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# THE ENHANCED RURAL RESILIENCE IN YEMEN (ERRY) JOINT PROGRAMME

## LIVELIHOOD IMPACT ASSESSMENT

2019



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# ABBREVIATION

ERRU	Economic Resilience and Recovery Unit
ERRY	Enhanced Rural Resilience in Yemen Programme
EU	European Union
FAO	Food and Agriculture Organization
FGDs	Focus Group Discussions
FRR	Financial Rate of Return
GBV	Gender-Based Violence
GDP	Gross Domestic Product
IDPs	Internally Displaced Persons
ILO	International Labour Organization
ISCD	Integrated Social Cohesion and Development
KII	Key Informant Interviews
MFI	Microfinance Institutions
PY	Partner Yemen
SDF	Social Development Foundation
SFCG	Search for Common Ground
SFD	Social Fund for Development
SMES	Small and Medium Enterprises
UNDP	United Nations Development Programme
WFP	World Food Programme

# DEFINITION OF TERMS

The definition of terms used in this impact assessment is to generate a common understanding of the terms used throughout the impact assessment and only service this assessment.

Term	Definition
1. Access to capital	The ability of the micro-business to get/obtain physical and financial assets to operate the business.
2. Breakeven point	Is the production level where total revenues equal total expenses? In other words, the breakeven point is where a business produces the same amount of revenues as expenses either during a manufacturing process or an accounting period.
3. Business advisory and support	The process and activities that are considered provide advice and share technical expertise with the micro-business owners.
4. Business selection based on market viability	The process of choosing a micro-business that fit market needs and has a chance to success.
5. Credit/Debit status	The financial positing of the micro-business lending and borrowing.
6. Demand volume	The number of products and services the micro-business generate that consumers are willing and able to purchase.
7. Employment	The act of paying someone to work for the micro-business owner.
8. Financial rate of return (FRR)	The net gain or loss of the micro-business in a specific time.
9. Financial risks and continuity	The unfavourable dangers led or associated with financing loss of the micro-business and how the micro-business is planning and preparing to overcome this risk.
10. Income	The money that a micro-business receives/generate in exchange for providing a good or service.
11. Linkages	The state of the micro-business to be linked with other businesses and entries in order to benefit the business.
12. Market opportunities	The chance of the micro-business to meet the need, want, or demand of the targeted market.
13. Networking	The collective entries, people, supplier, organization, etc. that are connected with the micro-business.
14. Opportunity cost	The potential gain from other alternatives activities of the micro-business owner.
15. Pricing index	The extent to which a price varies of inputs, commodities, and services over time that impacts the micro-business.
16. Profit	The financial reward the micro-business makes after paying different costs.
17. Scale up opportunities	The process of increasing the micro-business size through expansion or adding new entries to the micro-business.
18. Skill Building and Development	The particular ability to handle day to day tasks of the micro-business with additional capacity building in the interpersonal and life skills.
19. Supply volume	The number of inputs and resources available for micro-business to function in the market.
20. Utilization of income	The process of using the generated money in different aspects.

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## EXECUTIVE SUMMARY

This report provides an assessment of the impacts of the micro-businesses supported under the Enhanced Rural Resilience Programme in Yemen (ERRY) (2015-present) implemented by UNDP and partners, and supported by the EU. The assessment conducted in the four target governorates: Abyan (Khanfar district), Hajjah (Aslam and Abs districts), Al Hudaydah (Bagel district), and Lahj (Tuban district). As is well known, the period during which the ERRY programme was implemented coincided with worst humanitarian situation ever experienced in Yemen. The country was already reeling in 2015 from high-levels of poverty, decimated livelihoods, lack of health and educational facilities and severe deprivation in all areas of basic needs such as security, clean water, and sanitation. Governance arrangements were in disarray-driven by ongoing conflict, political uncertainty, and economic decline. The war that started soon after that made matters even worse.

Meeting the basic livelihood requirements became the biggest concern for Yemenis. The ERRY programme provides an opportunity for beneficiaries to do something for themselves in addition to any humanitarian relief they managed to receive. The programme through the 3x6 approach <sup>Annex1</sup> built capacity through training and skills development and provided small financial grants to kick start micro-businesses. The beneficiaries received emergency employment activities by the ERRY programme to help generate incomes while encouraging them to save. Those who were able to save from the emergency employment activities were eligible to receive joint venture support to start-up new micro-businesses to improve their livelihood. Beneficiaries were able to select businesses that suited their interests and capabilities while taking into account local market realities.

A market assessment was conducted to provide necessary market information to inform their decision making. The supported micro-businesses became a significant source of income for around 2,549 households (the average size of a household in Yemen is seven). Women demonstrated success in doing business by creating job opportunities for others, as well as sharing skills. Moreover, women sustained their businesses more than men as the majority of closed businesses interviewed in this assessment were men. The majority of micro-businesses owners confirmed the growth of their businesses in a stable manner and the project has impacted its beneficiaries positively in intended and unintended ways.



**Intended Economic Impact****1. Business and Skills Development**

Receiving skills and advices from training and technical advisors enabled the micro-business owners to obtain essential skills to enter the market and to sustain the businesses. Skills and techniques related to financial management, sales and marketing were the most appreciated among the business owners as they perceived them to be core skills to start-up businesses. Accounting and cash management helped owners manage their business expenses effectively to be able to save from their profits. Female owners expressed great satisfaction with the training phase, as it seems women are rarely targeted in capacity building and related business management programmes. Females also had a greater tendency to share their skills and knowledge. Even those whose businesses were closed indicated that they had benefitted significantly from the training. From these different responses, it is clear that training and technical support were critical to micro-business success; it was highly appreciated by those who have closed their businesses. Individuals with a closed business perceived the training as useful to both their micro-businesses and their life skills in general. It is worth mentioning that technical specialists, implementing partners and business advisors regularly conduct meetings with beneficiaries and liaise through virtual and social media to provide advice and hands-on support.

**2. Business Selection**

ERRY project provided the micro-business owners with a variety of options to start-up their businesses. The market assessment contributed to understanding the market needs and opportunities in the targeted locations and helped the micro-business owners select the right businesses that suited their capacity and interest. Business advisors provided guidance and advice. An essential factor in the success of business owners was that owners previous experience played a role in the selection process. This was complemented with the skills and technical support the owner received, helping them select their business based upon market needs.

**3. Financial Aspects**

More than 80% of the micro-businesses are stable, and a large portion (about 70%) of them are making profit. Female micro-business owners were able to breakeven more than male owners. This result was evident because female micro-business owners demonstrated a greater ability to save than their male counterparts. Many female owners may also not be the family breadwinners and may have other household members who contribute to the family livelihood, can help lifting some of their financial pressures. Even though micro-business owners were not comfortable sharing information about their financial gains, it was apparent from responses that this project has created a substantial source of income for the business owners. It is noteworthy that micro-businesses with full asset ownership are maintaining stable demand levels on their products and services.

Micro-business owners managed the amount of credit (customers who owe the micro-business) and debts (loans taken by the micro-business) to protect their businesses. micro-business owners understood the difficulties they may face because of the inability of many citizens to pay back for what they purchase. On the other hand, very few of the micro-business owners were in debt.

**4. Scaling-up and Employment**

The majority of the surveyed micro-business owners did not have any intention of changing their activities. Overwhelmingly, around 99% of the total surveyed operating micro-business owners in this assessment planned to stay in the same sector. They impacted positively on targeted communities through the creation of competitive markets and providing alternative for consumers to deliver services and goods needed by communities. It also helped generate incomes for families and created new jobs for hired people.

This result correlates with the stable performance of 87% of the interviewed micro-business owners. This stability of business performance has positively impacted the business owner's intentions to expand and increase their business activities. More than 80% of the total interviewed micro-business owners work in: a) tailoring; b) breeding cattle/livestock; c) clothing projects; and d) motorcycle projects, responded that they plan to expand their businesses. It is not very clear to micro-business owners how they would expand their activities, although they shared some strategies they may use, including operating in a new location, opening a branch, moving to a bigger shop, or adding new products and services.

The findings reveal that micro-businesses of both genders did not contribute much to job creation opportunities, though the number of female business owners who can create job opportunities is higher than that of male business owners. This result is attributed to the fact that women selected businesses in which supporting activities are required like hairdressing and pickling plant materials.

The volatility of prices in general and the increase of input prices was a significant challenge for micro-businesses to grow. The poor purchasing power of citizens in the many locations was another challenge slowing down business growth. The continuation of the war is a significant risk for micro-businesses to grow and continue business. Due to the war situation transportation costs have increased sharply which add an extra burden on micro-businesses. Access to funding is always a challenge for small businesses as they rely on the personal network to get additional fund for their businesses, rather than turning to Microfinance Institutions (MFIs) or banks.

### Unintended Social Impact

The ERRY micro-business intervention in general, but with some notable exceptions, played a crucial role in improving the social benefits of the project beneficiaries and micro-business owners. It also increased the ability of micro-business owners to access vital services like health and education. Food quality and quantity have improved as a result of micro-business activities. Clean water, sanitation, and hygiene are significant benefits to which the micro-business owners and their families now have better access. It is with no doubt that this intervention has significantly impacted the livelihood of the micro-business owners positively in addition to providing them with a decent source of income.

In addition, the assessment has sought to identify whether creating micro-businesses may contribute to improving relations with family and community members, and consequently enhancing the social cohesion at the local-level.

Results show that micro-businesses have contributed to varying degrees to improve relationships among family members and community members and that beneficiaries transferred some of the benefits to others. Social networking, however, was mostly among those related to the business such as suppliers of raw materials or purchasers of good and services and not among general community members. This was due to a lack of time among micro-business owners for general social networking.

These micro-businesses have shown positive impacts on the owner and their families. Recognizably, women who run micro-businesses have gained a greater respect for their ability to stand up and manage their business efficiently just as male business owners. This could lead to a more significant impact like giving women better voices in society. Moreover, this gives a clear incentive to other women to adopt the entrepreneurship model.

The skills development and small grants have positively impacted and improved the livelihood of beneficiaries and business owners. However, many micro-businesses still need additional technical support to ensure long-term impact.



## 1. BACKGROUND

### 1.1. INTRODUCTION

The Enhanced Rural Resilience in Yemen Programme (ERRY) is a joint programme funded by the European Union. It designed to enhance the resilience and self-reliance of crisis-affected rural communities through support to livelihoods stabilization and recovery, local governance and improved access to sustainable energy.

ERRY is a joint programme implemented by United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), International Labour Organization (ILO), and World Food Programme (WFP) in four governorates: Abyan, Hajjah, Al Hudaydah, and Lahj where the crisis had negatively impacted employment as income sources have been reduced. Moreover, the cessation of public servant salary payments and social benefits (conditional and unconditional cash transfers) directly reduced incomes for millions of families. Also, the deteriorated situation, price hikes, and shutting down of businesses have increased the average number of dependents to 13:1 and weakened the purchasing power of the population.

According to the ILO-CSO (Central Statistical Office) Employment Rapid Assessment conducted in October 2015 in three governorates of Aden, Al Hudaydah, Sanaa, and the three governorates lost more than 130,000 jobs (-12.8%). Approximately 12% of household heads reported that they lost their primary source of income. In Sana'a, employment decreased by 17.8%, followed by Al Hudaydah (11.6%), while in Aden employment declined by only 5.4%. Enormous pressure and stress exist to have a minimum income level to meet food, health, and education needs, as well as to be self-reliant and bounce back with livelihood improvement.

There was continuous deterioration in the economic, social and security situation in Yemen throughout the period of ERRY from 2015 to present. The US dollar exchange rate peaked at Yemeni Rial 800 to USD \$1 at the end of September 2018, which was subject to an increase of 33.3% in two weeks. As a direct result of the conflict, the Gross Domestic Product per capita shrank from USD \$481 to USD \$364, a decrease of 24.3%. Based on the updated estimates of the national accounts data, the cumulative real Gross Domestic Product contraction was estimated at 46.1% between 2015-2018. The lost opportunity cost in Gross Domestic Product at the constant prices for 2010 was estimated at USD \$49.8 billion between 2015-2018. A recent survey of nearly 1400 market trades across 13 governorates indicates that are three main obstacles to their activities: the increase in transportation cost, the ongoing liquidity crisis and the increase of prices.

Financial sector vulnerabilities are on the rise. In addition to the overall difficulties, commercial banks face difficulties in coping with the consequences of the prolonged political crisis. Their range of operations and financial products continue to diminish. The inflation rate was estimated at 20.7% in 2018. The conflict affected the labor market strongly. Based on a quick evaluation by ILO in 2015 the employment rates decreased up to 13.8% in the three most significant communities: Aden, Al Hudaydah, and Sana'a with female employment reduced by 28% versus to 12.2% for males. In terms of Yemeni private sector over 97% of firms (around 290,000 businesses) have less than two employees each with the total estimated employment being over 600,000 workers, including approximately 30,000 women. Small and medium-sized enterprises (SMEs) are generally considered as an engine of economic growth and essential for promoting equitable development, as well as generating the highest rate of employment growth.

The number of households affected by the conflict and resorting to negative coping mechanisms such as selling assets, reducing food and clean water, and taking up debt increased dramatically. An estimated 80 % of Yemenis are in debt. Furthermore, more than half of all households have had to buy food on credit. An increasing number of households are exhausting even these measures as they find themselves without assets that can be sold and traders who no longer provide credit. Finally, the traditional strong social cohesion in Yemen has weakened significantly due to the war and political disorder that country suffers that caused tension among people. It was in these dire circumstances that the ERRY project was implemented.

