loans, saving and transferring money
		National Microfinance Foundation	Loans, saving
		Aden Microfinance Foundation	Loans
	Habeel Jabr	---	---
		Al-Kuraimi Microfinance Bank	Loans, saving and transferring money
Abyan	Kenfar	Al-Kuraimi Microfinance Bank	Loans, saving and transferring money
		Abyan Microfinance Program	Loans
	Lawdar	---	---

2.6. Access to training for entrepreneurs

According to interviews and the Market Opportunities Survey, 71 percent of entrepreneurs revealed they did not have entrepreneurship skills (35% female, 65% male). For young females, various factors contribute to this: limited mobility, lack of access to business support services (financial, marketing and consulting services), socio-cultural factors maintaining gender stereotypes, and lack of requisite skill set, such as business development skills, marketing, and financial literacy knowledge. Similarly, for young males, a lack of requisite entrepreneurship skills and capital seem to be the key reasons limiting business growth and potential.

For those who had training, 50 percent acquired knowledge and skills from their parents, 10 percent learnt by themselves, 10 percent from work experience in small business, seven percent acquired skills from NGOs, and only three percent gained skills from government training centres (see *Figure 19*). Among those who have training, 67 percent believed the training was useful for their current business.

Figure 19: Sources of acquiring knowledge and skills

3. Youth Survey

3.1. Demographic Characteristics

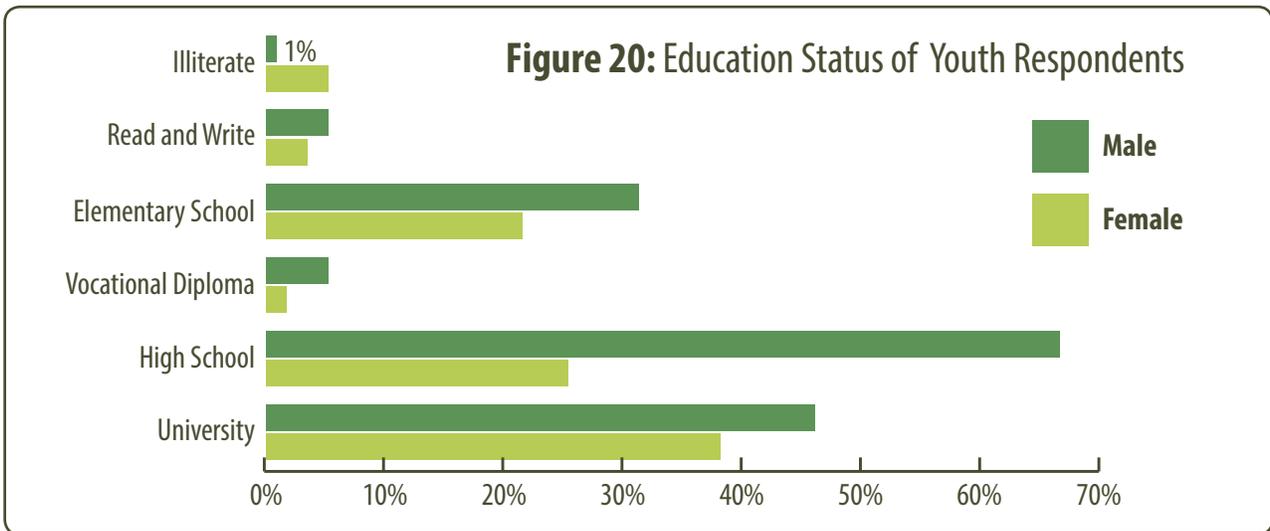
Age: As shown in *Table 13* below, those under 18 year represents three percent, 18-24 years represents 52 percent, 25-34 years represents 39 percent and 35-44 years constitute 6 percent of respondents. Of survey youth respondents, 76 percent were single (67% female, 33% male) and 22 percent were married (57% female, 43% male).

Table 13: Age, marital Status and Education for the youth respondents

Age	Gender		Row Total (n=266)
	Male (n=168)	Female (n=98)	
Less than 18	5%	0%	3%
Between 18 to 24	49%	58%	52%
Between 25 to 34	40%	36%	39%
Between 35 to 44	6%	6%	6%
Marital Status			
Single	80%	67%	76%
Married	20%	26%	22%
Divorced	0%	6%	2%
Widowed	1%	0%	0%
Education			
University	27%	39%	32%
High School	46%	27%	39%
Vocational Diploma	4%	2%	3%
Elementary School	19%	22%	20%
Read and Write	4%	4%	4%
Illiterate	1%	6%	3%

Education: As one of the determining variables for economic performance, the study found that 39 percent of respondents were high school graduates (50% in Lahj, 50% in Abyan), 32 percent were university degree holders or studying at university (70% in Lahj, 30% in Abyan), 20 percent attended elementary school, four percent could read and write, three percent had vocational diplomas (25% in Lahj, 75% in Abyan), and three percent were illiterate (see *Figure 20*). This illustrates the increase in education in Yemen in the last three decades. Target age groups for this study (18-40) had more access to the education, and the illiterate percentage among this group is less than older groups.

Similar results were also found in the FGDs: 48 percent of participants completed high school, 25 percent completed or are studying at university, 21 percent attended elementary school, and six percent could read and write.



3.2. Youth Entrepreneurship

Study findings showed only 16 percent of youth respondents had work, while 84 percent did not (see *Figure 22*). Among youth respondents who had work, 62 percent had their own enterprises (35% female and 65% male; 35% in Lahj and 65% Abyan). The majority of youth enterprises were trades (36%), 29 percent were in agriculture enterprises, 21 percent were services, and handicrafts 14 percent (mainly female) (see *Figure 21*).

