



INTERNATIONAL AID ORGANIZATIONS AND THE YEMENI PRIVATE SECTOR: THE NEED TO IMPROVE COORDINATION IN HUMANITARIAN CRISIS RESPONSE

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INTRODUCTION

The current humanitarian crisis in Yemen has been precipitated by almost three years of civil war and regional military intervention, with the United Nations declaring the country the world's largest humanitarian emergency in January 2017. At the end of last year the UN Office for the Coordination of Humanitarian Affairs (OCHA) released its [2018 Humanitarian Needs Overview \(HNO\)](#) in which it reported that roughly 22.2 million Yemenis were in need of some kind of humanitarian protection or assistance, of which 11.3 million were in acute need. This included 17.8 million Yemenis who were food insecure, of which 8.4 million were severely food insecure and at risk of starvation. Some [16 million](#) people were without access to safe water and sanitation; [16.4 million](#) had limited or no access to healthcare, with almost half of the country's hospitals and clinics essentially out of operation. Both the lack of clean water and limited health care have in turn helped catapult the number of suspected cholera cases in Yemen to [more than 1 million](#). As of December 2017, more than [1,800 schools](#) were damaged or destroyed, which, compounded by three quarters of public school teachers going unpaid for more than a year, had left roughly 2 million children out of school.

The humanitarian crisis in Yemen is immense and complex, involving a vast array of interrelated and overlapping factors. What is clear, however, is that while international humanitarian actors have been dramatically scaling up operations to address this crisis since 2015, it is overwhelmingly the Yemeni private sector that has stopped the dire situation from being unfathomably worse. Yemeni business owners – in facilitating everything from imports, to transportation logistics and cash aid distributions – have prevented the country from sliding into mass famine. Private sector businesses have similarly offered a measure of relief from state collapse, which has been precipitated by the evaporation of government revenues and suspension of most public sector operating expenditures, such as salaries for most of Yemen's 1.2 million civil servants.

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PRIVATE SECTOR ROLE IN MITIGATING THE HUMANITARIAN CRISIS

Yemen has historically depended on imports to meet as much as 90 percent of the population's food needs. [According to the UN's Logistics Cluster](#), between January and March 2017 commercial importers accounted for 96.5 percent of the more than 1.3 million metric tons (mt) of food entering the country; humanitarian actors accounted for the remaining 3.5 percent. With regard to fuel over the same period, commercial importers accounted for almost all of the 526,000 mt arriving to Yemen. As OCHA states in the 2018 HNO: "Just as humanitarian assistance cannot compensate for public institutions, it also cannot replace commercial imports and functioning local markets to meet the vast majority of Yemenis' survival needs."

The erosion of government services has seen, among other things, public sector electricity production essentially fall to zero across most of the country. In response, commercial businesses have facilitated the rapid [widespread adoption of solar power](#) for households in many areas, while also providing access to industrial generators, equipment, parts and expertise to maintain the functionality of various water systems and health care facilities in major Yemeni cities, notably Sana'a, al-Hudaydah and Taiz. Many private medical facilities have also remained open – often offering free services to those unable to pay – in areas where public clinics have closed, while Yemeni businesses have also facilitated the flow of medical supplies to pharmacies and public, private and humanitarian facilities around the country.

An August 2017 [United Nations Development Program survey](#) of 53 small, medium and large private sector organizations in Yemen, across all industrial sectors, found that four out of five were assisting conflict-affected persons in the country. These organizations reported that the largest forms of assistance they provided were financial, food and health services.

This author's own survey of Yemeni business owners in November 2017 found that all respondents saw themselves as engaged in trying to mitigate the humanitarian crisis.¹ These actions ranged from cash distributions, to food basket preparation and distribution, to supplying medical equipment for the cholera campaign. Despite the limited market demand for their commodities, all business owners interviewed said that they had kept the majority of their workforce – though through negative coping strategies, such as decreasing salaries and benefits, as well as reducing working hours – and that they considered sustaining these workers as part of their overall efforts toward mitigating the crisis.

The majority of the business owners believed and were involved in corporate social responsibility (CSR) activities as part of their contribution to humanitarian action; one reported having a charitable foundation, while the rest distributed support through their companies. Regarding the latter, for aid distribution purposes the companies had developed and maintained databases of beneficiaries using informal networks of families, friends and neighborhood connections. Typically, company staff with experience in humanitarian relief delivered the support. The business owners said these CSR activities predated the current conflict, though, since the current conflict began, the level of CSR activities they engage in has fallen somewhat.