ERRY intervened in the most affected governorates and districts. The programme is implemented through implementing partners, including Social Fund for Development (SFD), Social Development Foundation (SDF), Search for Common Ground (SFCG), Partner Global Institute (PGI) and Care International. ERRY's target groups are focused on the most vulnerable such as women, the unemployed, youth, the Mohamasheen (a socio-economically marginalized group found in the peripheries of urban centers), internally displaced persons (IDPs) and stressed host communities, using inclusive, participatory and conflict-sensitive tools to mobilise and involve them in the proposed activities. ERRY programme has two expected outcomes to contribute to:

- **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 responsive, accountable and capable of delivering services, build the social contract and meet community-identified needs.

The ERRY programme has adopted the 3x6 approach in its livelihood improvement interventions. The programme has provided immediate cash grants through emergency employment opportunities (cash-for-work).

## 1. BACKGROUND

The selected beneficiaries of emergency employment received business skill development training in two phases- primary and advanced. Beneficiaries of the advanced training further accessed the micro-grants (USD \$900) and business advisory support to establish self-reliance income opportunities with saving as a condition. The programme managed to establish around 2,549 businesses with 200 different activity types based on market and financial viability. These businesses include individual petty grocery shops at the community level and joint business on breeding/rearing and livestock selling at district-levels.

The theory of change behind the programmatic interventions are based on the following foundational framework impact theoretically occurs at four levels: the individual, the businesses, the household, and the community. In theory, the impact causal chain could be: a) loans and training lead to increased businesses formation and expansion and to increased investment in working capital and productive assets; b) increased businesses formation, expansion, and investment lead to increased businesses returns; c) increased businesses returns lead to increased job creation and increased household income; d) increased household income leads to higher levels of household consumption, asset accumulation, human resource investment, and physical asset investment. Increased household income and asset accumulation, together with increased access to financial services expand the ability of poor households' coping and livelihood strategies, making them less vulnerable to risk <sup>1</sup>.

The United Nations Development Programme (UNDP) under the ERRY project has taken a step further in building businesses back in Yemen by continuing to support micro-businesses. The established entity requires further technical and advisory support to scale-up to small and medium-sized enterprises. The majority of the micro-businesses do not have networking or support once the project creates them. Based on, Connecting Business Initiatives (CBI) concept, and to provide the voice to established micro-businesses, including solar, two Micro-Business Associations were formed in the northern (informal) and southern (formal) regions of Yemen. The purpose of the Micro-Business Association is to support businesses at the district-level in transitioning into small and medium-sized enterprises. A range of stakeholders representing the Micro-Business Association registered under the Ministry of Trade and Commerce as a legal entity. Microfinance Institutions (MFIs), banks, chamber of commerce, local authorities and micro-business owners are the member of the Association. There is a formal structure of the Association including the Chairperson, Secretary, Finance Officer, Monitoring Officer, and regular members.

<sup>1</sup> A value chain is a set of activities that an organization carries out in order to create value for its customers or clients

## 1.2. METHODOLOGY

### 1.2.1. Scope of Work

The objective of the assessment is to assess the intended economic and unintended social impact of creating micro-businesses on the livelihoods of the Yemeni people who have been living under severe crisis conditions due to protracted conflict. This impact assessment was conducted in five districts of four targeted governorates as shown in the table below.

Table 1: Field work Locations

Governorate	District
Abyan	Khanfar
Hajjah	Aslam
	Abs
Al Hudaydah	Bagel
Lahj	Tuban

### 1.2.2. Impact Assessment Sampling Method

Two sampling methods were followed in this assessment 1) a purposive sample and 2) a stratified random sampling. The purposive sample, this technique was used to identify and conduct Key Informant Interviews (KIIs). The purposive sample was also used for the Focus Group Discussions (FGDs) to invite those who received training but did not receive a micro-grant to start-up businesses. As for the questionnaire, the different micro-businesses were tabulated into strata of the same business groups; the identified micro-businesses were set to 31 sectors. From the available sectors, the most frequent micro-businesses were selected randomly. The gender profile was considered during the fieldwork; 45% out of the total beneficiaries interviewed were female. Total beneficiaries were divided into strata-based sectors to ensure the representation of the different sectors.

## 1. BACKGROUND

### 1.2.3. Sample Size Estimation

The main micro-business sectors addressed by the questionnaire were distributed in 31 sectors. The distribution of the sample size for each district was based on the main targeted sectors associated with the most common businesses for each business sector. The sample size covered 66% of supported businesses as a treatment group and 34% out of the total number of unsupported businesses as a control group. The treatment group is a group, the beneficiaries or the micro-businesses owners, who receive treatment - in this case the small grants. The control group is identical to the subjects of the intervention of the ERRY programme that did not receive the support that the treatment group received. It is important to note, however, that the control group in many cases had established businesses and more experience in operating a business than the ERRY beneficiaries, many of whom were first-time micro-business owners.

The plan was to interview businesses owners from similar sectors who did not receive any support from the ERRY programme to be handled as a control group. The total number interviewed micro-business owners from treatment groups was 287 business owners, against 150 of control groups business owners. It was not planned to interview closed businesses; however, the assessment detected 55 closed businesses from the treatment group and these were interviewed. The questionnaire tool helped to capture two main impacts of the programme: economic benefits as an intended impact and social benefits as an unintended impact.

Table 2: Distribution of the Tools

Governorate	Abyan	Hajjah		Al Hudaydah	Lahj	Total
District/ Method of collection	Khanfer	Aslam	Abs	Bagel	Tuban	
Participants interview	103	88	107	90	104	492
<i>Percentage of total</i>	<i>Percent 21</i>	<i>Percent 18</i>	<i>Percent 22</i>	<i>Percent 18</i>	<i>Percent 21</i>	<i>Per- 100 cent</i>

### 1.3. DESK REVIEW

#### Key Informant Interviews (KIIs)

In-depth Key Informant Interviews (KIIs) were used as a qualitative tool to assess the environment (support, challenge, and the impact on the local communities). We used an unstructured interview approach with more focus on lessons learned and improvement areas. The KIIs are distributed as follow:

Table 3: KII Distribution

Governorate	District	Local Partner	Business Trainers	Business Adviser	Local Authorities	Beneficiaries	Total
Abyan	Khanfar	1	1	1	1	5	9
Hajjah	Aslam	0	0	0	0	6	11
	Abs	0	0	0	0	5	
Hodaidah	Bagel	0	0	0	0	6	6
Lahj	Tuban	1	1	1	1	5	9
<b>Total</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>27</b>	<b>35</b>

## 1. BACKGROUND

### Focus Group Discussions and Group Discussion (FGDs)

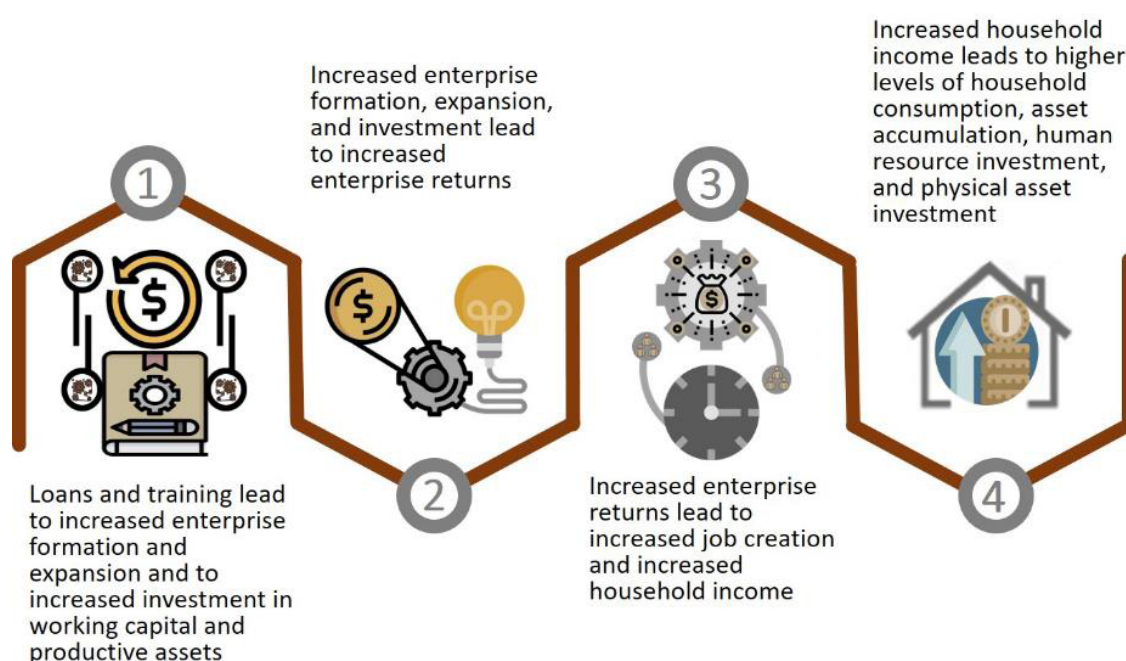
FGDs targeted beneficiaries included a combination of those who received training by the ERRY project yet did not receive micro-grants to establish the business, operating businesses, or closed businesses. Each FGDs included 11 participants.

Table 4: FGDs Distribution

Target Group	Governorate	District	Number of Sessions	
			Per District	Total
Beneficiaries	Abyan	Khanfar	1	1
	Hajjah	Aslam	0	0
		Abs	0	
	Hodaidah	Bagel	0	0
	Lahj	Tuban	1	1
Total			2	2

### Conceptual Foundations to Impact Assessment

Impact theoretically occurs at four levels: the individual, the enterprise, the household, and the community. In theory, the impact causal chain could take this form levels of household consumption.



The above steps lead to an increased household income and asset accumulation, together with increased access to financial services, expand poor households' coping and livelihood abilities making them less vulnerable to risk<sup>2</sup>.

### Results Overview

More than 2,500 micro-businesses have been subsidized for women and youth with a focus on social entrepreneurship in the four targeted governorates of Abyan, Hajjah, Al Hudaydah, and Lahj. The micro-business programme was associated with life, business skills capacity building and development, which helped beneficiaries gain more skills to help increase their resilience to various shocks and help them care for themselves and their families.

<sup>2</sup>A value chain is a set of activities that an organization carries out in order to create value for its customers or clients

## 1. BACKGROUND

More than 13 micro-business sectors have been introduced to the beneficiaries along with technical and business support and advisory to ensure a different set of skills are captured by the beneficiaries to sustain their businesses. To date, more than 70% of the established businesses continue to function. Technical specialists, implementing partners and business advisors regularly conduct meetings with beneficiaries and liaise through virtual and social media to provide advice and hands-on support.

According to the different reports, a significant portion of the beneficiaries claimed their businesses covered all of their expenses and saw them as a real solution for their future expenses. They also insisted that they will do their best ensuring the sustainability of their micro-businesses. In addition to the economic benefits, youth beneficiaries stated that their self-confidence toward owning and managing businesses has increased due to the training and going practically through business establishment.

The UNDP ERRY project through its micro-business has enabled beneficiaries' different backgrounds such as marginalized and vulnerable individuals' youth and women to meet their immediate needs and generate sustainable income opportunities. The results from 2017 to date show that beneficiaries established their micro-businesses in Abyan, Hajjah, Al Hudaydah, Lahj governorates. The share of female beneficiaries in the livelihood and business creation opportunities can be attributed to the positive changes in gender roles and women exploring new avenues due to changes in household circumstances influencing gender roles.

Despite the enormous support beneficiaries get from the ERRY project, the instability and volatility situation in both the political and economic situation have negatively impacted many beneficiaries from reaping the optimum benefit of the micro-businesses; primarily, the weak purchasing power of people due to either lack income or increase in the price of commodities.

### 1.4. ASSESSMENT LIMITATION

The evaluation team has faced many coordination and logistical limitations and constraints before, during and after the data collection process.

#### Data Collection Related Constraints

There was difficulty reaching some of the participants targeted by this assessment as they had changed their mobile numbers. There were technical constraints related to the internet network connectivity, especially in the Bagel district where there was no internet network making it difficult for the field team to upload the data collected daily. Similarly, the weak internet network in Abyan and Lahj governorates added another hardship for the field team to upload the data promptly.

#### Results Related Constraints

The data received from the field was categorized into 31 sectors corresponding to the beneficiaries' business sectors. The distribution of these sectors ranged from the highest populated sector, which was breeding cattle/livestock with 111 beneficiaries, to the lowest sectors, which were bakery, pickles plant and wholesale stores with only one beneficiary each. A large number of sectors with a high variation of participant levels made measuring and reflecting the results of sectors with low beneficiaries very difficult. However, sectors with a high number of beneficiaries gave reliable results and proper distribution among locations and gender which are our base analysis factors.