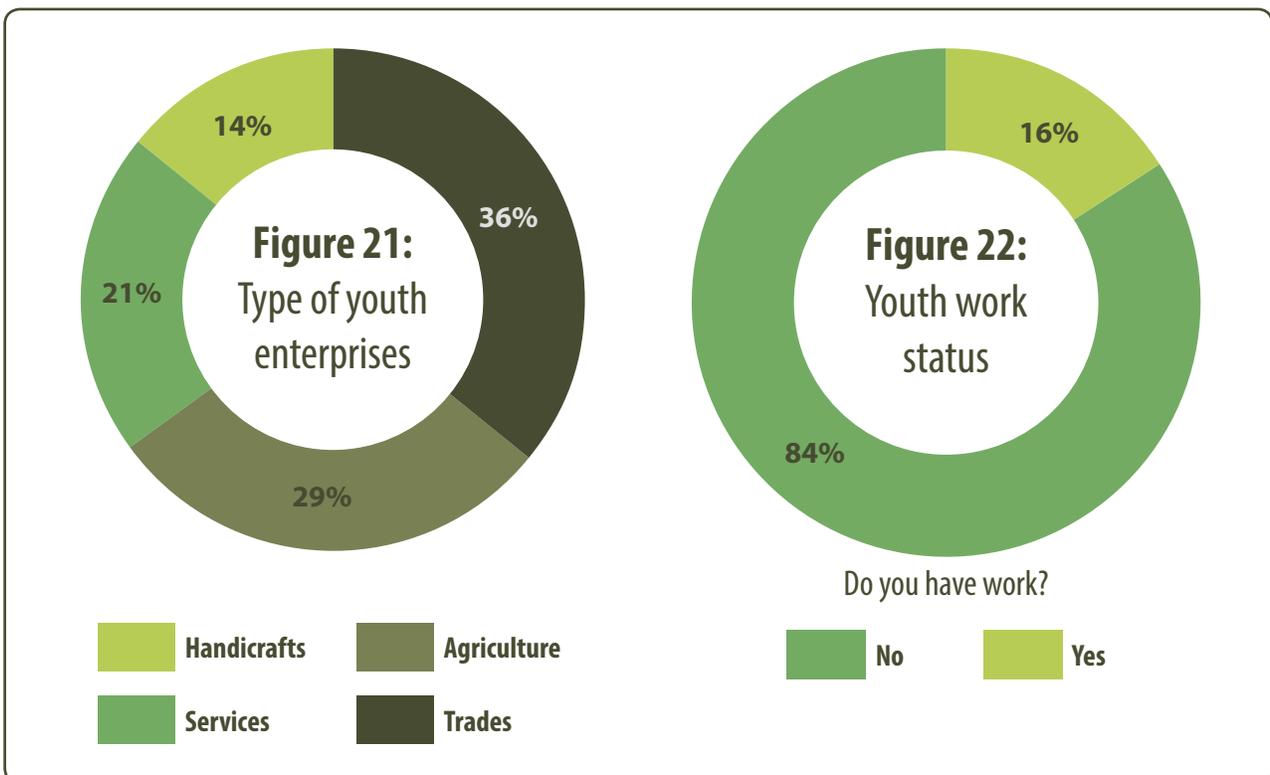


Table 14: Type of businesses run by young entrepreneurs

Governorate	District	Business Group	Type of business		
			Male		Female
Lahj	Tuban	Trade	<ul style="list-style-type: none"> - Grocery shops - Vegetables and fruits shops - Clothing and shoes shops - Retail shops - Electronic and phones shop 	<ul style="list-style-type: none"> - Ice selling - Qat selling - Fish and meat shop - Sweet shop - Pharmacy - Arabian jasmine selling shop 	<ul style="list-style-type: none"> - Clothing selling - Incense and local perfume selling
		Services	<ul style="list-style-type: none"> - Restaurants, Cafeterias - Repair workshops - Mechanic workshops 	<ul style="list-style-type: none"> - Motorcycle driver - Hair salon 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty
		Production & Handicrafts	<ul style="list-style-type: none"> - Sweets making - Ice making 	<ul style="list-style-type: none"> - Textile - Pottery making 	<ul style="list-style-type: none"> - Sweets making - Incense and local perfume making
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) 	<ul style="list-style-type: none"> - Vegetable cultivation - Beekeeping 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Vegetable cultivation - Beekeeping

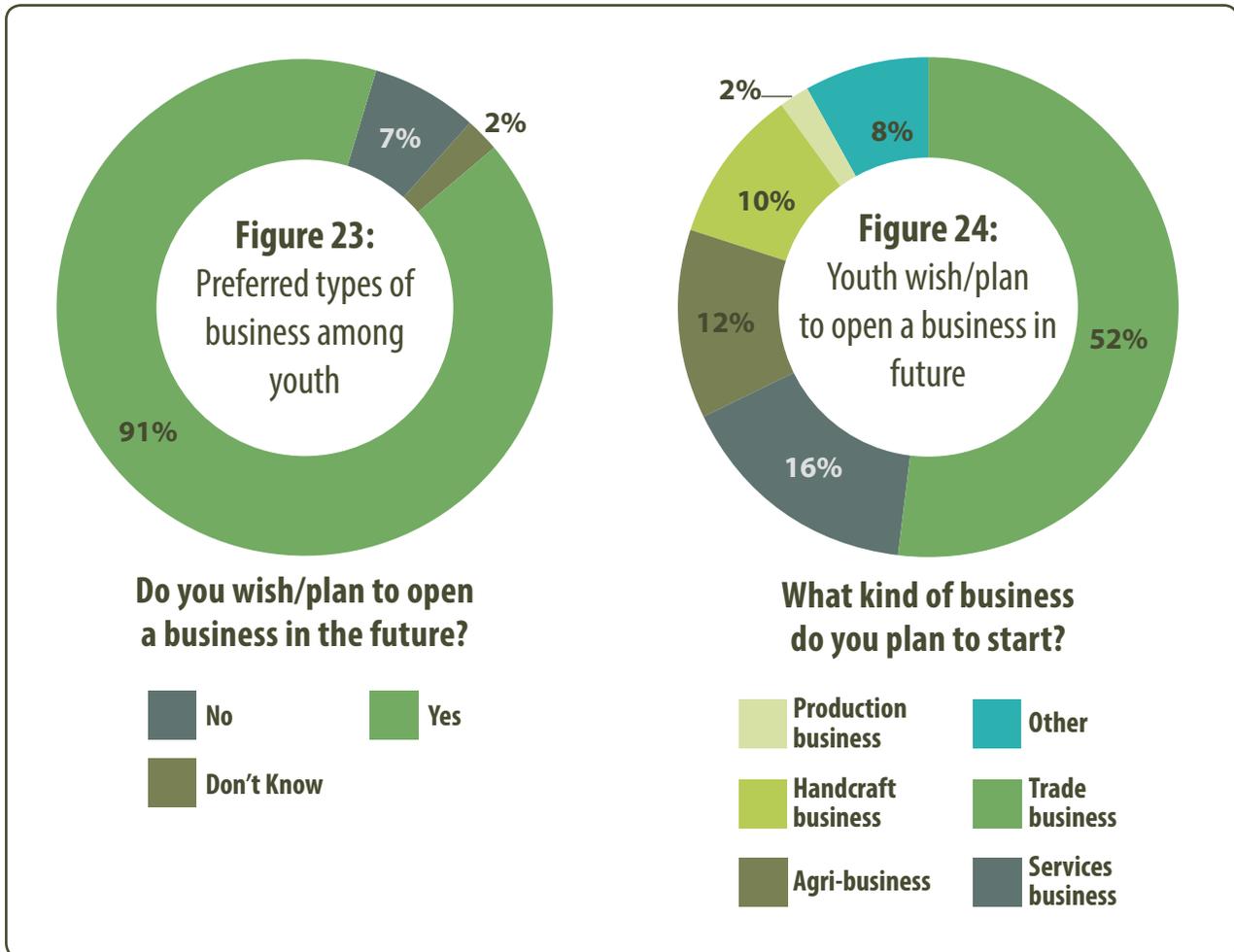
Governorate	District	Business Group	Type of business		
			Male		Female
Lahj	Habeel Jabr	Trade	<ul style="list-style-type: none"> - Grocery shops - Vegetables and fruits shops - Clothing and shoes shops - Charcoal selling - Ice selling 	<ul style="list-style-type: none"> - Qat selling - Fish and meat - Firewood selling - Call centers - Honey and sesame oil selling 	<ul style="list-style-type: none"> - Livestock selling - Clothing and accessories selling - Incense and perfume
		Services	<ul style="list-style-type: none"> - Restaurants, Cafeterias - Repair workshops - Mechanic workshops 	<ul style="list-style-type: none"> - Motorcycle driver - Hair salon 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty - Patterns and henna - Nursing services
		Production & Handicrafts	<ul style="list-style-type: none"> - Pottery making - Producing sesame oil 	<ul style="list-style-type: none"> - Ice making 	<ul style="list-style-type: none"> - Handloom textile (Mawwaz) - Incense and local perfumes making
		Agriculture	<ul style="list-style-type: none"> - Growing high value crops such as medicinal plants, spices and essential oils (e.g. Arabian jasmine), 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Vegetable cultivation - Beekeeping 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Vegetable cultivation - Beekeeping

Governorate	District	Business Group	Type of business		
			Male	Female	
Abyan	Kenfar	Trade	<ul style="list-style-type: none"> - Grocery shops - Vegetables and fruits shops - Clothing and shoes shops - Electronic and phones shops 	<ul style="list-style-type: none"> - Retail shops - Ice selling - Qat selling - Fish and meat shops - Pharmacy 	<ul style="list-style-type: none"> - Clothing and accessories selling - Incense and local perfume selling
		Services	<ul style="list-style-type: none"> - Restaurants and cafeterias - Repair workshops - Mechanic workshops 	<ul style="list-style-type: none"> - Motorcycle and bus drivers - Hair salon 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty
		Production & Handicrafts	<ul style="list-style-type: none"> - Ice making - Handloom textile 	<ul style="list-style-type: none"> - Pottery making 	<ul style="list-style-type: none"> - Incense and local perfume making - Handloom textile (Mawwaz)
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) 	<ul style="list-style-type: none"> - Beekeeping - Fisheries 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Beekeeping

Governorate	District	Business Group	Type of business		
			Male	Female	
Abyan	Lawdar	Trade	<ul style="list-style-type: none"> - Vegetables and fruits shops - Clothing and shoes shops - Retail shops - Electronic and phones shop 	<ul style="list-style-type: none"> - Grocery shops - Ice selling - Qat selling - Fish and meat shops - Pharmacy 	<ul style="list-style-type: none"> - Clothing selling - Incense and local perfume selling
		Services	<ul style="list-style-type: none"> - Restaurants, cafeterias - Repair workshops - Mechanic workshops 	<ul style="list-style-type: none"> - Motorcycle drivers - Hair salon 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty
		Production & Handicrafts	<ul style="list-style-type: none"> - Sweets making - Ice making 	<ul style="list-style-type: none"> - Handloom textile (Mawwaz) 	<ul style="list-style-type: none"> - Incense and local perfume making - Handloom textile (Mawwaz)
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) 	<ul style="list-style-type: none"> - Beekeeping 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Beekeeping

3.3. Micro-business opportunities for youth

The study findings showed that 91 percent of young respondents wish/plan to start a business (68% males and 32% females) (see *Figure 22*). Among youth who wish/plan to start a business, 52 percent would like to start a trade business, 16 percent a service businesses, 12 percent wish to start agri-business, 10 percent would like to start handicraft businesses, two percent wish to start production business, and eight percent listed other businesses (see *Figure 21*).