1) This author distributed a qualitative survey and received responses between November 22-29, 2017, while also conducting several in-person follow-up interviews between January 1-4, 2017. Five of the seven respondents owned networks of large companies – defined as having more than 50 employees and overseas branches – involved in various economic sectors including financial services, manufacturing, fast-moving consumer goods, transportation logistics, and education. One survey respondent owned a medium-sized company – defined as having between 10 and 50 employees with branches across the country – operating in the area of 'power solutions,' selling and servicing generators and renewable energy equipment. The last of the six survey respondents owned a small company, with between four and nine employees, based in Sana'a and with distribution channels in other Yemeni cities, operating in the field of healthcare and pharmaceutical products. In general the business owners were asked about their understanding of the current humanitarian crisis, their role during the crisis, their relationship with humanitarian actors and their suggestions regarding that relationship.

RELATIONS WITH INTERNATIONAL HUMANITARIAN ACTORS

Private businesses have also played an essential role in the distribution of international humanitarian aid in Yemen, including both cash transfers and physical goods. For instance, through 2017 one Yemeni microfinance bank recorded some 1.5 million cash transfers worth approximately 29.5 billion Yemeni rials to humanitarian aid recipients across Yemen.² In another example, in 2015 humanitarian agencies had 63 trucks carrying relief supplies, including food baskets and medicine, stranded in Sana'a due to the fighting. Private sector business networks intervened, facilitating negotiations between belligerent parties on the ground, resulting in the trucks being released and the aid reaching four besieged districts in Taiz and another four in Aden.³

Author interviews with Yemeni business owners and a number of international humanitarian agencies' staff indicated that humanitarian actors rely on the private sector to provide supply chain services such as transportations, warehousing, and clearing and forwarding services.⁴ April through September 2017, most humanitarian actors active in the cholera response effort also relied on Yemeni businesses to source needed medical supplies.⁵ This was due to the urgency of the crisis and international humanitarian actors' inability to quickly procure the needed supplies from outside Yemen.

Business owners surveyed for this paper said that they are providing UN agencies, international and local nongovernment organizations with various goods and services, such as vehicles, generators, spare parts and maintenance, food baskets and blankets, and distribution services. In one instance, a business owner described how he had helped establish and was continuing to coordinate a working relationship between an INGO and a local NGO. A further example is that of another business owner, who operates a medical insurance company and who used his in-country networks to help Marie Stopes International be able to support 1,000 medical patients in Sana'a, suffering from ailments such as diabetes, high blood pressure and chronic kidney problems, through the local NGO Hamunat al-Yemen. Through the system they developed, Hamunat al-Yemen would identify beneficiaries amongst disadvantaged populations and, based on the medical insurance company's advise, direct them to pharmacies to receive medicine paid for by Marie Stopes International. As of this writing, the three parties were planning to launch a new phase of the project to target more poor patients.

In regards to the procurement process, surveyed business owners generally stated that they won their contracts with international humanitarian actors through a tendering processes; one stated, however, that he provided commodities for INGOs through his "personal network."

2) Author interview with al-Amal Bank Operations Manager, January 4, 2018. Importantly, microfinance industry proponents in Yemen say that humanitarian actors' engagement of microfinance institutions in the aid response — while crucial to address the immediate survival needs of the population — also poses an unintended challenge to the industry's future survival. While the majority of microfinance clients — micro-entrepreneurs — and their surrounding communities are in need of the support humanitarian aid programs are channeling through the microfinance banks, industry members say this 'free money' is transforming the role these institutions play and the necessary culture they have built in the industry over several decades. The industry players have essentially left their core business model of providing microfinance products — for which customer repayment is required — to being agents of social cash transfer services, without there being a clear differentiation between the two for clients. Microfinanciers say this will impact the recovery of microfinance industry in the long run, particularly when humanitarian actors cease making transfers through microfinance institutions.

3) Author interview with World Food Program Logistics Officer, December 31, 2017.

4) Author interview with World Food Program Logistics Officer, December 31, 2017.

5) Author interview with Dr. Adel Al-Emad, Chairman of Medical Insurance Specialist Company and Mr. Ali Jubari, Advisor to the Federation of Chambers of Commerce, December 2017.

THE NEED FOR BETTER COORDINATION

Surveyed business owners identified several difficulties in dealing with international humanitarian actors, notably in regard to communication with UN agencies and INGOs. These difficulties primarily concerned the tendering process and follow-through; common complaints were that points of contact with INGOs were often unclear, as were INGO standards and requirements. Consultation with the private sector regarding the targeted communities was also often lacking, meaning much of the value-added expertise and capacities of the private sector were going underutilized.