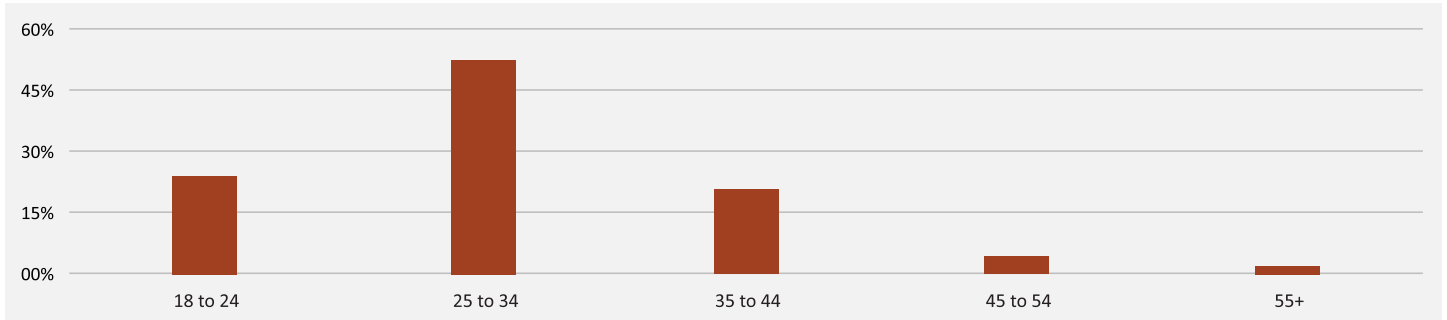


1.5. MICRO-BUSINESSES PROFILE

1.5.1. Age Groups Profile

Among the 492 participants, the 25–34 age group was the most common reflecting 51% of the total interviewees. In Aslam, 96% of respondents were among 18–34, while in Tuban 42% of respondents were between the age of 34–50+ .

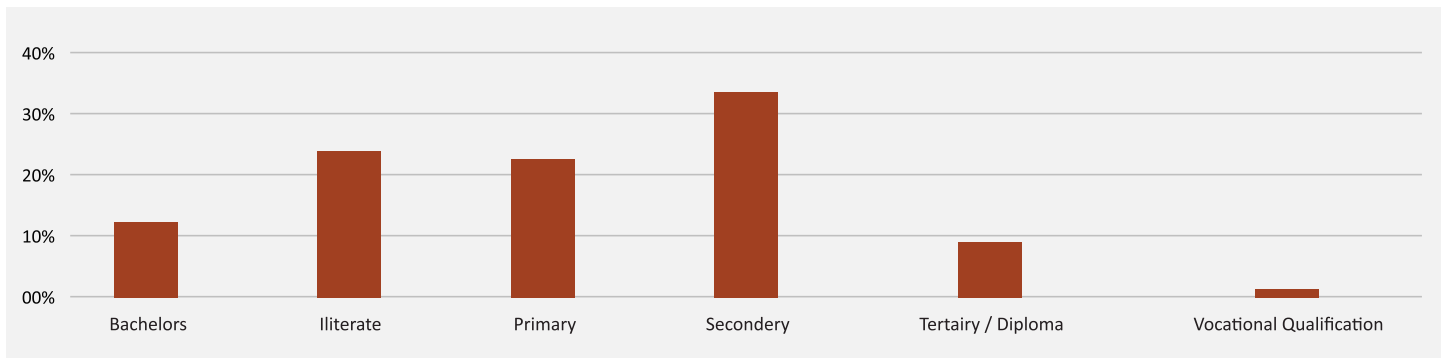
Figure 1: Age Group Profiles



1.5.2. Educational Background Profile

Most of the interviewed businesses had medium-to-low educational levels with 22% illiterate, 23% primary, and 33% secondary school. 67% of respondents in Aslam and 54% of respondents in Abs whether illiterate or had primary education. 51%, 56% and 43% of respondents in Bagel, Khanfar, and Tuban, respectively, were secondary schools educated and held a bachelor’s degree.

Figure 2: Educational Background Profile



1.5.3. Business Sectors Profile

Operating Businesses

In this assessment, the micro-businesses interviewed could be classified into 31 categories. However, the ERRY programme used 14 categories considered as main sectors for support as shown in Table 5.

This assessment found that the top categories having most significant numbers of micro-businesses were 1) Tailoring, 2) Breeding Cattle/Livestock, 3) Clothes Store Projects, 4) Motorcycles projects/Motorcycle maintenance and selling spare parts, and, 5) Selling beauty tools and accessories. These business types were the same as those indicated as most needed in the market assessment in the targeted governorates.

## 1. BACKGROUND

As shown in Table 5, women focused on the type of businesses that different from men and that because of traditions that enforce women to work in certain jobs that serve in particular women only.

Table 5: Disaggregated Distribution of Top Operational Businesses

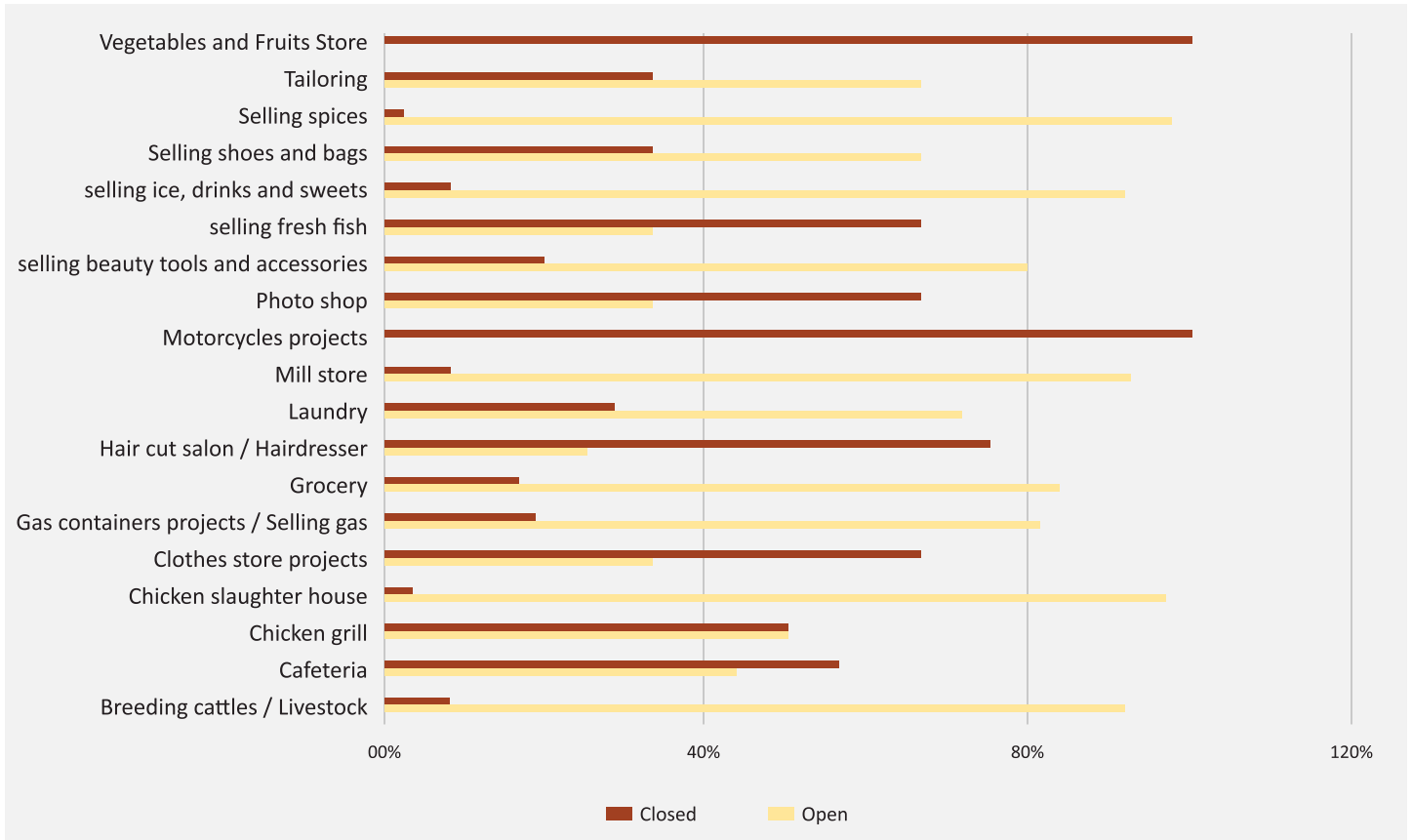
Sector	Gender	Aslam	Abs	Bagel	Khanfar	Tuban	Total
Tailoring	Male	3%	0%	2.8%	0%	2%	8%
	Female	23%	0%	30.6%	4%	20%	78%
		<b>26%</b>	<b>0%</b>	<b>33%</b>	<b>4%</b>	<b>22%</b>	
Breeding cattles/livestock	Male	0%	38%	0%	34%	13%	85%
	Female	0%	13%	0%	7%	15%	36%
		<b>0%</b>	<b>51%</b>	<b>0%</b>	<b>41%</b>	<b>28%</b>	
Clothes store projects	Male	0%	3%	0%	0%	0%	3%
	Female	35%	10%	11%	4%	3%	65%
		<b>35%</b>	<b>13%</b>	<b>11%</b>	<b>4%</b>	<b>3%</b>	
Selling spices	Male	6%	1%	0%	0%	0%	8%
	Female	13%	6%	0%	0%	0%	19%
		<b>19%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	
Chicken slaughterhouse	Male	10%	0%	0%	0%	0%	10%
		<b>10%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	
Selling ice, drinks and sweets	Male	3%	1.5%	0%	0%	0%	5%
	Female	3%	1.5%	0%	0%	0%	5%
		<b>6%</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	
Grocery	Male	0%	4%	0%	0%	10%	14%
	Female	0%	3%	0%	0%	3%	6%
		<b>0%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>	<b>13%</b>	
Selling beauty tools and accessories	Female	0%	9%	3%	4%	2%	18%
		<b>0%</b>	<b>9%</b>	<b>3%</b>	<b>4%</b>	<b>2%</b>	
Hair salon/ Hairdresser	Male	0%	0%	0%	0%	3%	3%
	Female	3%	0%	8%	0%	7%	18%
		<b>3%</b>	<b>0%</b>	<b>8%</b>	<b>0%</b>	<b>10%</b>	
Cafeteria	Male	0%	0%	0%	0%	1.7%	2%
	Female	0%	0%	14%	0%	1.7%	16%
		<b>0%</b>	<b>0%</b>	<b>14%</b>	<b>0%</b>	<b>3%</b>	
Motorcycles transportation/ Motorcycle maintenance and selling spare parts	Male	0%	1%	22%	16%	7%	47%
		<b>0%</b>	<b>1%</b>	<b>22%</b>	<b>16%</b>	<b>7%</b>	
Selling gas cylinders	Male	0%	0%	8%	9%	2%	19%
	Female	0%	0%	0%	0%	10%	10%
		<b>0%</b>	<b>0%</b>	<b>8%</b>	<b>9%</b>	<b>12%</b>	
Carriage transportation	Male	0%	0%	0%	12%	0%	12%
		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>0%</b>	
Bee Keeping	Male	0%	7%	0%	9%	0%	16%
		<b>0%</b>	<b>7%</b>	<b>0%</b>	<b>9%</b>	<b>0%</b>	
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

## 1. BACKGROUND

### Closed Businesses

Figure 3 below shows the businesses that have closed out of the total micro-businesses interviewed during the assessment. The respondents stated that the reasons behind closing their businesses were 1) unsuitable location; 2) mismanagement; 3) difficult to collect credits; 4) increased debts; 5) unsuitable business; and, 6) increase in raw materials prices. The closed businesses represented 11% of the total interviewed sample size of which 88% of closed businesses were owned by males and 20% by females. According to respondents, women have fewer responsibilities as a breadwinner than men as men are culturally considered the primary breadwinners in Yemen.

Figure 3: Percentage of Closed Businesses





## 2. MARKET ASSESSMENT REVIEW

## 2. MARKET ASSESSMENT REVIEW

In order to determine what micro-businesses would be viable in the governorates in which ERRY was active (Al Hudaydah and Hajjah in the north, and Abyan and Lahj in the south) a market assessment was carried out. The results of that survey provide essential context for the current impact assessment. For example, it was found that in all four governorates the focus was on agriculture, livestock and petty trading with a lack of business activity in areas such as: a) financial services; b) solar power system maintenance; c) clothes laundering; d) local processed food and computer; e) business services; f) internet services; g) display centers for local handicrafts; h) entertainment services; and, i) packaging/marketing services. In the existing areas of business activity traders were not able to meet market demands for a range of reasons including a) insufficient suppliers/sources; b) insufficient money/sources to buy more goods or stock; c) lack of infrastructure such as electricity, fuel and water; and, d) financial limitations which was the most significant barrier. It was also suggested that the limited number of suppliers indicates a gap in the market for wholesale businesses or new transport/distribution businesses.

As a result, the Market Assessment recommended a number of commodities and services that could be the base of start-up business for the beneficiaries according to the market demand and supply. The goods and services suggested in the tables below are considered as the most necessary ones in the local markets, and it was used as a guide to the implementers to rely on in creating the businesses.

Table 6: Most Demanded Goods and Services in Abs, Aslam, and Bagel – Market Assessment

Suggested Goods	Suggested Services
Food commodities (Vegetables, grains, flour, fish, poultry and meat(goat or cow), cooking and sesame (oil, rice and sugar, and fruit	Electronic appliance maintenance
Agriculture toolkits	Food or drinks in a restaurant/coffee
Clothes and footwear	Barber
Fuel	Hairdressing and beauty
Ice	Mechanic
Pottery	Medical services
Qat	Patterns and Henna
Weaving and textiles	Tailor
Wood products	Transportation: Motorcycle
Arabian jasmine	Veterinary services

Table 7: Most Demanded Goods and Services in Khanfar and Tuban – Market Assessment

Suggested Goods	Suggested Services
Food commodities (Vegetables, grains, flour, fish, poultry and meat(goat or cow), cooking (and sesame oil, rice and sugar, and fruit	Mechanic
Clothes and footwear	Appliance repair and maintenance
Ice	Food or drinks in a restaurant/coffee shop
Sweet	Tailor
Fuel	Barber
Agriculture toolkits	Electronic appliance maintenance
Electronic devices	Transportation: car, bus, motorcycle
Qat	Medical
	Hairdressing and beauty
	Patterns and henna

Upon reviewing the market assessment findings and recommendations, a few outstanding issues arose including:

1. While the majority of the recommended business lines were indeed viable, some were not. This was due in some cases to unstable exchange rate resulting in depreciated business capital in those businesses.
2. It was observed that the suggested type of businesses, the demand, and supply assessment, as well as the seed funding, were the same in all targeted governorates despite the fact there are differences in the nature, characteristics, and environment of each governorate.