Based on the analysis of the quantitative data including the Consumer Demand Survey, Market Opportunities Survey and Youth Survey, and qualitative data including FGDs, Key Informant Interviews and observations, results indicate that the majority of in-demand and preferred youth enterprises in target districts are trade, services, handicrafts and agriculture, as shown in *Table 15* below.

Table 15: Micro-business opportunities for youth

Governorate	District	Business Group	Type of business		
			Male	Female	
Lahj	Tuban	Trade	<ul style="list-style-type: none"> - Grocery shop - Vegetable and fruit shop - Clothing, shoes and accessories shop - Cell phone shop - Electronic devices shop - Books and stationery shop - Cold water and ice selling - Firewood selling 	<ul style="list-style-type: none"> - Textiles and sewing items shop - Motorcycle spare parts shop - Tools and equipment for apiaries - Toy shop - Ice-cream shop - Sweet shop 	<ul style="list-style-type: none"> - Boutique for women's clothing - Incense and perfume selling - Beauty tools selling - Housewares shop - Rural pharmacy - Sale of calling cards - Firewood selling
		Services	<ul style="list-style-type: none"> - Rural clinic - Restaurant - Cafeteria - Motorcycle repair workshops - Mechanic workshop - Motorcycle driver - Hair salon - Computer and printing services 	<ul style="list-style-type: none"> - Solar maintenance workshop - Plumbing - Laundry - Adult education centre - Music, movies, computer game and app download centre - Community based gym 	<ul style="list-style-type: none"> - Tailoring - Embroidery - Hairdressing and beauty - Patterns and henna - Nursing clinic - Adult education centre - Music, movies, computer game and app download centre - Electronic and solar maintenance workshop
		Production & Handicrafts	<ul style="list-style-type: none"> - Sweets and cake making - Producing sesame oil - Producing Arabian jasmine oil - Handloom textiles - Drilling water wells for drinking 	<ul style="list-style-type: none"> - Recycling (plastic and clothes) - Pottery making - Weaving fronds - Agriculture tools producing - Jam jelly making - Ice making 	<ul style="list-style-type: none"> - Sweets and cake making - Incense and local perfume making - Weaving fronds - Knitting wool - Handloom textile - Recycling (plastic and clothes) - Jam jelly making
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Fisheries (fishing, fish marketing, tool selling and boat maintenance) - Beekeeping 	<ul style="list-style-type: none"> - Veterinary clinic - Agriculture service center - Growing high value crops such as medicinal plants, spices and essential oils 	<ul style="list-style-type: none"> - Livestock (goats, sheep) - Beekeeping - Poultry

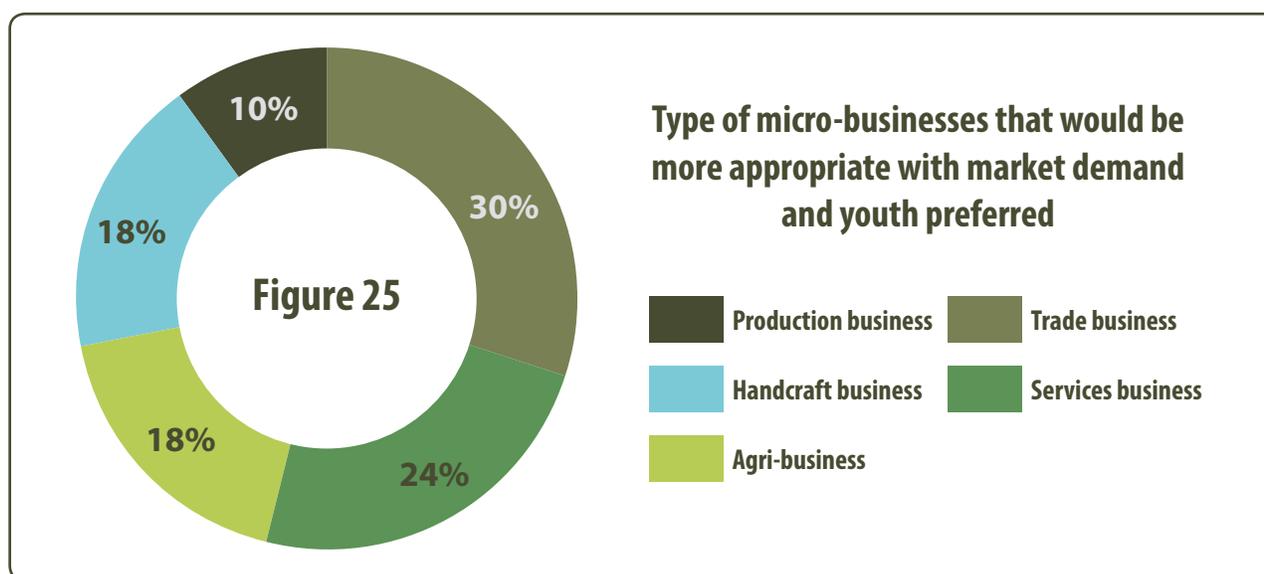
Governorate	District	Business Group	Type of business		
			Male		Female
Lahj	Habeel Jabr	Trade	<ul style="list-style-type: none"> - Grocery shop - Vegetable and fruit shop - Clothing and shoe shop - Books and stationery shop - Electric shop - Veterinary clinic - Electronic devices shop 	<ul style="list-style-type: none"> - Cold water and ice celling - Honey and sesame oil shop - Motorcycle spare parts shop - Sweet shop - Firewood selling 	<ul style="list-style-type: none"> - Clothing and accessories shop - Incense and local perfume selling - Housewares shop - Beauty tools selling - Sale of calling cards
		Services	<ul style="list-style-type: none"> - Sport club - Restaurant - Cafeteria - Cellphone repair workshop - Mechanic workshop - Motorcycle driver - Water desalination plant 	<ul style="list-style-type: none"> - Solar maintenance workshop - Adult education centre - Music, movies, computer game and app download centre - Community based gym 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty - Patterns and henna - Embroidery - Adult education centre - Music, movies, computer game and app download centre - Electronic and solar maintenance workshop
		Production & Handicrafts	<ul style="list-style-type: none"> - Sweet making - Handloom textiles - Pottery making - Producein sesame oil - Weaving fronds 	<ul style="list-style-type: none"> - Recycling (plastic and clothes) - Agriculture tool production 	<ul style="list-style-type: none"> - Incense and local perfume making - Weaving fronds - Handloom textiles - Recycling (plastic and clothes) - Jam jelly making
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Vegetables Growing - Beekeeping - Veterinary clinic 	<ul style="list-style-type: none"> - Poultry - Growing high value crops such as medicinal plants, spices and essential oils 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Vegetable growing - Beekeeping - Poultry

Governorate	District	Business Group	Type of business		
			Male	Female	
Abyan	Kenfar	Trade	<ul style="list-style-type: none"> - Grocery shop - Vegetable and fruit shop - Clothing, shoes and accessories shop - Books and stationery shop - Cell phone shop - Electronic devices shop - Gas selling 	<ul style="list-style-type: none"> - Cold water and ice selling - Textiles and sewing shop - Fish and meat - Pharmacy - Motorcycle spare parts shop - Tools and equipment for apiaries - Firewood selling 	<ul style="list-style-type: none"> - Women's clothing selling - Sweet shop - Incense and perfume selling - Books and stationery shop - Housewares shop - Beauty tools selling - Rural pharmacy - Sale of calling cards
		Services	<ul style="list-style-type: none"> - Rural clinic - Restaurant - Cafeteria - Motorcycle repair workshop - Mechanic workshop - Motorcycle driver - Hair salon - Computer and printing services - Studio photography - Training centre 	<ul style="list-style-type: none"> - Rural park - Internet center/networks - Solar maintenance workshop - Training centre for youth - Electric wiring and solar systems - Adult education centre - Music, movies, computer game and app download centre - Community based gym 	<ul style="list-style-type: none"> - Tailoring - Hairdressing and beauty - Rural clinic for women and children - Patterns and henna - Training centre for women - Internet cafe for women - Studio photography for women - Cooperative for women - Embroidery - Adult education centre - Music, movies, computer game and app download centre - Electronic and solar maintenance workshop
		Production & Handicrafts	<ul style="list-style-type: none"> - Handloom textile (Mawwaz) - Pottery making - Weaving fronds - Sweets and cakes making - Producing sesame oil 	<ul style="list-style-type: none"> - Drilling water wells for drinking - Ice making - Recycling (plastic and clothes) 	<ul style="list-style-type: none"> - Sweets and cake making - Incense and local perfume making - Handloom textile (Mawwaz) - Weaving fronds - Jam jelly making
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Beekeeping - Flower growing - Fisheries (fishing, fish marketing, tool selling and boat maintenance) 	<ul style="list-style-type: none"> - Agriculture service centre - Veterinary clinic - Henna growing - Growing high value crops such as medicinal plants, spices and essential oils 	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Poultry - Flower growing - Henna growing - Growing high value crops such as medicinal plants, spices and essential oils