Business owners also described a process in which some INGOs limited their outreach to pre-selected suppliers and rarely offered new businesses the opportunity to bid on tenders. Transparency in the INGO process of vendor selection was thus identified as an area requiring improvement to ensure strong trust and better coordination between INGOs and the private sector. The business owners also noted that the procurement policies of UN agencies and INGOs at times oblige or encourage direct procurement from outside Yemen.

The business owners generally agreed that there needed to be a coordination mechanism established between the private sector and humanitarian actors that would help encourage local procurement and harness the opportunities for a mutually beneficial relationship. The UNDP survey from August 2017 indicated that there was some confusion regarding whether such a coordination mechanism exists: 57 percent of business owners answered “no” to the question: “Is there a coordination platform dedicated to private sector’s humanitarian assistance and recovery efforts in Yemen?” However, all respondents of the UNDP survey said they believed that such a coordination mechanism was necessary, with almost all saying they would participate in the platform if it did exist.

OPERATING IN A DEVASTATED ECONOMY

Even before the current conflict erupted, Yemen was among the poorest and least developed countries in the Middle East and North Africa; since the conflict began the situation has deteriorated substantially. Yemen’s Ministry of Planning and International Cooperation reported that [Yemen’s gross domestic product declined](#) 14.4 percent in 2017 which, following contractions of 15.3 percent in 2016 and 17.6 percent in 2015, equals a cumulative economic contraction of 40.5 percent since the beginning of 2015. As a result of this economic collapse private sector operations have sustained significant losses. [Commercial businesses have on average cut operating hours by half](#), with layoffs estimated at 55 percent of the workforce. This shift has been spurred by surging costs, due to insecurity and shortages of inputs, and falling demand for goods and services, with public purchasing power tumbling on the back of widespread livelihood loss and domestic currency depreciation.⁶ A general shortage of foreign currency in Yemen and liquidity challenges related to the domestic currency have also presented importers with increased challenges and costs.⁷

6) For details, please see: Ala Qasem and Brett Scott, Navigating Yemen’s Wartime Food Pipeline, Deeproot Consulting, November 29, 2017, <http://www.deeprootconsulting/single-post/2017/11/29/Navigating-Yemen%E2%80%99s-Wartime-Food-Pipeline>; Amal Nasser and Alex J. Harper, Rapid currency depreciation and the decimation of Yemeni purchasing power, Sana’a Center for Strategic Studies, March 31, 2017, <http://sanaacenter.org/publications/analysis/89>.

7) For details, please see: Mansour Rageh, Amal Nasser and Farea Al-Muslimi, Yemen Without a Functioning Central Bank: The Loss of Basic Economic Stabilization and Accelerating Famine, Sana’a Center for Strategic Studies, November 2, 2016, <http://sanaacenter.org/publications/main-publications/55>.

Since the Saudi-led military coalition began to intervene in the Yemen conflict in March 2015, it has imposed severe restrictions on imports entering Yemen. Business owners surveyed by this author said these restrictions have had a crippling impact, leading to a significant increase in shipping and insurance costs for imports. Among other significant challenges they noted were: increased customs tariffs after goods are offloaded, the long procedures for releasing shipments, the unsafe road transportation networks in Yemen, and the difficulty in making money transfers with foreign business partners.

On November 6, 2017, the Saudi-led coalition escalated the import restrictions to a complete closure of all ports, with the immediate impact in Yemen being huge price surges for almost all basic commodities and shortages of many, particularly fuel. Over the subsequent month, the coalition eased restrictions somewhat, allowing imports to resume normally in areas of Yemen's south held by forces affiliated with the internationally recognized Yemeni government, and later allowing limited UN deliveries to al-Hudaydah seaport and Sana'a airport, both in Yemen's north and held by Houthi forces. The Saudi-led coalition announced on December 20 that it was allowing al-Hudaydah port to reopen to commercial imports for a 30-day period. On January 18, 2018 the coalition announced it was extending the opening for another 30 days. In mid-January the coalition also permitted the delivery of [four mobile crane units to al-Hudaydah port](#), which are intended to boost offloading capacity by replacing cranes coalition airstrikes rendered inoperable in August 2015.

LOOKING AHEAD

The number of private Yemeni enterprises engaged in business relations with international humanitarian actors has increased over time, with the scaled up aid efforts becoming new business opportunities in the country and creating a competitive market.⁸ There is, however, vast untapped opportunities for both parties in creating better cooperation and coordination mechanisms.