The Market Assessment suggested that the limited number of suppliers indicates a gap in the market for wholesale businesses or new transport/distribution business, but this was poorly reflected in the recommendations. As a result, not only was an important source of business activity missed, but a weak link in the business ecosystem was not strengthened.



### 3. IMPACT ASSESSMENT RESULTS

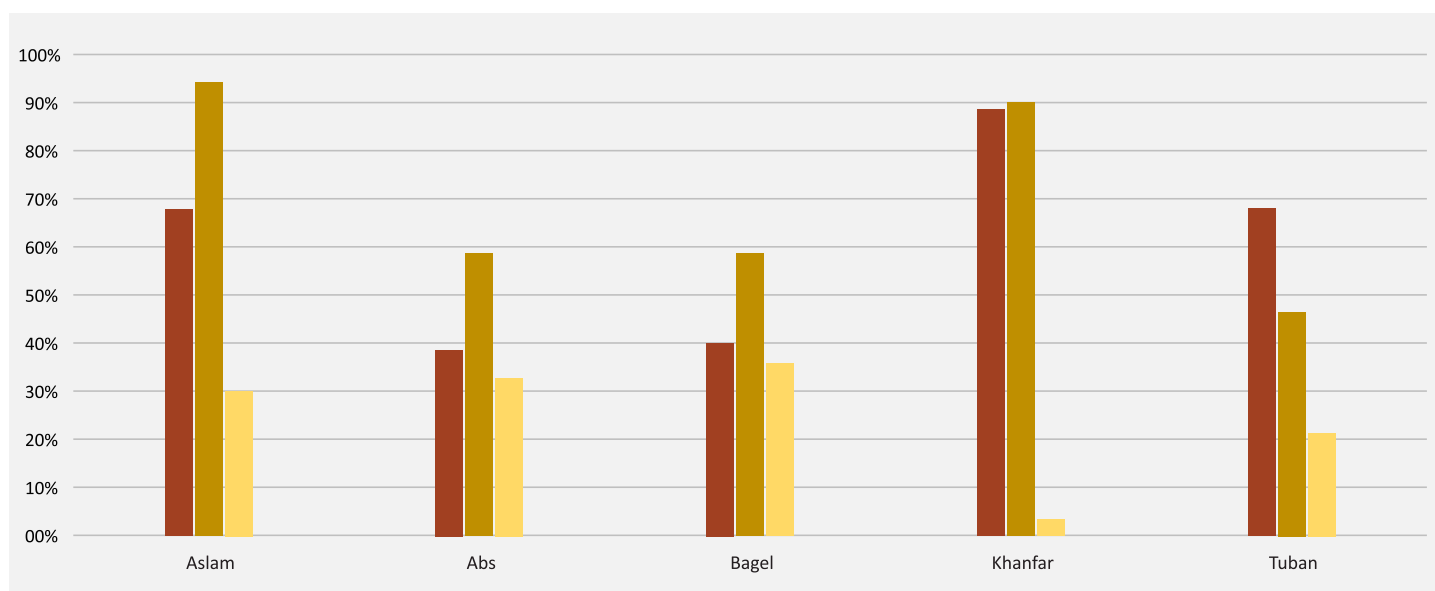
### 3.1. IMPACT OF SKILLS BUILDING AND BUSINESS ADVISORY SERVICES

The ERRY micro-Business beneficiaries were provided with business skills and managerial training in two stages. The first, basics in life skills and businesses, while the second was more advanced in life skills, businesses management, and financial literacy. The intended outcome was to develop the beneficiaries’ administrative and financial management skills to enable them to create a viable business plan and run successful businesses. Beneficiaries had two different curricula depending on whether they were literate or illiterate. The financial literacy training which included topics such as: (a) debt management; (b) saving as a key to money management; (c) bank services; (d) finance negotiation; and (e) budgeting: how to use and manage money did not match the needs of the illiterate category as they would have required longer and more detailed sessions.

#### Most Beneficial Business Skills and their Relevance

Of the three main training courses (accounting, sales and marketing, and cash management), sales and marketing followed by accounting were reported as the most beneficial as shown in Figure 4. The reason sales and marketing courses were considered most beneficial were that they resulted in participants feeling more self-confident in that they now had the tools to structure and organize their micro-businesses. According to Safa Yahia, one of the beneficiaries from Tuban *“The received skills and instructions increased my self-confidence to run my business in an organized manner.”*

Figure 4: Percentage of Responses out of Total Responses in Each District



In terms of relevance, beneficiaries felt they had improved their ability to sell, purchase, and negotiate effectively with customers and suppliers. They were now able to better manage the financial aspects of their businesses, and this enabled them to make saving from their incomes and profits. According to Fawziah Yahia one of the beneficiaries in Bagel, *“The skills and instructions received by training courses and consultants, enabled me to manage my money, manage the day-to-day accounting activities, and manage my capital, better improving my way to manage the business wisely.”*



### 3. IMPACT ASSESSMENT RESULTS

Several other relevant impacts were observed. These included:

- Emergency savings to cover unexpected expenses of the business or to be used to expand the businesses
- How to analyze the needs of the consumer, so they bring up the goods or services that respond to the market needs
- Beneficiaries are able to transfer the new skills they learned to their relatives and families which make them able to work and contribute to improving their livelihood and assist them in their businesses.

As shown in Figure 5, it was noticed that 53% of beneficiaries who reported the positive impact of training and instructions declared a high and stable demand on their goods/services.

According to Haidarh Qasem, one of the beneficiaries from Khanfar who said: *“the received training and skills enabled me to identify the appropriate seasons and markets as well as customers to better sell my livestock to them.”*

As shown in Figure 6, it was noticed 90% of female respondents versus 85% of male respondents stated that the received training increased their life skills. The reason for this higher response among women seems to be due to the relative deprivation of education and training among women prior to this exercise.

Figure 5: Positive Impact of the Received Training

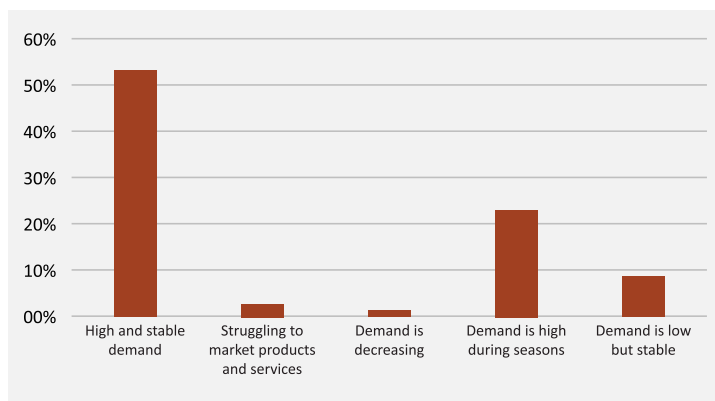
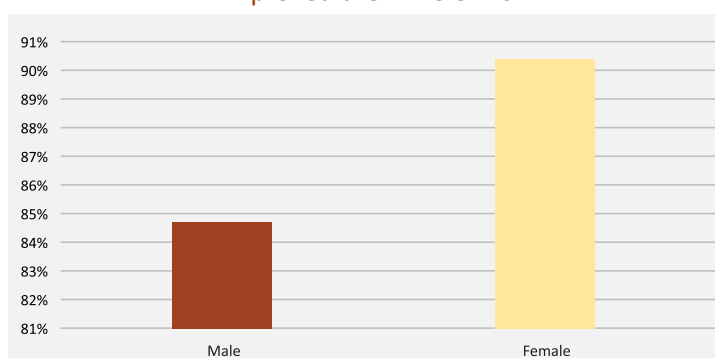


Figure 6: Percentage who Agree the Training Improved their Life-Skills



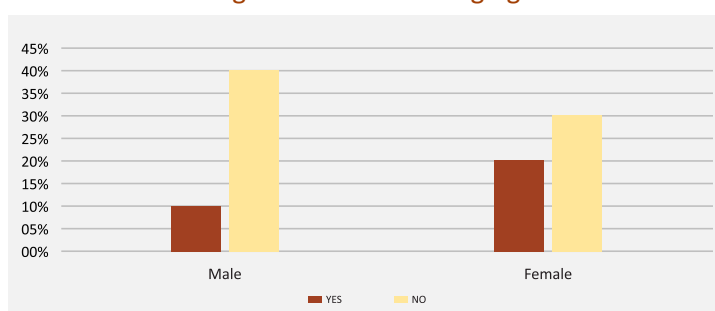
#### Needed Skills

While beneficiaries were generally satisfied with the training they received, they felt the need for ongoing and more advanced training as their businesses expanded and became more complex. Areas of training needs included sales and marketing and technical training specific to particular business sectors. Such further training would be expected to result in increased productivity of businesses and the accessibility to markets to acquire better services and commodities.

#### Sharing the Gained Skills by Beneficiaries with Others

The beneficiaries were asked if they had exchanged the skills they received to others or not as shown in Figure 7. Around 70% of respondents provided negative responses disaggregated by males and females. Explaining why beneficiaries did not exchange skills to others, one of the male beneficiaries said: *“it is because of people selfishness and anxiety of creating more competition to their field of business.”* While one of the female beneficiaries said, *“the reason behind not exchanging skills with others is because of the lack of ability to exchange skills with others, or the knowledge they have is not sufficient to be shared.”*

Figure 7: Skills Exchanging



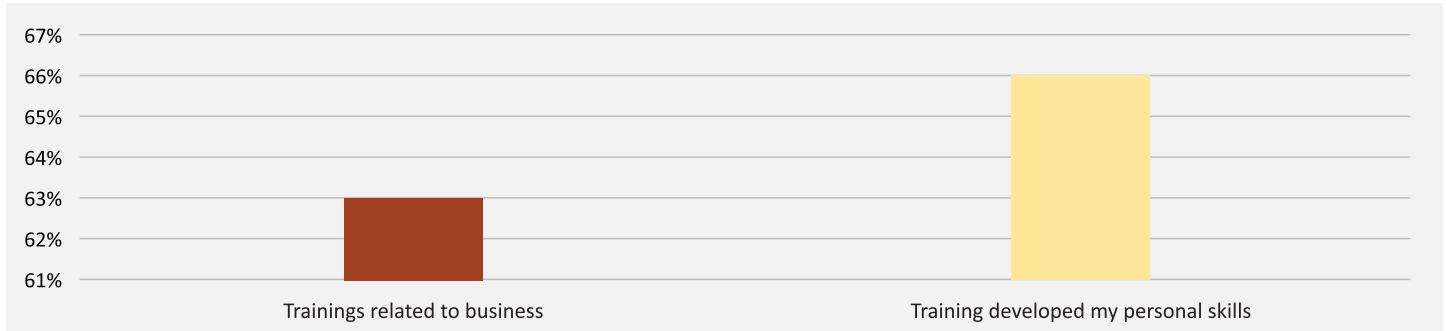
However, women, to some extent demonstrated more positive responses than men. According to one of the female beneficiaries, her husband and their employees benefited from the skills she shared with them enabling her to delegate tasks to them to decrease the pressure of her work and increasing productivity. In the same context, one of the female beneficiaries said that her friend opened a photography studio because of skills and instructions she shared with her. This also benefitted her as when she gets overloaded, she sends some of the work to her friend and shares the profits. Another male beneficiary stated that because of the skills he exchanged with his friends, they started up their own new business and established cooperation with them as they exchange services and goods with each other.

### 3. IMPACT ASSESSMENT RESULTS

#### Impact of Skills on Owners of Closed Businesses

Despite closing their businesses, as shown in Figure 8, around 66% of the beneficiaries agreed that the received skills developed their personal capabilities, and around 62% of the closed businesses also agreed that the received training courses were related to their businesses too.

Figure 8: Impact of Received Skills on Closed Business Owners



### 3.2. IMPACT OF SELECTED MICRO-BUSINESSES ON LOCAL COMMUNITIES AND MARKETS

#### The link between created micro-businesses and local communities and markets

As discussed in section two the market assessment conducted by ERRY prior to establishing micro-businesses recommended they be set up where local market conditions were favourable and in targeted communities that would benefit from the businesses and would be supportive of the micro-business owners.