Governorate	District	Business Group	Type of business		
			Male	Female	
Abyan	Lawdar	Trade	<ul style="list-style-type: none"> - Grocery shop - Vegetable and fruit shop - Clothing and shoe shop - Books and stationery shop - Electronics shop - Veterinary clinic - Electronic devices shop 	<ul style="list-style-type: none"> - Cold water and ice shop - Honey and sesame oil shop - Pharmacy - Motorcycle spare parts shop - Firewood selling 	<ul style="list-style-type: none"> - Clothing and accessories shop - Incense and local perfume selling - Housewares selling - Books and stationery shops - Beauty tools selling - Sale of calling cards
		Services	<ul style="list-style-type: none"> - Restaurant - Cafeteria - Call centre - Cellphone repair workshops - Mechanic workshop - Air conditioning repairs - Motorcycle drivers - Studio photography - Internet centre/network - Community based gym 	<ul style="list-style-type: none"> - Solar maintenance workshop - Sport club - Youth training centre - Electric wiring and solar systems - Adult education centre - Music, movies, computer games and apps download centre 	<ul style="list-style-type: none"> - Tailoring - Embroidery - Hairdressing and beauty - Patterns and henna - Studio photography for women - Cooperative for women and children - Kindergarten - Adult education centre - Music, movies, computer game and app download centre - Electronic and solar maintenance workshop
		Production & Handicrafts	<ul style="list-style-type: none"> - Handloom textile (Mawwaz) - Recycling pPlastic and clothes) - Sweets and cake making 		<ul style="list-style-type: none"> - Incense and local perfume Making - Handloom textiles (Mawwaz) - Recycling (plastic and clothes) - Jam Jelly Making
		Agriculture	<ul style="list-style-type: none"> - Livestock (goats and sheep) - Beekeeping - Henna growing - Growing high value crops such as medicinal plants, spices and essential oils (e.g. Arabian jasmine) 		<ul style="list-style-type: none"> - Livestock (goats and sheep) - Poultry - Beekeeping - Henna growing

Distribution of micro-business opportunities among sectors

According to the analysis above, it is recommended that youth be encouraged to diversify their projects match market demand and preferences according to the following ratios: 30 percent trade, 24 percent services, 18 percent agri-business, 18 percent handicrafts and 10 percent production (see *Figure 25*).



Providing youth and women with entrepreneurship knowledge and skills, and supporting them to establish their own business in these different sectors will have a positive social and economic impact in local communities. An increase in the number of micro-businesses will positively impact local economic growth and consequently help to reduce poverty and unemployment, and will promote social integration and cohesion in target districts, and provide an alternative to youth joining terrorist groups and armed militias.

Micro enterprises for women offer a number of particular advantages for rural women including flexible hours, and an employment opportunity close to their homes, which provides autonomy, independence and a reduced need for social support. In this sense, entrepreneurship stands as a vehicle to improve the quality of life of individuals, families and communities and to sustain a healthy economy and environment.

Table 15 above shows social enterprises opportunities that are most appropriate for youth and their communities. Recent evidence indicates that social enterprises contribute to building sustainable rural communities. For example, youth economic empowerment clubs take an integrated approach to helping disadvantaged youth develop the skills, behavior and attitudes through group-based training and support services necessary to find work and contribute positively to their communities. Other models include business facilitation, which supports youth who want to start or strengthen their small business, by delivering business training and coaching, and supporting collective efforts to create an enabling local business environment.

Seed funding: When asked how much money would they need to start up their business, youth responded: 41 percent needed between YR 200,000 (USD 800) ⁽¹⁶⁾ to YR 300,000 (USD 1,200), 34 percent needed more than YR 300,000 (USD 1,200), 15 percent needed between YR 100,000 (USD 400) to YR 200,000 (USD 800), five percent needed less than YR 100,000 (USD 400) and five percent did not know. In FGDs, some youth revealed that they had some savings, which would help them to start up their business when they decided.

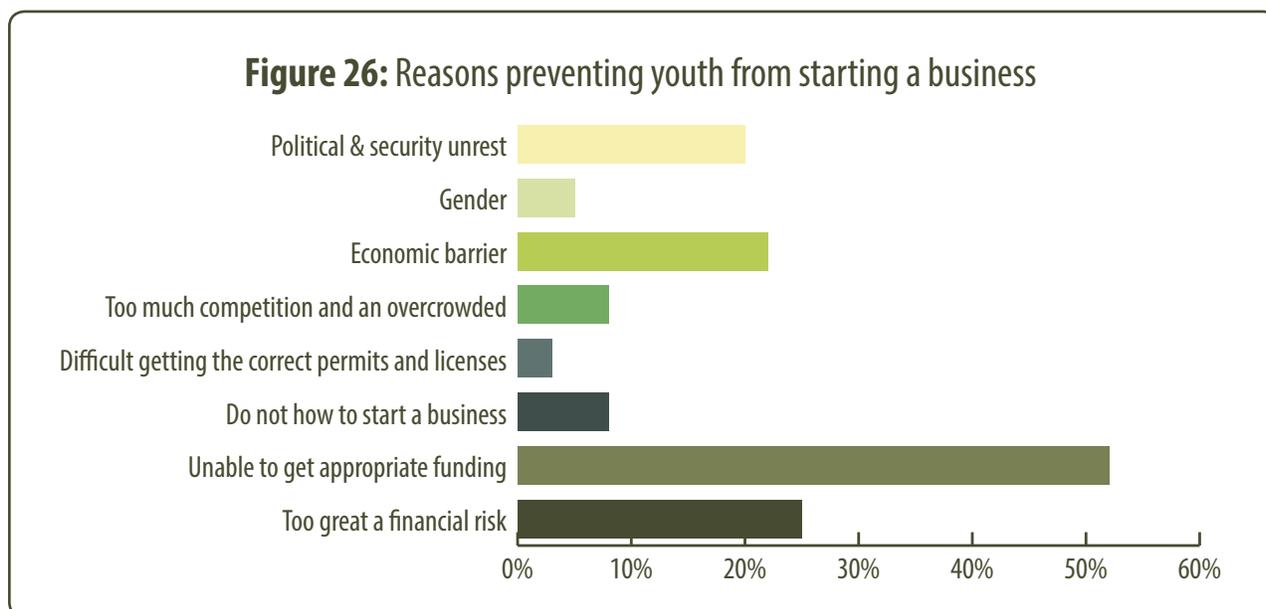
16 USD 1 = 250 Yemeni Riel

Most businesses listed the *Table 15* required between YR 100,000 (USD 400) to YR 250,000 (USD 1,000) to be established and generate sustainable income. Some business, such as drilling water wells for drinking and producing sesame oil, would need more. In FGDs and interviews some youth confirmed they were willing to create a partnership to establish their business.