The private sector actors – especially businesses involved in importation, distribution, retail and transportation, in addition to the business conglomerates – have a great deal of potential value-added to offer international humanitarian actors in informing the design and implementation of humanitarian support, which would significantly boost the impact of the humanitarian crisis response in Yemen. Yemeni businesses could increase the efficiency and reach of foreign aid funds by allowing humanitarian actors to capitalize on the private sector's business networks across the country, their ability to adapt to changing dynamics within local communities, and their ability to navigate between the belligerent parties.

Additionally, the business humanitarian actors are currently bringing the Yemeni private sector is helping many companies stay operational, maintain current employees, and at times create new employment opportunities. Humanitarian actors channeling more of their business through the Yemeni private sector and pursuing local procurement would further help local companies maintain current employees and create new jobs, thereby boosting local employment, local purchasing power and stimulating a positive cycle of market demand. More foreign aid funds spent in Yemen would also provide much-needed foreign currency to the local market, which in turn would help stabilize the domestic currency.

8) Author interview with World Food Program logistics official, December 31, 2017.

A leading UN agency in Yemen supported such increased cooperation and coordination between international humanitarian actors and the Yemeni private sector. In response to this author's queries, a World Food Program logistics official stated that:

Considering the vital role that private businesses play in the country and their resilience, humanitarian actors can help to facilitate the private sector importation of commodities and supplies by considering them in the humanitarian procurement process from outside the country. A private sector lead will support the effort to avoid local economy collapse and the further deterioration of the humanitarian situation in the country.

Recommendations

- International Humanitarian Actors (IHA) should form a common platform that includes the Yemeni private sector, local authorities and civil society organizations to coordinate the humanitarian response. It is important to ensure transparency at the level of this platform.
- IHA must renew their suppliers and contractors to give new opportunities to the Yemeni private enterprises.
- IHA should, as much as possible, rely on the Yemeni private sector to procure, import and distribute humanitarian response materials. This would also help local suppliers obtain foreign currency.
- IHA should provide direct cash assistance to beneficiaries to purchase their needs from the local market, as the private sector secures more than 90 percent of the food imported to Yemen.
- IHA should ensure that anti-corruption systems are in place in humanitarian response operations.
- IHA should ensure that representatives of the Yemeni private sector with which they interact and coordinate are the most capable and effective parties to contribute to the humanitarian response, and not limit coordination to official bodies such as the Federation of the Chamber of Commerce, but also explore options such as the Yemen Business Club and others.
- The Yemeni private sector should find a mechanism to better represent itself in coordination operations with donor organizations, and/or rebuild sound governance within the Federation of Yemen Chambers of Commerce and Industry.
- Yemeni businessmen outside the country should set up a business council abroad to coordinate with IHAs and contribute to the response.

About the writer:

Ali Azaki has over 13 years of experience in various management and consultancy capacities in local and international projects in Yemen and he currently works with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). He worked as a Managing Director for Yemen Business Club and a former manager of Business Development in Al-Amal Microfinance Bank. His expertise spans economic growth, business development, microfinance and evaluation.

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ABOUT THE “RETHINKING YEMEN’S ECONOMY” INITIATIVE

This two-year project, which was launched in March 2017, is an initiative to identify Yemen’s economic, humanitarian, social and developmental priorities in light of the ongoing conflict in Yemen and to prepare for the post-conflict recovery period. The project aims to build consensus in crucial policy areas through engaging and promoting informed Yemeni voices in the public discourse, and to positively influence local, regional and international development agendas.

The project has four components: (1) in the Development Champions Forums, Yemeni experts and professionals in social and economic development will identify key issues for intervention and provide recommendations towards tackling these issues; (2) in the Research

Hive, the project consortium will – based on the issues and recommendations of the Development Champions – conduct research and identify best practices and lessons learned from international experiences to create knowledge capital for the Rethinking Yemen’s Economy initiative; (3) in the public outreach component, the consortium will implement consultation workshops with local stakeholders, including the private sector, youth and civil society organizations; moreover, campaigns through both traditional and social media outlets will be conducted to engage the wider Yemeni public; (4) and through regional and international engagement the consortium will inform stakeholders of project outcomes and aim to motivate and guide the international community’s policy interventions to the greatest benefit of the people of Yemen.

Implementing Partners

The project is implemented by a consortium of the following three partners:



The Sana’a Center for Strategic Studies (SCSS) is an independent policy and research think-tank that provides new approaches to understanding Yemen and the surrounding region, through balanced perspectives, in-depth studies and expert analysis. Founded in 2014, the SCSS conducts research and consultations in the fields of political, economic, civil and social development, in addition to providing technical and analytical advice regarding key issues of local, regional and international concern.

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