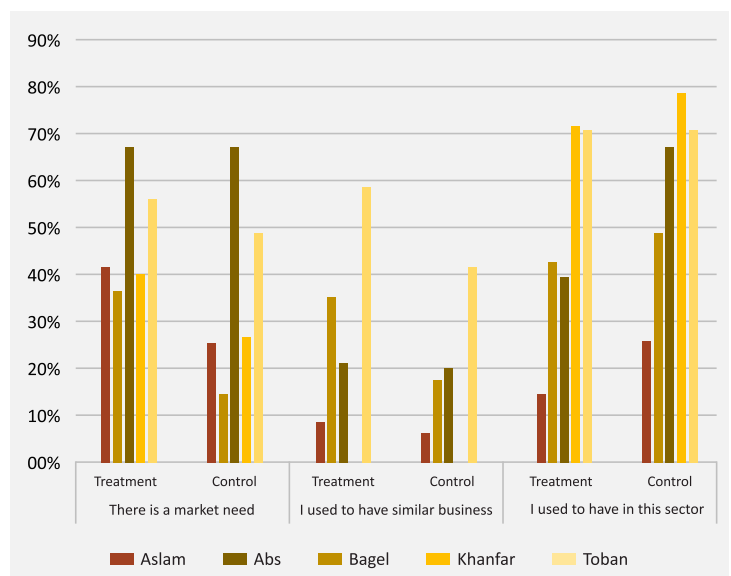
During this impact assessment, it was reported by the business advisors that efforts were made to create a link between the micro-businesses and local communities and markets. Beneficiaries were selected from the targeted districts to ensure they had good experiences with the targeted communities and that the business proposals were based on the needs of the local communities. Another advantage of selecting beneficiaries from targeted districts was the acceptance by the community of the beneficiaries. Also, the selected beneficiaries would understand the behaviour of consumers and be able to reach them easily.

#### The relevance of micro-businesses to the local community and market needs

The findings of this assessment suggest that the micro-businesses are somewhat linked with what was suggested in the market assessment.

As shown in Figure 9, the beneficiaries stated that the selected types of micro-businesses were selected based on the community needs and their prior knowledge or experience which was confirmed by business advisors and trainers. Moreover, it was noticed that the selected businesses had removed some hardships for locals regarding transport to markets. One of the female beneficiaries said that “my business provided alternatives for families as they do not need to travel for long distance to get what they need as I provided to their residences.” This is the same feedback of another tailor, hairdresser, and grocery owner. There were attempts by the advisors not to replicate the business types within the same areas. According to one of ERRY trainers: “The beneficiaries selected the businesses that suited their abilities and their environment from a hundred business types that were provided to them that link with the community’s needs.” However, it was noticed that around 15% of the interviewed beneficiaries who closed their businesses reported that the type of businesses as well as the locations did not meet the community needs, causing them to close.

Figure 9: Reasons Behind Business Selection

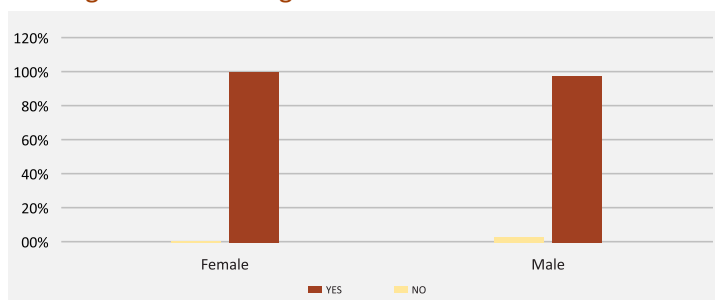


### 3. IMPACT ASSESSMENT RESULTS

In terms of beneficiaries' preference to stay in their existing sectors or move to another, as shown in Figure 10, all of them (98% males and 100 % females) indicated their desire to stay.

It was reported by business advisors that the created micro-businesses impacted positively on targeted communities by causing the creation of competitive markets and provided alternatives for consumers to deliver services and goods needed by communities. Also, it helped generate income for families and created new jobs for hired people.

Figure 10: Planning to Continue in the Same Sector



#### Challenges in creating the micro-businesses

It was reported by the trainers and advisers of the ERRY project that there were a number of challenges that occurred before establishing the micro-businesses for the beneficiaries. One challenge was the insufficiency of the grants provided for the beneficiaries to start up their businesses. According to KII feedback, the advisors together with the beneficiaries came up with a solution to overcome this challenge which was to initiate joint ventures among the beneficiaries, so they were able to increase the capital and launch the micro-businesses. Additionally, the beneficiaries added their savings to the businesses capital that enabled them to establish their businesses. The joint venture as a solution was right in principle yet faced difficulties with some businesses because of the weak partnerships that caused them to separate and restart their businesses. The other challenge related to imported goods was the increase of prices and the unstable rate of currency exchange which accelerated deterioration of the Yemeni Riyal against the United States Dollar. This challenge was solved by reducing the volume of goods and raw material and purchasing the minimum quantity that enabled beneficiaries to start up their businesses. Also, the lack of experience and skills that was solved by providing instructions and capacity building activities to the beneficiaries.

#### Reasons behind closed businesses

It was observed from the assessed businesses that business owners who selected their business location in line with the market assessment or based on prior experience were more able to sustain their businesses. For closed businesses that were assessed in this assessment, beneficiaries from Bagel who represent 31% of the closed businesses surveyed in this assessment, the location of their businesses was reported as one of the main reasons behind closing; most of them were located in Alsomod Souq. This market location was established as one of the programme interventions to provide space for people to trade their services and goods. This assessment found that the reasons behind the closures were:

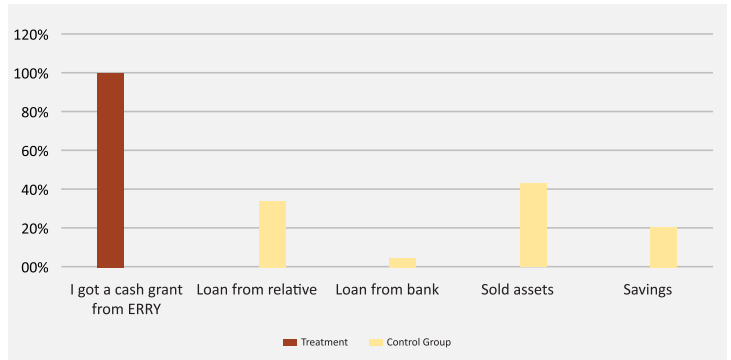
- 1- The long distance of Alsomod Souq from the main markets as well as customers in Bagel district.
- 2- The long distance of Alsomod Souq from the beneficiary's residency that caused extra financial burdens on the beneficiaries.
- 3- The lack of security in the Souq resulted in robberies incidents for the beneficiary's businesses.

On the other hand, some of the closed businesses were not in line with the business type that was suggested in the market assessment such as laundry -photoshop- chicken slaughterhouse in Aslam and gas cylinders projects/selling gas in Bagel. Moreover, food-selling businesses such as Cafeteria were at the top of closed businesses interviewed in this assessment, in particular in Aslam and Bagel. The main reason behind the failure of cafeteria businesses in Bagel was that they were located in Alsomod Souq where the buildings were constructed entirely with tin which caused high temperatures and led to food spoiling and did not provide a comfortable environment for the customers.

### 3.3. ACCESS TO CAPITAL

It is shown in Figure 11 that the sources of capital to the project beneficiaries and the control groups varied between seed grants, a loan from a relative, a loan from banks, selling assets, or using savings. It can be seen that beneficiaries of ERRY relied solely on the seed grants while the control group obtained capital from a variety of sources. It is worth mentioning that ERRY project provided USD \$900 as a seed grant to each of the beneficiaries, yet the seed grant was paid to beneficiaries in Yemeni Riyal. However, with the unstable exchange rate associated with deterioration in the value of Yemeni Riyal, the real amount provided decreased until it reached USD \$400 according to local markets exchange rates.

Figure 11: Methods of Access to Capital

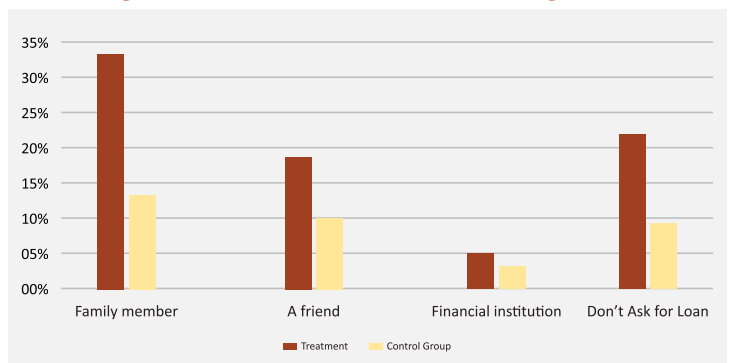


The business owners from control group stated the first option to obtain capital was selling some of their personal assets, the second option was a loan from relatives and friends, and the third option was using their savings.

The assessment results also show that around 76% of beneficiaries from the treatment group totally own their capital, while 23% partially own their capital as they have other partners within the businesses. 31% of the treatment group had increased their capital as a result of the increase in input prices.

Regarding the role of microfinance, it was reported by the advisors of ERRY that the primary role of the MFIs was paying the seed grants to the beneficiaries. As shown in Figure 12 only 5% of the treatment group and 3% of the control group respondents went to microfinance institution to get a loan. The reasons behind people refraining from asking for loans from the MFIs were: a) the weak culture of people taking loans from institutions and lack of awareness about the importance of microfinance services as well as religious reasons; b) the high rates of interest that MFIs charge on the loans as well as the complication of some collateral conditions, and c) a significant number of people don't have Identification Card particularly those who live in Aslam, Abs, and Bagel.

Figure 12: Preferred Source for Getting Loans

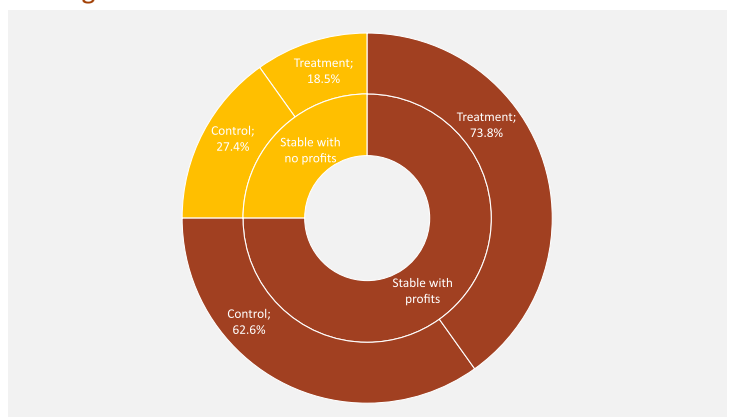


The respondents of both treatment and control groups in this assessment were asked about the most preferred source to have loans for their business. As shown in Figure 12, around 51% of respondents preferred to ask members of the family, 31% preferred not to ask for loans, 29% preferred to ask their friends, and only 8% said they go to financial institutions. Still, people not trust MFIs and turn to family members or friends to ask for a loan.

### 3.4. ECONOMIC ANALYSIS AND BREAKEVEN ASSESSMENT

Looking at the economic status of the micro-businesses, as shown in Figure 13, ERRY beneficiaries who received micro-grants are making excellent progress with their businesses. More than 74% of micro-business beneficiaries have stable and profitable businesses for treatment groups and 63% for the control group. More of these responses came from three sectors which are livestock, tailoring and selling clothes. These micro-businesses are also facing an increase in the demand for their product, especially during the season of holidays and social occasions like weddings.

Figure 13: Economic Status of the Micro-Businesses



### 3. IMPACT ASSESSMENT RESULTS

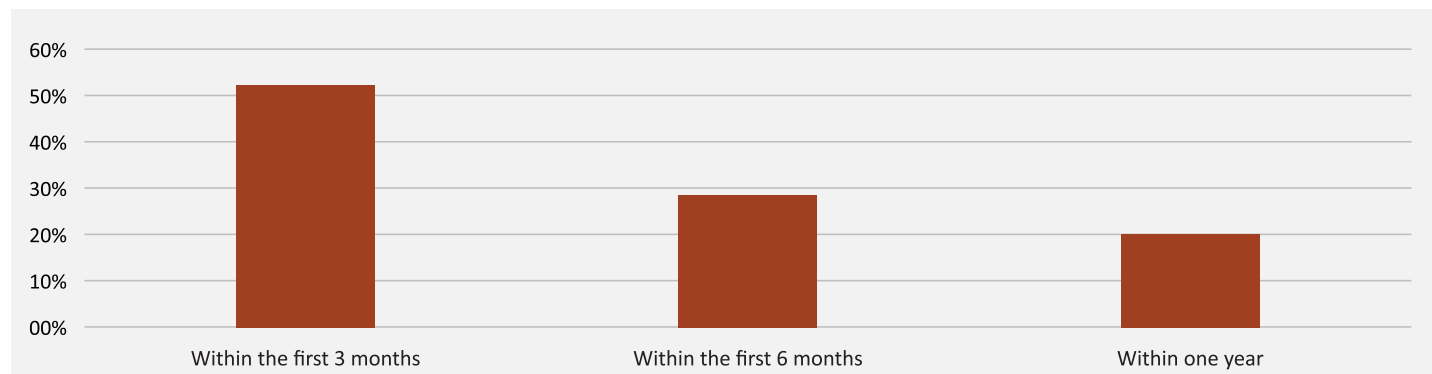
It was observed that the beneficiaries with full ownership of the business capital are the most successful groups, as around 57% of them said that their businesses are making good progress with steady growth and increases in profits.

This increase in demand for the micro-business activity resulted in increased financial status of most micro-businesses, only 18% of the treatment group beneficiaries have a stable financial status but with no profit.

For the treatment group, this assessment indicated around 66% of the supported micro-businesses have achieved the breakeven point.