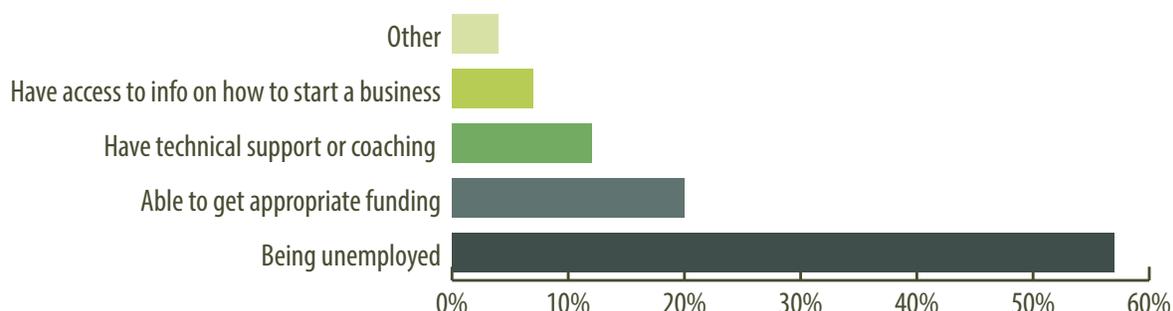
Value Chain development: Assessment results found that some agriculture and non-agriculture sectors were undeveloped; if developed they have the potential to generate a good income for the local individuals and create more job opportunities. These include handloom textiles (*Mawwaz*), sesame oil production, clay and ceramic pottery, henna, cotton and agriculture tool production.

3.4. Potential pitfalls for new micro-businesses

Although many youth said they wanted to start a business, they had not done so due to the following reasons: inability to obtain appropriate funding (52%), financial risk (25%), economic barriers (22%), political and security unrest (20%), not knowing how to start a business (8%), too much competition (8%), gender considerations (5%) and due to difficulty getting correct permits and licenses (3%) (see *Figure 26*). The results were supported by the FGDs findings. Other reasons included lack of confidence, lack of support from family, friends and local community, and lack of basic infrastructure such as electricity.



Conversely, reasons motivating people to start a business included: unemployment (57%), accessing appropriate funding (20%), receiving technical support or coaching (12%), having access to information on how to start a business (7%), and other reasons including family support and access to vocational knowledge and skills (4%) (see *Figure 27*).

Figure 27: Factors encouraging youth to start a business

In terms of difficulty in starting up a business, 44 percent of respondents thought it would be difficult, 20 percent thought it would be very difficult, and 36 percent thought it would not be difficult at all. When asked how easy it would be to find capital to start a business, 50 percent said it would not be easy at all, 40 percent thought it would be somewhat easy and 10 percent thought it would be very easy.

According to FGD, interview and observation results, several potential pitfalls for new micro-businesses were identified, including: 1) deteriorated security conditions and challenging circumstances (mainly Al-Qaeda); 2) inability to access appropriate funding; 3) economic barriers due to high poverty among people in target districts and high inflation; 4) market volatility and high competition in traditional business activities; 5) lack of support from the families and local communities; and 6) lack of access to reliable infrastructure (transportation, electricity).

3.5. Entrepreneurship education

Availability of entrepreneurship education opportunities

This assessment found that 29 percent of youth respondents had received some sort of entrepreneurship skills training (28% in Lahj and 72% in Abyan; 38% female and 62% male), while 71 percent did not receive any kind of entrepreneurship skills training. The high percentage in Abyan is due to the fact that the sample of youth who participated in the survey had participated in entrepreneurship training the previous year, although it was stopped due to conflict and insecurity.

Among those who had received training, 63 percent had done entrepreneurship skills training, 19 percent completed life skills training, 11 percent completed financial skills training, three percent had completed vocation and technical skills training and three percent had done other training.

Analysis of the qualitative data (FGDs and KIs involving youth and other stakeholders) indicates that few youth received entrepreneurship training skills. Moreover, some youth in Kenfar district were more lucky to receive entrepreneurship skills training, which conducted by UNDP last year.

There are a modest number of private sector and NGO skills training providers offering training programs, particularly in computers, accounting, human resource management and some soft skills, in Tuban and Kenfar districts. Some international organizations have interventions in target districts, but most are in the nutrition such as International Rescue Committee (IRC), WFP and CARE International.

Training curriculum: In-depth interviews indicate that most entrepreneurship-training curricula were designed and developed by international organizations (see *Table 16*).

Table 16: Organization and entrepreneurship training modules

Organization	Training Modules	Targeted group	Location
ILO	"Know About Business" (KAB) Entrepreneurship training	Students in vocational institutes	Different governorates
	"Mubadara" Entrepreneurship training	Graduate students in universities	Sana'a, Aden, Hadramaut, Abyan
UNDP Youth Economic Empowerment Project	"My First Business" Entrepreneurship skills (short courses)	Youth (18-30) Different levels of education	Sana'a, Aden, Taiz
CARE International	Soft skills, entrepreneurship	Youth (18-24)	Sana'a, Hajjah
CHF (Global Community) MENA YES Project	Vocational training (cosmetology, guard, barber, cook, nursing). Entrepreneurship, financial literacy, Soft skills (short courses)	Youth (19-29) Low education levels	Sana'a
SOUL	Soft skills, entrepreneurship, computer (short courses)	Youth (15-24) Different levels of education and marginalized group	Sana'a, Aden, Taiz
IFC/World Bank	Business edge (SMEs training courses), marketing, finance and accounting, soft skills, human recourse management, quality management (short courses)	SMEs owner and staff	Sana'a, Aden, Taiz, Hadramaut, Abyan
GIZ	Financial literacy (Short courses)	Youth, Different levels of education	Sana'a, Aden, Taiz
Silatech	Entrepreneurship skills "Build Your Business program" (short courses)	Youth (15-30) who want to start up a business Different levels of education	Sana'a, Aden, Taiz, Abyan

Sources: Key Interviews.

Private sector training providers, especially in Tuban and Kenfar districts, are more market-oriented, and updated and adopted new curricula developed by international education centres, INGOs or local trainers.

Trainers: There is shortage of qualified trainers in financial literacy and entrepreneurship skills in all targeted districts. Comprehensive Training of Trainers (TOT) programs should be conducted for potential trainers who have good training experience.

Access barriers to skills training

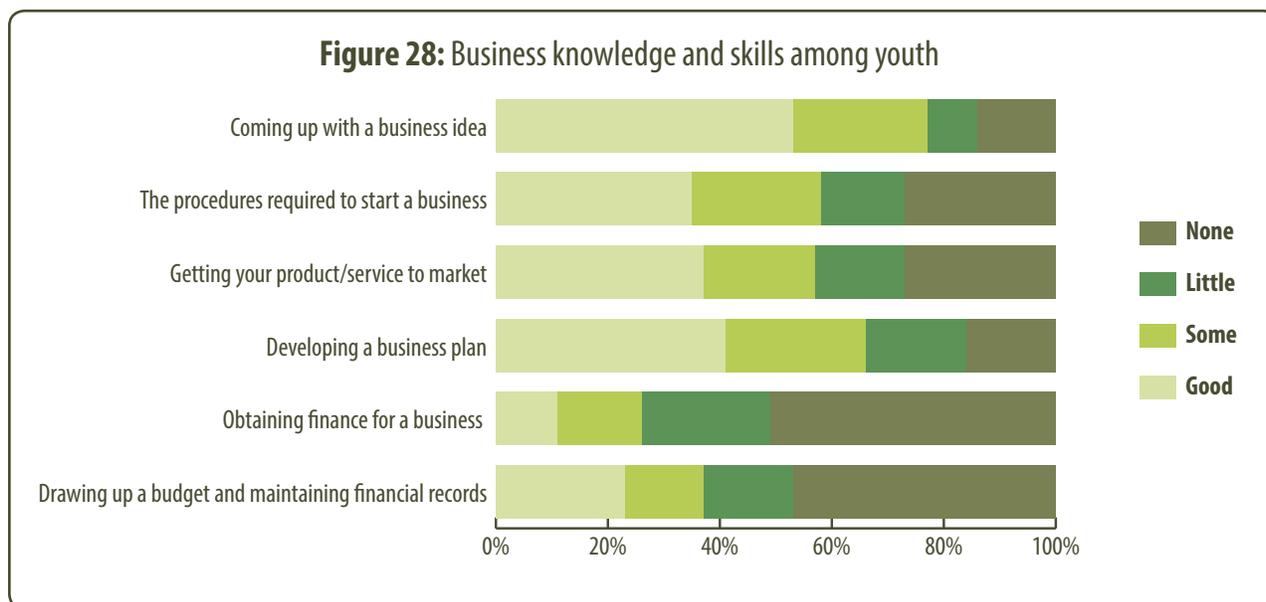
The study found among those who had never received any training, 63 percent attributed it to lack of opportunity, 29 percent cited economic barriers, 19 percent due to political and security unrest, 12 percent to lack of information, seven percent said training was not available, seven percent cited gender barriers and five percent said ethnic barriers prevented them from receiving any kind of training.