As shown in Figure 14, the average breakeven point for the majority of the micro-businesses is between three to six months except for the cloths businesses they need from three months to one year. There is a growing demand for the main sectors like cattle/livestock, clothes store projects, selling products (for example accessories, spices, sweets, selling spare parts, etc.), motorcycles projects/motorcycle maintenance and tailoring. These micro-businesses consist of more than 75% of the businesses that reached the breakeven point within the first year of their businesses. Out of those who achieved breakeven point, 51% of the respondents had achieved the breakeven point within three months, 29% had achieved within six months, and 20% had achieved it within a year. For the treatment group, the business sectors who achieved the breakeven were: a) breeding cattle/livestock; b) clothes store projects; c) motorcycles projects/motorcycle maintenance and selling spare parts; d) selling spices, and e) tailoring. While the most businesses that achieved breakeven points from the control group in a period of 3-6 months were: a) breeding cattle/livestock; b) cafeteria; c) clothes store projects; d) grocery; e) hair cut salon/ hairdresser; f) motorcycles projects/motorcycle maintenance and selling spare parts; g) tailoring; h) Selling beauty tools and accessories, and i) vegetables and fruits store. However, breeding cattle/livestock and tailoring were in the top of business sectors that achieved breakeven point within 3-6 months. The main reasons behind achieving the breakeven were the type of businesses such as tailoring, and motorcycles did not require raw materials as they are service-based businesses. Also, the lack of competition in the targeted business areas helped the business owners to make a good volume of sales and achieve the breakeven point faster than many other businesses; while those who did not achieve the breakeven points blamed it on the volatility of the local currency and increase of inflation which led to the increase in prices and unstable market and exchange rates.

Figure 14: Period of Achieving Breakeven Point



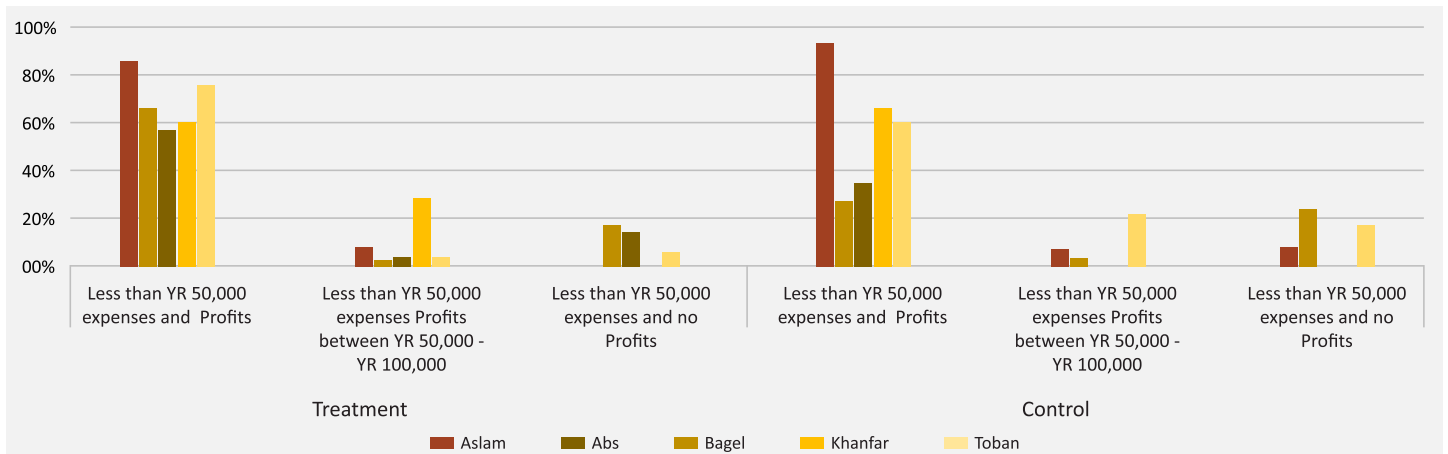
In the same context, the respondents from both treatment and control groups described their businesses as stable whether with profits or without.

### 3.5. INCOME/ PROFIT

#### Expenses versus profits

This assessment analyzed the expenses, profits, and income beneficiaries make from their businesses’ activities. The seed grants provided to the beneficiaries were around YER 225,000 which equal USD \$900 in 2017 according to ERRY quarter two report, and the monthly amount that most beneficiaries spend on their businesses was the same as the income they gained which was up to YER 50,000 which equal 22% of the capital. Figure 15 shows the expenses of each micro-businesses versus profits on a monthly base. With such rates, it becomes hard for beneficiaries to achieve a breakeven point. However, because of Yemeni social norms, respondents do not feel free to express their income or profits. Additionally, the beneficiaries reported that the received seed grants were not sufficient especially for businesses which require buying assets and those which require operational costs in the start-up periods such as trading or food delivery.

Figure 15: Expenses versus Profits



#### Income and savings

Still, the respondents from treatment and control groups reported that their income equal to expenses as same as profits in the level up to YER 50,000. However, when it was asked if the respondents had an increase in their income during the past three months, 43% of both treatment and control groups declared that they did not have an increase in their income versus 56% who said they had an increase in their income a reporting status and making profits. Moreover, as shown in Figure 16, 66% of the treatment group stated that they could save. As shown in Figure 17, 75% - 96% of beneficiaries can make less than 20% savings out of their monthly income. For those who save, they stated that the primary use of savings is to improve their businesses, to pay any related debts, or to expand the business. And to have reserves they could use when businesses are facing financial challenges. Moreover, these savings could be used to buy commodities when there is a shortage of cash liquidity because of the increase in business credits. On the other hand, those who did not make savings explained that they do not have a surplus in a monthly income as they spend whatever they earn to cover their monthly expenses and needs.

Figure 16: Percentage of Interviewed Business Owners who make Savings

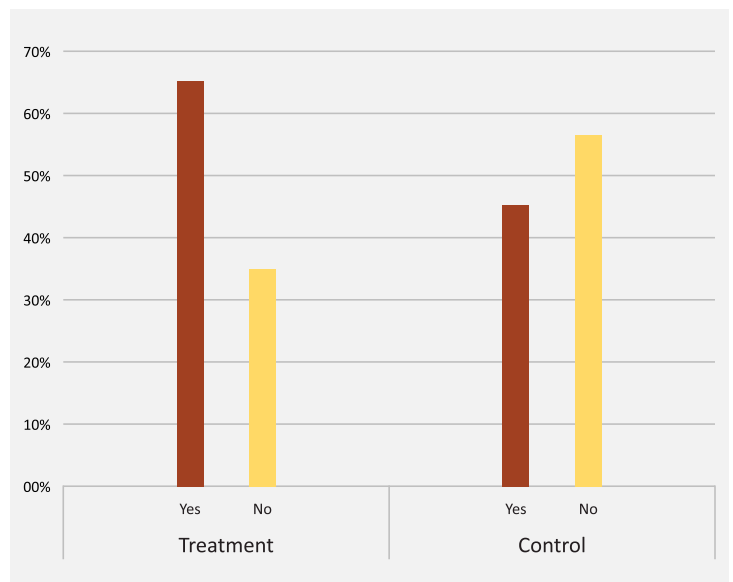
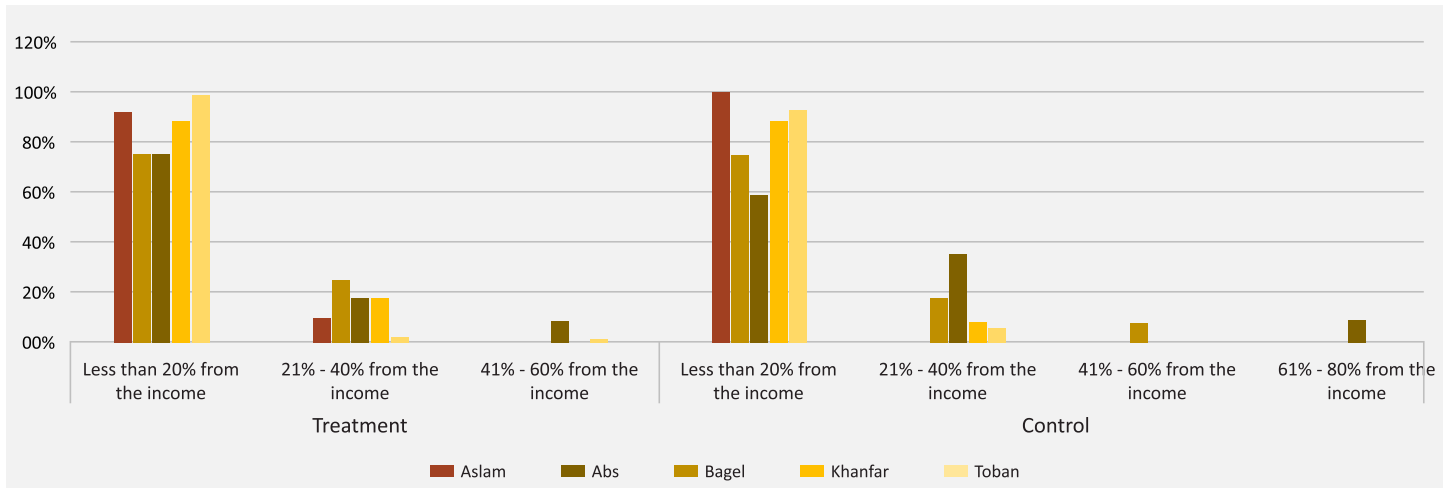


Figure 17: Percent of Saving out of Monthly Income



### 3.6. CREDIT/DEBIT STATUS

#### Credit status

Considering the status of businesses who have credit, it is shown in Figure 18 that only 34% and 37% of respondents from both treatment and control groups who have credit that is ranging between YER 10,000- YER 150,000 (approximately USD \$30 – USD \$300). As shown in Figure 19, around 25% of those who have credits reported that these credits caused to reduce their businesses activities, while 75% of them reported that there are no impacts on their business. There were no differences between control and treated groups and so it can be concluded that ERRY intervention did not impact this situation.

According to the respondents who said the credits did not affect their businesses, it was because they dealt only with those who paid back on time. Also, they reported one of the reasons they were not being affected was that they had to use their savings to buy goods and raw materials while they waited to collect credit. On the other hand, those who said they might reduce their activities it was because they had to take loans to buy commodities and then faced a challenge to pay back.

Figure 18: Percentage of Business Owners who have Credit

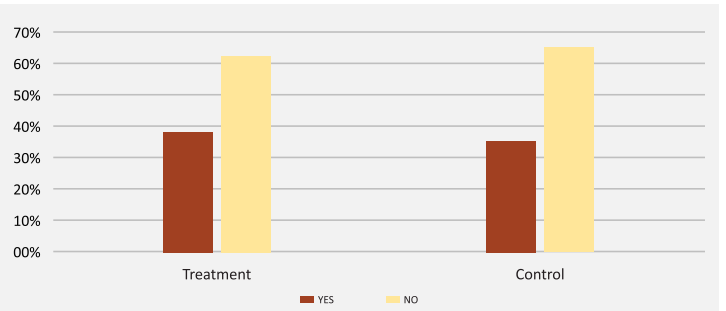
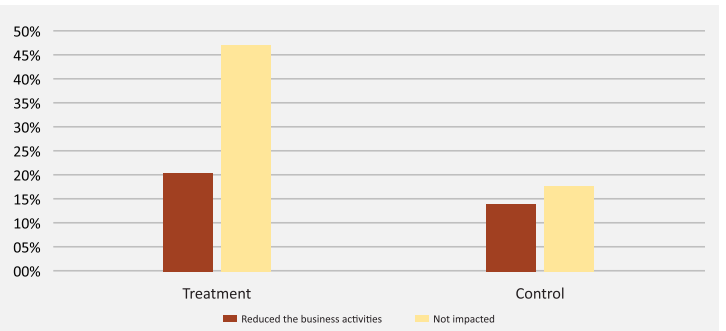


Figure 19: Impact of Credit



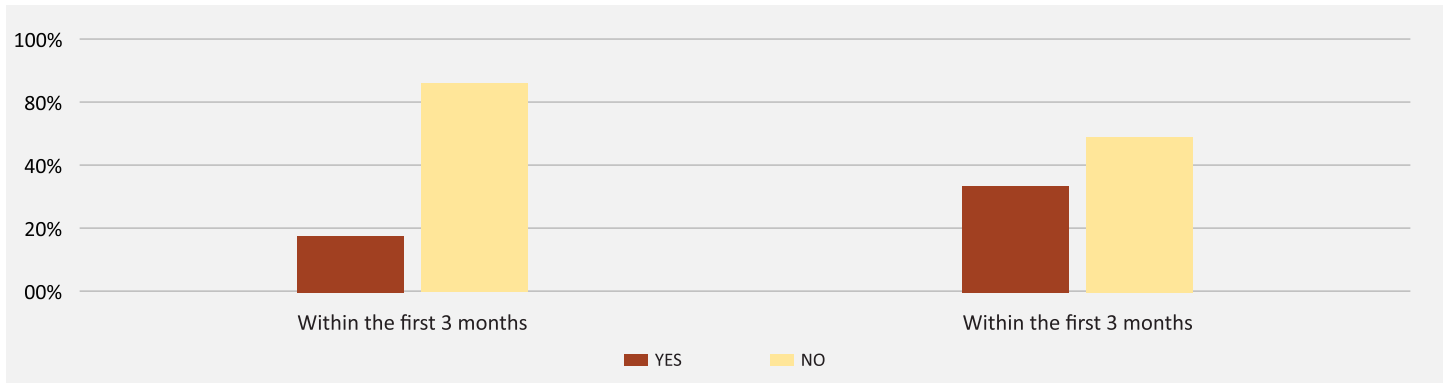
#### Debt status

Considering the status of businesses debts on their businesses and how are affected in that regard as shown in Figure 20. Only 14% of respondents stated that they had debts on businesses with no significant impact. The debts for treatment groups ranged between YER 20,000 – YER 400,000 (approxaimlity USD \$50 – USD \$800) and YER 50,000 – YER 500,000 (ap- proxaimlity USD \$100 – USD \$1000) for the control group. According to the respondents, the reason why their businesses were not affected by debts was that they scheduled to pay back the debts from income and savings.