During FGDs and in-depth interviews, the following barriers to entrepreneurship skills training were identified: poor financial capability among young people, affordability of training fees and travel costs; low encouragement by family and local communities due to culture and lack of awareness; geographic barriers, especially for women living in rural areas; and insecurity (mainly due to Al-Qaeda).

Among the most vulnerable groups, such as marginalized group *Muhammasheen*, the key access barriers to entrepreneurship skills training were the same as above, plus: extreme poverty; discrimination; unequal access to training opportunities and lack of motivation.

3.6. Business and financial skills and knowledge among youth

Figure 28 shows that 53 percent of youth respondents believed that they had “good” skills to come up with a business idea (35% female, 65% male), while 24 percent said they had “little or none” and 24 percent did not have any. The majority of the respondents (58%) believed that they had “good” or “some” knowledge about the procedures to start a business. Forty-three percent of respondents said they had “some,” “little” or “no” knowledge of procedures required to start a business, to get products/services to the market, develop a business plan, including budgeting, keeping financial records and obtaining finance. This shows that there is a lack of business skills across all age groups where business functions are concerned, although it was seen mainly in Tuban and Habel Jabr districts.



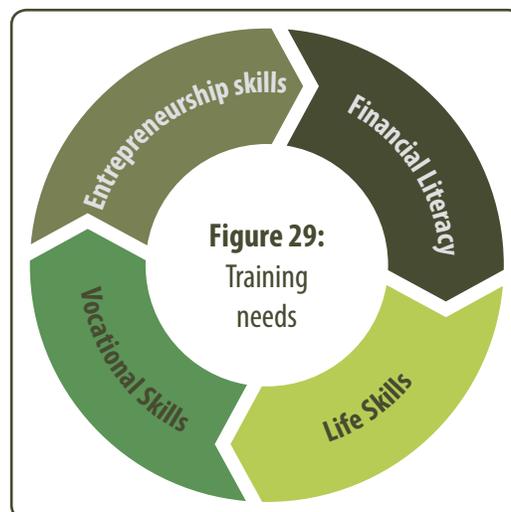
3.7. Training needs

The study found that more than 80 percent of youth respondents expressed a desire to have training to help start up an enterprises (35% female, 65% male). FGD findings supported this: all participants expressed a desire to receive training to enhance their knowledge and skills to establish businesses in the current situation (particularly in the context of high unemployment).

Respondents were asked what type of training they would need to start up their businesses (they could select more than one training need). Of those who wished to have training, 76 percent requested entrepreneurship skills training, 32 percent wanted marketing skills training, 31 percent wanted life skills and leadership training, 18 percent requested financial literacy training, and eight percent wanted vocational skills training.

During FGDs and in-depth interviews, the training needs in all target districts were almost the same:

- **Life skills:** self-confidence, self-awareness, communication, time management, self-marketing, leadership, influencing, creativity and innovation, social inclusion and planning;
- **Entrepreneurship skills:** introduction to entrepreneurship, marketing (using social media), finance skills, planning skills;
- **Financial literacy;**
- **Vocational skills:** for females: tailoring, hairdressing and beauty, sweet making, incense and perfume making and food processing, as well as solar PV systems installing and maintenance, while for males: motorcycle repair, solar PV systems installing and maintenance, electric wiring and recycling.



Supporting the above findings, trainers, SFD, international NGOs and NOGs providing support to youth who were interviewed also felt that people in rural areas (mainly youth) lacked knowledge and skills relating to the above-listed life skills. They recommend that before any entrepreneurship training took place, targeted youth should undergo to special training in life skills to help them to build confidence and start thinking positively.

Recent evidence indicates that life skills training has a positive impact on target youth, including in gaining a better understanding of themselves; increasing their sense of responsibility towards putting what they have learnt into practice; being more positive about the future; an improved ability to face and solve problems and placing greater value in self-employment. In addition, entrepreneurship skills training also encourages youth to establish their own sustainable businesses that provide products, services and livelihood opportunities for low-income communities in target districts.

3.8. Support Services that enable entrepreneurship

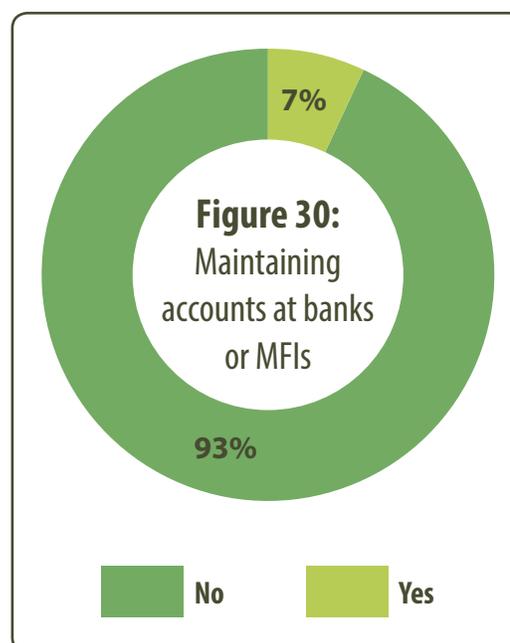
Support services that enable entrepreneurship in Yemen are very limited. There are some attempts by INGOs, NGOs and local agencies to provide support services, however it is still very small scale. This assessment found there were no support services for youth entrepreneurs in any of the target districts. Therefore it is recommended to include more integrated project components which link target youth to microfinance, mentorship and advisory service providers, as well as to establish youth centre/hubs. Youth require support from the government, MFIs and the business sector to establish their own enterprises.

3.9. Seed funding accessibility

The survey findings indicate that only seven percent of youth respondents have accounts at banks or MFIs (21% female and 79% male; 89% in Abyan and 11% in Lahj), while 93 percent do not (see *Figure 30*). This ratio indicates that most young people have no dealings with the financial sector.

Access to loans: Based on assessment findings, three percent of respondents had loans (75% in Abyan and 25% in Lahj; 13% female and 88% male), while 97 percent did not (see *Figure 31*). In addition, among those who had loans, 50 percent obtained loans from their parent, 25 percent took loans from MFIs or NGOs, 13 percent obtained their loan from a bank, 13 percent from friends and 12 percent were provided by suppliers (see *Figure 32*).

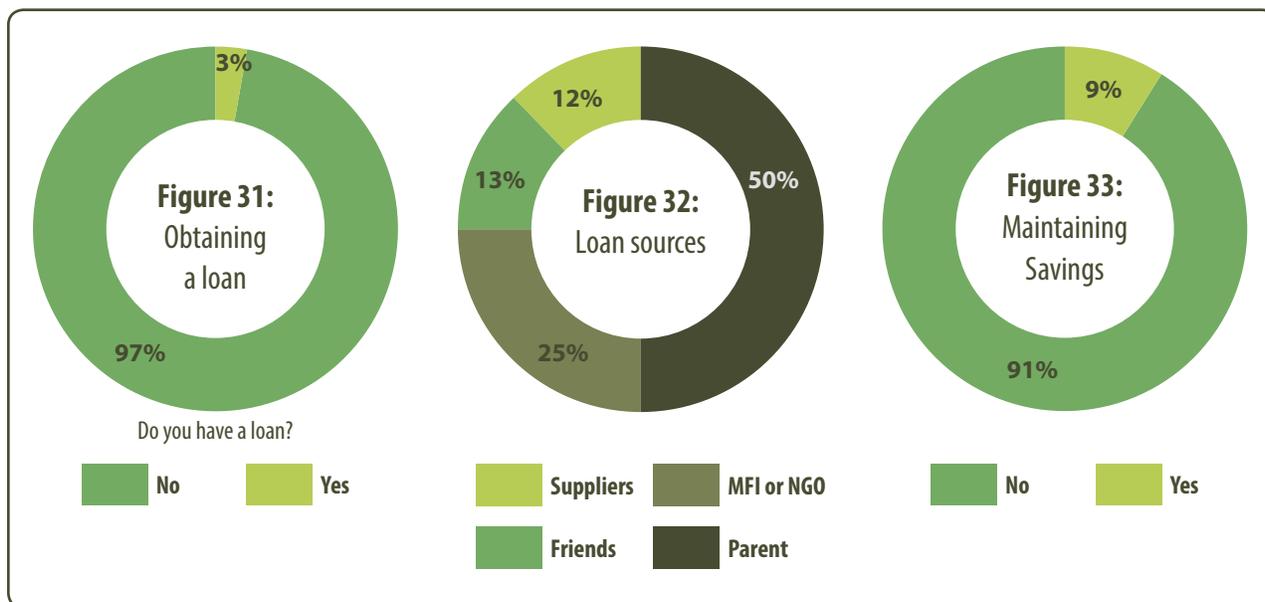
These ratios reflect the status of the financial sector in Yemen, where the vast majority of people do not use formal financial services (6% only) (CBY, 2014). However, the microfinance sector has witnessed rapid growth over the past five years, from around 30,000 active borrowers in 2007 to over 85,312 active borrowers as of end May 2015¹⁷.