### 3. IMPACT ASSESSMENT RESULTS

Many factors impact the low level of credits and debts status of the micro-businesses, as in general, they are affected by the market situation which is suffering from the current war. The war has caused waves of inflation which is impacted by the exchange rate that defines the purchasing power of citizens. This increases the anxiety of businesses to deal with businesses and people in credits and debts and to leave their money longer in the market.

Figure 20: Percentage of Business Owners who have Debt



### 3.7. SCALE-UP OPPORTUNITIES

Due to the uncontrollable inflation, many micro-businesses had to shrink their activities, because of the increase in the prices of the different inputs they use for their businesses. As shown in Figure 21, 61% of the treatment group versus 51% of the control group had to reduce their activities as a coping mechanism to the increase of input prices.

As shown in Figure 22, the majority of the beneficiaries expressed their intention to expand their businesses, and they suggested different strategies to do so. As shown in Figure 23, business owners from the treatment group tend to add new services or change the business location as a way to expand their businesses.

ERRY beneficiaries were still new to the field of businesses unlike businesses from the control group and they were still discovering what could increase their profitability. However, there are some challenges facing the businesses to grow or to continue, and most of these challenges were related to the increase in prices.

Figure 21: Impact of price Increases - Reduced Activities

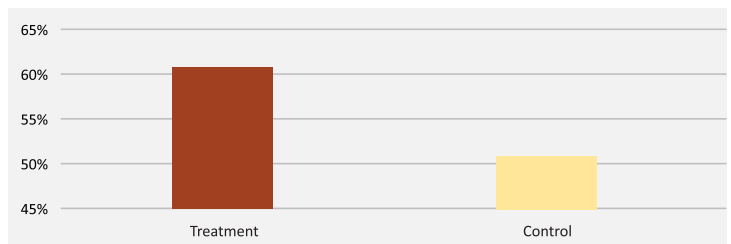
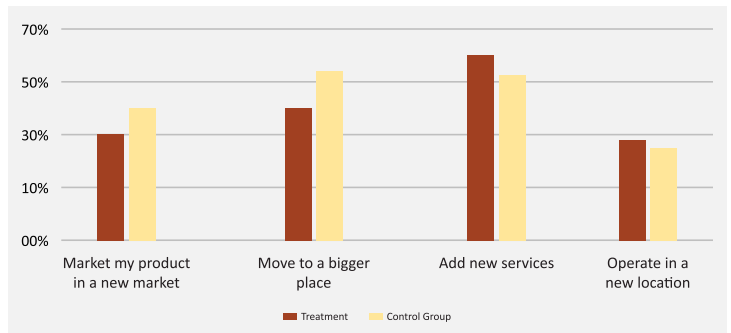


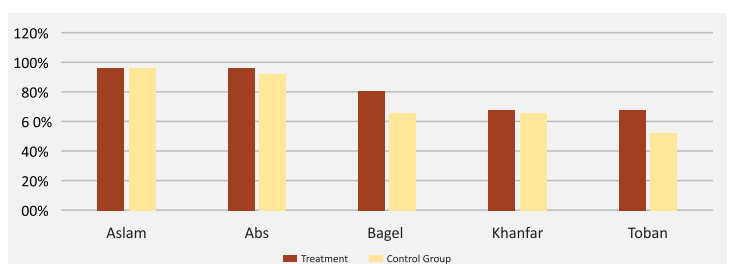
Figure 22: Expansion Strategies



### Scale-up challenges

As shown in Figure 24, It was observed that the businesses within control group reported the administrative charges such as taxes or Zakat was one the challenges for their growth or continuation unlike the ERY beneficiaries who were still new and had not gone through such challenges. Moreover, business owners in Bagel from both treatment and control groups see the weak purchasing power as the primary challenge for them to grow or continue in their businesses. Respondents in Aslam and Bagel stated that poor cash liquidity was the primary challenge to their growth and continuation.

Figure 23: Percentage of Businesses who Intended to be Expanded

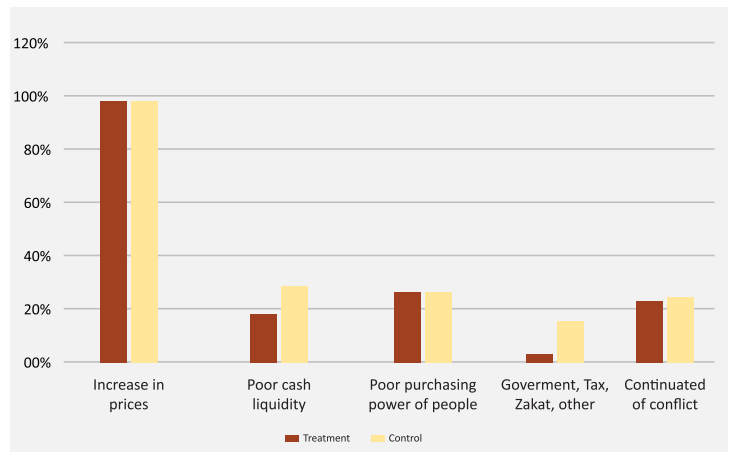




### 3. IMPACT ASSESSMENT RESULTS

This was according to 60% of control group respondents versus 49% of treatment group in Bagel, and 55% of the control group respondents versus 36% of treatment group in Aslam. Additionally, business owners reported that their businesses had been affected because of war and that weakened their intention to expand their businesses. One of the respondents said, *“it is better to sell our livestock in Aden, however, because of hardships to transport between Abyan to Aden as well as the poor purchasing power of people kept us to the local markets only.”* Another respondent from Abs also stated that the difficulty in getting transport to Al Hudaydah to buy goods for his business makes it possible to compete at the local suppliers’ prices which are a bit higher than suppliers in Al Hudaydah. Another respondent stated that *“I am not sure if the war will reach my area or not. This is why I froze any possibility to expand my business till it becomes clear.”*

Figure 24: Challenges Face the Growth or Continuity of Businesses



### Employment

The findings reveal that micro-businesses of both genders did not contribute much for the creation of job opportunities, though the percentage of female business owners who can create job opportunities is higher than that of male business owners (17% among female business owners and 10% among male business owners).

The capacity of surveyed micro-businesses owners to hire people was limited to the range from 1 to 3 employees that make it around 129 new jobs created by the treatment group micro-businesses. Except for those businesses with extensive activities like cafeterias, hairdressers and pickles plants which may hire an average of four persons per micro-businesses.

The micro-business beneficiaries have attributed the low level of employability among the micro-businesses to one main reason which is the slow growth of the businesses. This reason is affecting their ability to add new people to their businesses as expenses continue to rise because of the high inflation and prices changes of different inputs and products.

It is also a common global experience that micro-businesses do not have much employment creation potential. For that to happen, they need to grow to small and medium business status. Hence the importance of the constraints and opportunities for expansion and growth.

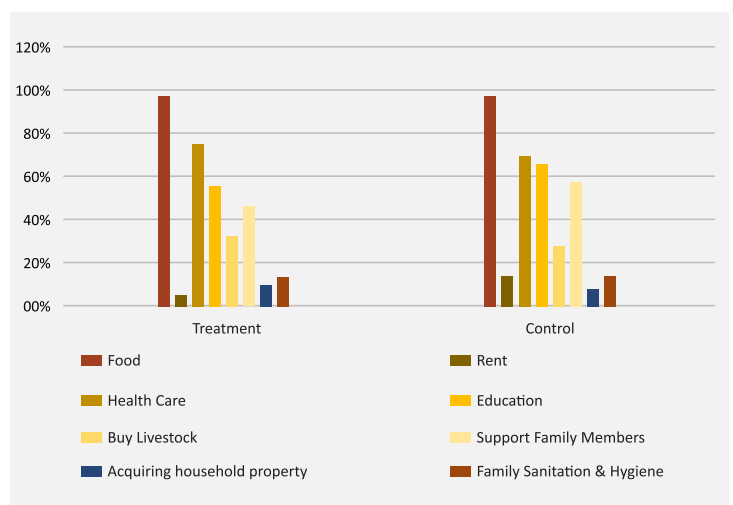
## 3.8. UNINTENDED SOCIAL IMPACT

### 3.8.1. Expenditures on basic services

The ERRY program focus was to improve their beneficiaries economically through creating micro-businesses. However, the economic support could also make an unintended social impact which will be discussed in this section.

As shown in Figure 25, both treatment and control groups agreed that the top priorities of livelihood expenditures for them were: a) food; b) health care, and c) education. It was noticed that respondents from the control group gave more priority to education and supporting other family members than respondents from the treatment group. This observation seemed to depend on the marital status of the respondents: 70% of the respondents within the control group were married versus 50% of the respondents from the treatment group. Marriage made them more committed with a higher sense of responsibility towards others within their families.

Figure 25: Expenditures on Livelihood



### 3. IMPACT ASSESSMENT RESULTS

According to the respondents, it was a priority for them to be able to have a good quality of food, health care, education, and water. These priorities derived from the need to protect themselves from diseases such as cholera and other epidemics. Moreover, the increase in prices directed the focus of people towards the essential requirements of life, since not much more could be afforded.

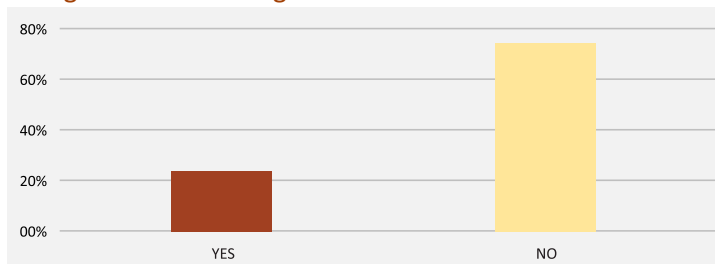
Around 38% of the beneficiaries who closed their businesses stated that their businesses had provided them with good access to food and health care services and around 30% were not sure if their businesses improved their livelihood for a while. It is noticed that most disagreed with the notion that businesses had a good impact on their lives were from Aslam in particular.

So, the social impact of the ERRY programme was quite mixed. In 3 out of 4 governorates there were some positive impacts while in Aslam respondents were not sure there were any social improvements in their lives. At a minimum, it does not seem as though there were any adverse social impacts.

#### 3.8.2. Social capital and networking

As shown in Figure 26, the respondents reported poor actions toward building networks or relationships with other business owners. The main reason behind that was that they were still new to the field of businesses and were busy in developing their businesses, so they did not have the time for networking. However, there are two types of networking that occurred. The first is with others who work in the same field or that they can offer services to each other. The second is with suppliers or distributors within the same communities or with other communities.

Figure 26: Percentage who Built Networks with Others



One of the male respondents stated that *“the expenses of traveling to buy commodities or raw materials had increased and by doing good networking with suppliers in other areas I could save this cost by sending them the money, and they send me whatever I want.”* Another male respondent said, *“I give my commodities (spices) to distributors who sell them in rural areas away from my business location.”*

Another female respondent said, *“My friends and I share the cost of transportation and go together to sell our commodities or to offer our services and that decrease the operational cost.”*

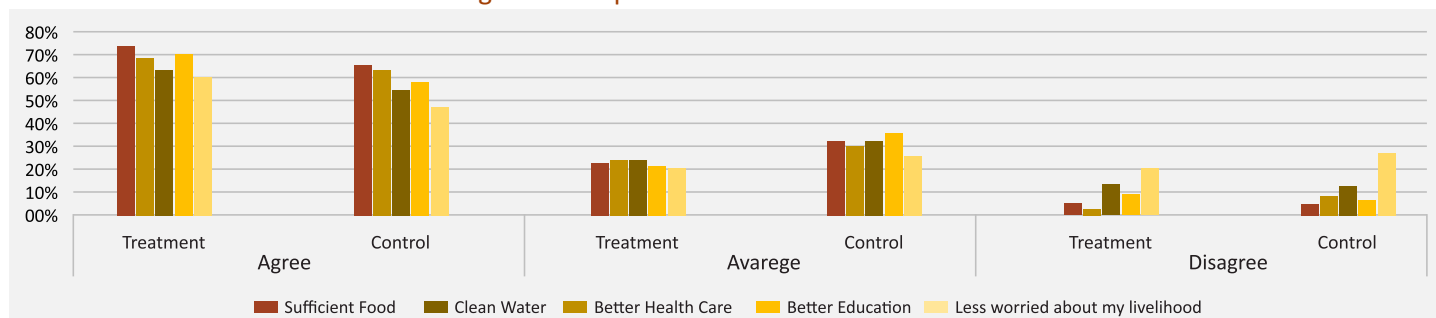
Another female respondent reported that *“We market each other’s commodities to others and our relationship maximized as we communicate with each other through social networks channels.”* Moreover, there were beneficiaries who trained some of their family members or friends and that enable them whether to start-up a new business or to work cooperatively with each other.

It was clear that the social networking that occurred was related to and driven by the functional needs of the micro-businesses. It would be useful to investigate whether existing social networks improved the viability of the micro-businesses and to what extent.

#### 3.8.3. Impact on beneficiaries’ livelihood

In order to understand the impact of the micro-businesses on livelihoods is worthwhile to recall that livelihoods, in general, depend on jobs/employment, business activity, assets (physical, natural, human, social and economic capital) and essential services such as water and sanitation, security, transport, health and education, and energy. This component of the ERRY project was focussed on only the business development dimension and so cannot by itself be expected to make significant changes in overall livelihoods. Nevertheless, it is a significant component and needs to be assessed.

Figure 27: Impact of Businesses on Livelihood



### 3. IMPACT ASSESSMENT RESULTS

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In this assessment, it was inquired to what extent the business had impacted the livelihood of the respondents. As shown in Figure 27, the majority of both treatment and control groups reported that their businesses improved their quality of lives by having sufficient food, better health care, clean water, and better education. However, respondents from the control group were uncertain whether to agree or disagree that their business had improved their lives. Also, 27% of the respondents from control group versus 21% of treatment group disagreed that their worry about their livelihood had decreased and that was because of the deterioration of economic and social situation as a result of the continuation of the war. Moreover, 82% of respondents from the treatment group stated that their businesses enabled them to help others.

On the other hand, it was measured to what extent the created businesses improve women's livelihood and abilities. It was found in this assessment that women became more encouraged to start up and running their businesses according to 85% of treatment group respondents and 90% of control group respondents. Also, around 50% of respondents agreed that women became more capable of running businesses. One of the female respondents stated that *"Now I can help my husband have good quality of food and send our kids to school."* Despite the fact that the war had bad effects on the beneficiaries, yet some of them could get better advantage of it, as one of the female beneficiaries stated that *"Because of war women and children quit go for shopping. They are afraid or due to poor purchasing power. I started up my business in selling clothes and deliver them to houses"*. Another female respondent said, *"Because it became hard to import some commodities such as Pickles, I started producing local pickles and sell it to markets and restaurants."*



## 4. CONCLUSION

## 4. CONCLUSION

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**1. Micro-business selection criteria:** The micro-businesses selected in various sectors in the four governorates were based on a market assessment carried out by ERRY for the purpose. In general, the recommendations of the assessment were followed, and a high rate of success of the micro-businesses was obtained. However, there also some limitation in the assessment such as the similar recommendations being made for all governorates despite differences in the local contexts.

The market assessment revealed that in all four governorates the focus was on agriculture, livestock and petty trading with a lack of business activity in areas such as: financial services, solar power system maintenance, clothes laundering, local processed food and computer and business services, internet services, display centres for local handicrafts, entertainment services and packaging/marketing services. The factors which constrained the establishment of the missing business types were also identified.

**2. Skills building and advisory services impact:** The skills building component of the ERRY micro-businesses intervention (the project) provided the beneficiaries with relevant skills to support their business activities and more generally provided life skills valuable to them beyond the immediate needs of their businesses. Managerial skills like accounting, sale and marketing, and planning were perceived by the business owners as the most useful skills they have acquired from the training and advisory services.

An average of 86% of both male and female beneficiaries have declared that the skills they received during training were of great relevance to their business needs. Many business owners perceived this phase as critical to their businesses and life skills. Moreover, 90% of the female respondents and 85% of the male respondents have also acknowledged that skill-building training and advisory support sessions have positively impacted their life skills as well.

These skills have empowered them to manage their businesses effectively; develop budgets; keep accounting records and, develop the market, sales, and business plans that were all new to micro-businesses-owners especially women. Despite the fact that micro-business-owners are very busy with their business daily activity, yet there were many of them who shared the new knowledge and skills with others mainly family members or friends. Additionally, the received capacity building activities enabled women to be more socialized and build new relations with the community members through their businesses.

**3. Access to capital:** ERRY beneficiaries relied solely on the seed grants while the control group obtained capital from a variety of sources. Beneficiaries suffered when the value of their capital depreciated due to inflation. Neither beneficiaries nor control group members who had a long history in doing business turned to MFIs.

The seed grant paid to beneficiaries was USD \$900 = YER 225,000 (paid in YER), so after depreciation, the real total amount of provided seed grant decreased to USD \$400 for those beneficiaries that were paid later. The reasons behind people refraining from asking for loans from the MFIs were a) the weak culture of people taking loans from institutions; b) religious reasons; c) the high rates of interest that MFIs charge on the loans, as well as the complication of some collateral conditions; d) lack of ID cards by a significant number who live in Abs, Aslam, and Bagel.

**4. Profits, losses, break even points:** The majority of micro-businesses have made excellent progress with their micro-grants resulting in stable and growing businesses. More than half of the supported micro-businesses achieved break-even points in less than a year with about half of these within three months.

The main reasons behind achieving the breakeven were the type of businesses such as tailoring and motorcycles which did not require purchasing raw materials as they are service-based businesses. Also, the lack of competition in the targeted business areas helped the business owners to make a good volume of sales and achieve the breakeven point faster than many other businesses. Those who did not achieve the breakeven points blamed the volatility of the local currency and increase of inflation which led to the increase in prices and unstable market and exchange rates.

**5. Credits and debts:** Micro-businesses did not significantly provide many credits to customers or take on debts as part of their business activities. Some micro-businesses were able to provide credit to others without negative impacts on their business. The small number that did take loans were able to payback on time from income and savings.

According to the respondents who said the credits did not affect their businesses, it was because they dealt only with people who paid back on time. Also, they had savings to use to buy goods and raw materials while they waited to collect the credits. The 14% of micro-businesses that did take loans reported no impact on their businesses.

**6. Income and savings:** A slight majority of micro-businesses reported an increase in income over the last three months. The majority of the ERRY supported micro-businesses reported that could save 20% - 40% of their savings.

For those who saved, they stated that the primary use of savings is to improve their businesses, to pay any related debts, or to expand the business. Also, to have reserves they could use when businesses are facing financial challenges. Moreover, these savings could be used to buy commodities when there is a shortage of cash.

**7. Employment generation:** The supported micro-businesses whether male or female-led did not create significant employment.

The micro-businesses attributed the low level of employment creation to the slow growth of the businesses, which was attributed to high inflation, depreciation of capital and reduced purchasing power of customers.

It is also a common global experience that micro-businesses do not have much employment creation potential. For that to happen, they need to grow to small and medium business status. Hence the importance of addressing the constraints and opportunities for expansion and growth or scaling-up.

**8. Scaling-up:** Most micro-businesses who had intended to expand their businesses not only found it very difficult to scale-up their business for reasons explained above, but many had to reduce their business activities in order to cope with the constraints of high inflation and its consequences. Nevertheless, some more innovative micro-businesses were able to scale up by changing location and adding new services.

Among the reasons for failing to scale up beyond high inflation were poor cash liquidity, low purchasing power, lack of experience among many ERRY beneficiaries in how to grow their businesses compared to more experienced micro-businesses in the control group. This latter group, however, complained of other constraints such as paying Zakat and government taxes.

**9. Failed/closed micro-businesses:** The main reason some businesses had to be closed was a poor location. On the flip side, the reasons businesses were sustained good location choice supported by business experience.

Most of the closed businesses occurred in Bagel in the Alsomod Souq. The reasons behind closures were: a) the long distance of Alsomod Souq from the main markets as well as customers in Bagel district; b) the long distance of Alsomod Souq from the beneficiary's residency that caused extra financial burdens on the beneficiaries; and c) the lack of security in the Souq leading to robbery incidents for the beneficiary's businesses.

**10. Basic services impacts:** While it was expected that the ERRY support to micro-businesses would have positive unintended impacts, it was observed that such impact on essential social services of beneficiaries was mixed and perhaps below expectations.

In three out of four governorates there were some positive impacts, while in Aslam respondents were not sure that was any social improvements in their lives. At a minimum, it does not seem as though there were any adverse social impacts. The most convincing evidence came from those who had closed their businesses. Around 38% of the beneficiaries who closed their businesses stated that their businesses had provided them with good access to food and health care services. However, around 30% were not sure if their businesses improved their livelihoods.

**11. Social networking and social capital:** Micro-businesses social networking that occurred was related to and driven by the functional needs of the micro-businesses. Broader networks which could support social cohesion were not formed.

There were two types of networking that occurred; the first was with others who worked in the same field, or that can offer services to each other. The second was with suppliers or distributors within the same communities or with other communities.

**12. Impact of micro-businesses on beneficiaries' livelihoods:** The ERRY supported micro-businesses had slightly more improved livelihoods as a result of their businesses than the control group in general. However, the livelihoods situation in both groups were markedly improved as a result of their businesses especially so for women.

The majority of both treatment and control groups reported that their businesses improved their quality of life by having sufficient food, better health care, clean water, and better education. However, more respondents from the control were uncertain of whether their businesses improved their livelihoods. Women became more encouraged to start up and run their businesses according to 85% of treatment group respondents and 90% of control group respondents. Also, around 50% of respondents agreed that women became more capable of running businesses.



## 5. RECOMMENDATIONS

## 5. RECOMMENDATIONS

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The overall findings of this assessment have indicated that ERRY's intervention in creating micro-businesses has had significant positive impacts on the beneficiaries. The following are some recommendations to further strengthen the micro-businesses, expand to other areas and ensure their sustainability.

### 1. Capacity Building and Development

The different pieces of training and technical support were very much appreciated by supported micro-businesses beneficiaries. However, many of the business owners believe that another round of capacity building will be beneficial for them. Therefore, it is recommended, **to have another phase of training**, in particular, advanced training in **business financial management and sales and marketing**. Micro-business owners are in need of training to develop **communication skills** to be able to form efficient networks, especially those with the intent to expand. Women working in sewing will need more **training on techniques to further develop and add value to their products**. More consultation and advisory sessions were requested by beneficiaries, as they perceived this as an essential means to improve their capabilities in a faster way.

### 2. Support the Value Chains of the Micro-Businesses

The market assessment has identified gaps in the supply side for many micro-businesses. While this issue is not yet recognized by many of the micro-businesses, this will become a significant challenge as the micro-businesses grow and become more prominent or as well as when competition increases. Micro-business owners lack the skills and resources to bond their businesses with the suppliers and with the market. **Thus, we recommend that the ERRY programme conduct a assessment to understand the value chain around the supported micro-businesses and take the necessary steps to pre-empt the looming challenges.**

### 3. Help Micro-business to Get Funding

As the majority of micro-businesses intend to expand their businesses, we recommend that ERRY help Micro-business owners to use the **collaborative guarantee method**, where a group of beneficiaries who are looking for fund guarantees each other. This builds on and strengthens the social trust and encourages people to be responsible in the long term. Furthermore, it will help the beneficiaries to access funding, and MFIs to have reliable guarantees.

### 4. Introduce the Integrated Social Cohesion and Development Approach

It is recommended that the Integrated Social Cohesion and Development (ISCD) be used to help build social capital which could be of both direct and indirect support to the micro-businesses. This is done by getting groups at tension with each other to work on common public service projects such community wells, schools, health centers or other priority community infrastructure and in the process build trust and social cohesion. This can be facilitated through local NGOs, tribal leaders or local councils.

### 5. Expand the ERRY Program

The ERRY program should consider another phase in which existing micro-businesses are strengthened, and the effort is expanded to other areas.





## 6. ANNEXES

### ANNEX1: WHAT IS THE 3X6 APPROACH

The 3x6 approach was developed by UNDP as an innovative approach designed to support the creation of sustainable livelihoods to help build the resilience of affected communities in crisis situations and facilitate a rapid return to sustainable development pathways. This includes the implementation of development-oriented activities that are implemented as early as possible in a crisis context. As explained in the Foreword, the approach supports the transition of vulnerable population groups in crisis situations – resulting from both conflicts and natural disasters– from dependence on emergency employment efforts (such as ‘cash-for-work’) to more sustainable post-crisis livelihoods opportunities. These groups would include crisis-affected communities, displaced populations (internally displaced persons, returning refugees, ex-combatants), host communities, and women and youth at risk. The approach can be a critical step towards building resilience at the individual, household, community, and local institutional levels. In a traditional crisis or post-crisis recovery programmes, people are often passive recipients of humanitarian aid. The 3x6 approach considers participants as active partners in their own socio-economic recovery and development. This sense of ownership and choice is an essential element of the approach. The innovation of the model comes through its promotion of savings and its use of mechanisms to share risks and support participants to make active choices about sustainable livelihoods and income-generation opportunities. In line with the theory of change of the UNDP Strategic Plan, the 3x6 approach aims to support livelihoods stabilization with a longer-term vision for building resilience, market development, capacity development, local economic recovery, and inclusive economic growth. The 3x6 approach is designed to go through three main phases (Principles) through following six steps (two in each phase).

#### **Phase I: Inclusion**

##### **Steps: (Engaging and Generating Income)**

Rapid employment generation to respond to the urgent needs of vulnerable and conflict-affected population groups through voluntary engagement in community projects. The interventions are community-driven (i.e., defined and prioritized by the community) and produce direct community dividends. By targeting vulnerable/conflict-affected groups and community members (i.e., dual targeting), this phase also contributes to social cohesion and reconciliation.

#### **Phase II: Ownership**

##### **Steps: (Savings and Joint Venturing)**

Support diversification of livelihoods opportunities and employment or self-employment. Creating ownership is critical in this phase and needs to be supported by encouraging participants to invest their own savings into an economic venture of choice.

#### **Phase III: Sustainability**

##### **Steps: (Investing and Access to Markets)**

Sustainable employment creation and inclusive economic growth through a strengthening of national and local government capacities, policies and institutions as well as the development of productive capacities. This includes market and value chain<sup>3</sup> assessments (initiated early on) to inform future business plan development under Phase I

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<sup>3</sup>A value chain is a set of activities that an organization carries out in order to create value for its customers or clients