17 Yemen Microfinance Network (2015), Microfinance in Yemen, Hopes vs. Reality: https://www.microfinancegateway.org/sites/default/files/publication_files/microfinance_in_yemen_-_impact_of_war_ymn_july_2015.pdf

Ratios also reflect that Yemeni females prefer to obtain loans from their family members and friends rather than approaching banks or MFIs.

The study found that there were four MFIs operating in Lahj Governorate including the National Microfinance Foundation, Aden Microfinance Foundation, Al-Kuraimi Microfinance Bank and Al-Amal Microfinance Bank, all of them in Tuban, while there were no MFIs in Habeel Jabr district. In Abyan Governorate there were three MFIs; two in Kenfar district (Al-Kuraimi Microfinance Bank and Abyan Microfinance Program), but none in Lawdar. These institutions provide different microfinance services such as loans, saving, and transferring money. In addition, almost all MFIs offer Islamic microcredit, *Murabahah*, which offers conventional microcredit. There are also some exchange rate and money transfer services in target districts.



Al-Amal bank provides micro loans in rural areas but it faces many challenges, such as high operation costs, poor infrastructure (roads network), and financial illiteracy among people live in rural areas.

In depth interviews and FGDs identified many reasons why youth could not get loans to start up their own businesses. The most common reason was lack of appropriate collateral, lack of information, high interest rates and religion-based barriers. Only Al-Amal bank provides loans for start-up enterprises on a very small scale. Other MFIs avoid giving loans for start-up enterprises due to the high risk, lack of appropriate collateral and the current political and security unrest.

Saving: Only nine percent of respondents maintain savings (20% female, 80% male), while 91 percent do not (see Figure 33). Among those who have savings, 56 percent are in Lahj and 44 percent are in Abyan (primarily Tuban). During FGDs and interviews, the main reasons people have low savings were a lack of income, high unemployment, high inflation and too many other needs, mainly due to deteriorated security conditions and challenging circumstances in the past year.

Eighty percent of respondents preferred home saving (15% female, 85% male), while eight percent envisaged saving at banks (30% female and 70% male; 83% in Lahj and 17% in Abyan), eight percent preferred to go to MFIs and four percent had savings with their friends or family members. Based on

interviews and FGDs, youth preferred home saving. Most avoided putting savings in banks or MFIs due to a lack of access to banking and MFIs saving services and lack of financial literacy, particularly in Habeel Jabr and Lawdar districts. MFIs interviewed offer both compulsory and optional savings. MFIs and banks were accessible only in big districts such as Tuban and Kenfar, and absent in Habeel Jabr and Lawdar.

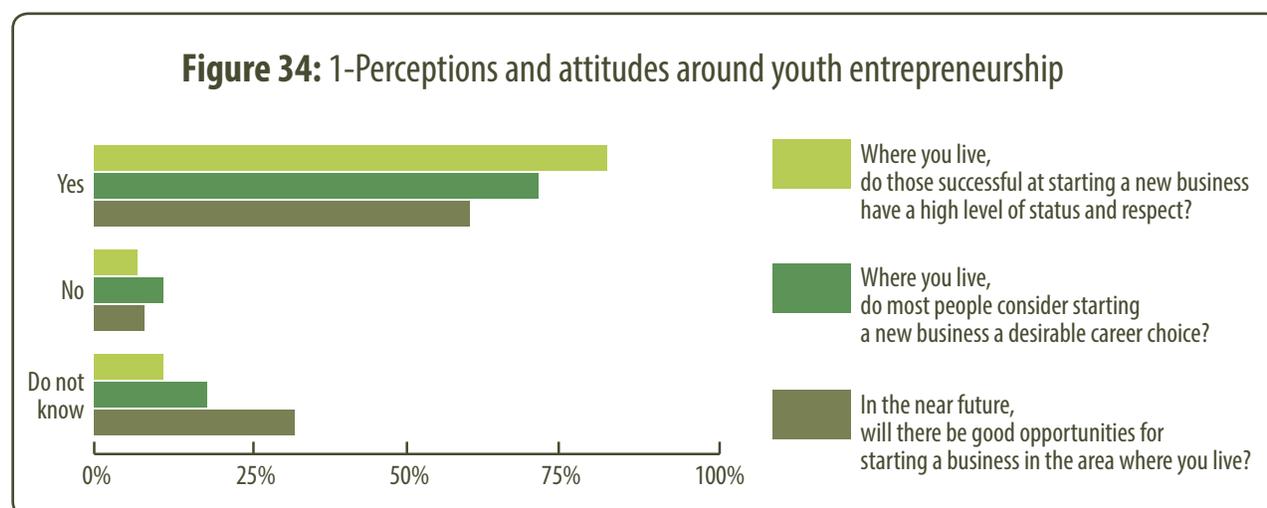
3.10. Policy/supportive environment for youth entrepreneurship

Based on interviews with official government and local council members as well as FGDs that discussed the role of government in supporting youth, most of respondents believe government support is currently very limited or non-existent. However, some government representatives said that one of the objectives of the National Youth Employment Action Plan 2014-2016, set up in 2013, was to foster entrepreneurial culture among youth by targeting 2,000 young people annually. The plan also focuses on small and medium projects from selected sectors (agriculture, fisheries, building and constructions, food processing, quarrying), providing institutional support, negotiating skills, and seeks to increase access to funding and business development services, which have been affected by war.

3.11. Perceptions and attitudes around youth entrepreneurship

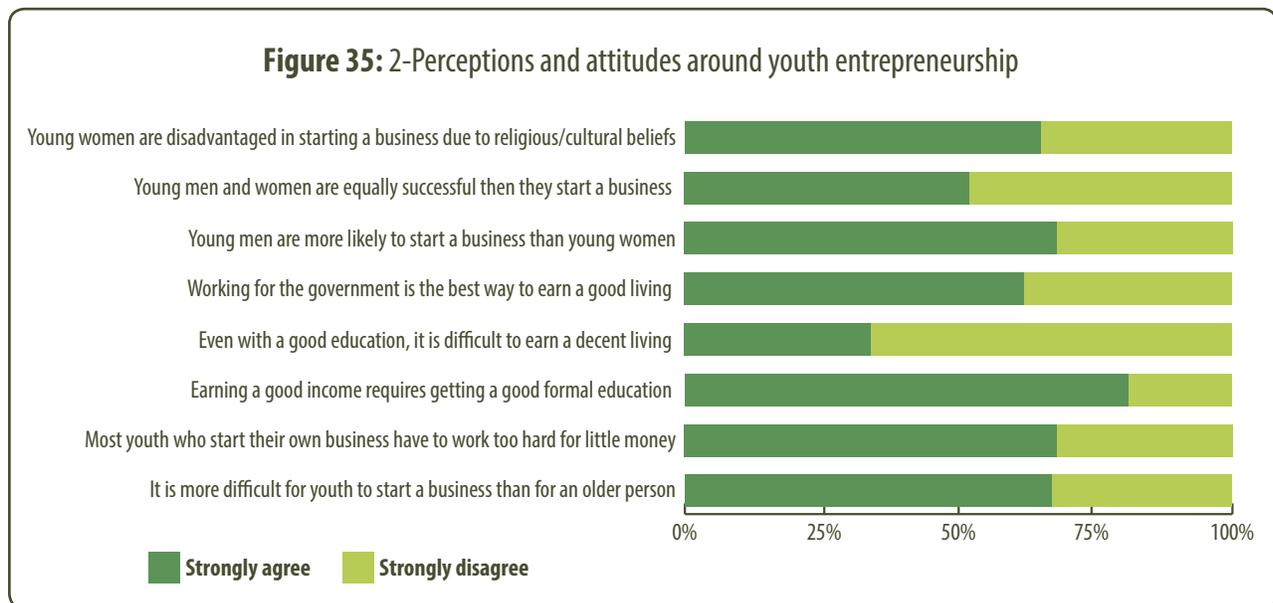
The private sector in Yemen, primarily made up of micro and small enterprises, is underdeveloped, poorly diversified, and has a predominantly male presence. Research findings indicated that 60 percent of respondents were optimistic and expect that in the near future there will be good opportunities to start a business in their districts (33% female, 67% male), whereas 32 percent did not know and eight percent felt hopeless.

Almost 71 percent of respondents felt most people in their area considered starting an enterprise to be a desirable career choice (60% female, 40% male), while 82 percent believed youth who were successful at starting their businesses enjoyed high levels esteem and respect (34% female, 66% male) (see *Figure 34*).



Sixty-seven percent of respondents agreed that it was more difficult for youth in Yemen to start a business compared to older persons. A considerable majority of respondents (68%) believed that most youth who started their own businesses had to work too hard for little in return. More than 81 percent believed that earning a good income required having better formal education, 34 percent felt that even with a good educational background, it was difficult to earn a decent living. Interestingly, 62 percent of respondents believed that working for the government was the best way to earn a good living, which reflects the dominant culture among Yemenis who believe working for the public sector is more secure and less stressful. Nevertheless, this percentage was less as was expected. Moreover, 68 percent thought young men were more likely to start a business than young women, while 52 percent did not believe that young men and women were equally successful when it came to starting a business. Meanwhile, 65 percent agreed that young women in Yemen were disadvantaged in starting a business due to religious/cultural beliefs (see Figure 35).

Figure 35: 2-Perceptions and attitudes around youth entrepreneurship



Conclusions and Recommendations

The market assessment results found that the most in-demand goods and services in target districts were food commodities, clothes and footwear, handicrafts, electronic devices, agriculture toolkits, restaurants and coffee shops, tailors, repairing and maintenance, hairdressing, motorcycle and medical services. The majority of the goods and services in target districts have a low level of satisfaction due to expense, poor quality, lack of supply, poor customer service and not matching with customers' needs.

The findings show that agriculture-based economy dominates in all target districts. The present market structure in most target districts mostly comprises of micro, small and medium sized enterprises mainly in the trade, services, agriculture products and handicrafts, which represent 62 percent, 18 percent, 13 percent and seven percent respectively. All markets in target districts have almost the same characteristics. Food commodities, fish and meat, clothes and footwear, ice, furniture and household goods, equipment and machinery, handicraft products, electronic devices and pharmaceuticals were the main goods in the markets. The main services were restaurant/coffee shops and fast food, repair services, animal rearing, motorcycle transportation, tailoring and embroidery services, hairdressing and beauty, and medical services.

Consumer survey/ interviews were combined with market opportunities survey/interviews and qualitative research to determine the goods and services both absent from or flooding markets. Those almost absent included financial services, solar power maintenance, clothes laundry, local processed food, computer and business services, internet services, display centres for local handicrafts, entertainment services and packaging and marketing services. Those flooding the markets included vegetables and construction workers. Therefore, most sectors appear to be expandable.

The business sector overall faces many challenges including insecurity, a weak enabling environment, and a lack of basic infrastructure, financial services, information and skilled workers.

Youth unemployment in Lahj and Abyan is high, and the level of engagement in entrepreneurial activity is low. The majority of youth respondents in the study expressed their willingness to start a business as a way to create sustainable economic opportunities for themselves. The main constraints faced by youth in starting a business were a lack of appropriate funding, high financial risk, economic barriers, political and security unrest (mainly Al-Qaeda and absence of state), lack of access to skills training, absence of support from families and local communities, and absence of support services. Education in Yemen was not adequate to prepare youth with the skills required to be self-employed, and access to the necessary knowledge and skills for enterprise was limited or absent in all target districts.

The majority of youth enterprises in target districts were trade and services, handicrafts and agriculture-based. Preferred and in-demand enterprises for youth in target districts were for trade: food commodities, clothing, electronic devices, sweet, spare parts and incense and perfume shops; and services: clinics, restaurants/coffee shops, mechanic and repair workshops, computer and business services, solar maintenance workshops, tailoring and embroidery, hairdressing and beauty, patterns and henna and internet cafes. For production and handicrafts preferences were for sweet making, handloom textiles, weaving fronds, recycling, making incense and local perfumes, squeezing and producing sesame oil, and agriculture tool production. In agricultural enterprises preference was for livestock, fisheries, poultry, beekeeping, and veterinary clinics and flower growing. Most businesses would require between YR 100,000 (USD 400) to YR 250,000 (USD 1,000) to be established and start generating sustainable income.

The research found that some agriculture and non-agriculture sectors were undeveloped, and if developed and supported could generate good incomes and create job opportunities for local people, such as handloom textiles (*Mawwaz*), sesame oil production, clay and ceramic pottery and agriculture tool production.

Several potential pitfalls for new micro businesses in target districts included: 1) deteriorated security conditions and challenging circumstances (mainly due to Al-Qaeda); 2) inability to obtain appropriate funding; 3) economic barriers including poverty and inflation; 4) market volatility and high competition in business activities; 5) lack of support from families and local communities; and 6) lack of access to reliable infrastructure (transportation, electricity, etc.).

Training needs included: 1) life skills (self-confidence, self-awareness, communication, time management, self-marketing, leadership, influencing, creativity and innovation, social inclusion and self-planning); 2) entrepreneurship skills; 3) financial literacy; 4) vocational skills (for females: tailoring, hairdressing and beauty, sweet making, incense and perfume making, and for males: motorcycle repair, solar power system maintenance and electric wiring).

Recommendations

Based on the findings of this market assessment, the following recommendations are made:

1. Create and implement an integrated project including:
 - Support services linking target youth to microfinance, mentoring and advisory service providers;
 - Entrepreneurship enabling environment: enhancing the link between youth entrepreneurs and stakeholders and creating a youth entrepreneurship network in target districts;
 - Integrated 3X6 approach to improve effectiveness and efficiency. For instance, some cash-for-work activities could have been implemented in marketplaces, to generate awareness and recognition of the project among vendors.
2. Develop rigorous selection procedures, including an independent selection committee, ensuring that the most vulnerable people such as women, unemployed and youth and *Muhamasheen* benefit from the intervention;
3. Entrepreneurship training focusing on youth micro-business opportunities. Emphasis should be given to customer service and improving the quality of goods and services provided by youth;
4. Build on what already exists. Findings show curricula/training manuals have been designed and developed by international organizations and NGOs for youth entrepreneurship, including by ILO, CARE, GC and SOUL. Review these and identify what, if any, additional curricula needs to be developed;
5. Partner with government, local councils, community leaders and the private sector, to build on what these actors can offer to assist and coordinate the work of the project team and implementing partners;
6. When designing and implementing training courses and support services, take into consideration the sensitivity of women's situations, particularly the type of cash-for-work, venue of training and duration of the training program;
7. To ensure sustainability of interventions, enhance linkages between youth entrepreneurs and stakeholders, and create youth entrepreneurship networks in target districts. This encourages informal learning and provides the collective power that may be required to reach out to new markets.
8. Provide gender-sensitive capacity building for project staff, trainers, mentors and implementing partners to better understand gender-based differences in approaching entrepreneurship and self-employment. Women are an integral part of project activities and are beneficiaries. For example, women's entrepreneurial activities are often home-based and grow at a slower pace than men's. Women may require additional market and entrepreneurship skills training compared to men, as they may not have undertaken any business activities previously.
9. Develop apprenticeships and build links with the private sector for youth to practice their skills in the real market, enhancing their professional confidence and competitiveness for self-employment;
10. Establish a peer education mechanism that encourages youth who benefited from training and support services to share their knowledge, skills and experience among their peers;
11. To enhancing the sustainability of the project, engage the whole range of stakeholders, including community members, local and national government, MFIs and private sector;
12. Encourage local production of goods that are currently being imported, particularly fruits and vegetables. This would also reduce the price and the expense of transportation, which would, in turn, make local products more competitive and improve food security within the target districts;

13. Allocate adequate time to promote project activities in order to enhance the quality of selection and identify most in-need target groups;
14. Conflict sensitivity and prevention capacity building for stakeholders, including participants, project team and implementing partners to ensure the success of the project;
15. Further to point 14, a training of trainers (TOT) workshop on conflict sensitivity and prevention for targeted individuals to ensure sustainability and transfer of knowledge;
16. Consider extending project's preparatory phase to carry out a robust outreach activity in target districts for orientation on the project objectives and 3X6 approach, as well as mobilizing community support for the intervention;
17. Encourage youth to use social media, such as creating Facebook or WhatsApp groups to networking or promote their goods and services.

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