

Labor Market Assessment

In Ad Dali' & Shabwah Governorates_ Yemen

Research Unit

Aug

2024



Labor Market Assessment in Ad Dali’ and Shabwah Governorates _ Yemen

Prepared by:

YFCA Research Unit – Aug, 2024

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Table of Abbreviations

BRIGHTLY	Building Resilience in Yemen through Community-Based Humanitarian Integrated Leadership and Transformation Systems
CFW	Cash for Work
FGD	Focus Group Discussion
FSL	Food Security & Livelihoods
GDP	Gross Domestic Product
KIIs	Key informant's interviews
MFIs	Micro-Financial Institutes
MSMEs	Micro, Small, and Medium Enterprises
PWDs	People with Disabilities
YFCA	Yemen Family Care Association

Executive Summary

Introduction

The "Labor Market Assessment in Ad Dali' and Shabwah Governorates," conducted by the YFCA MEAL and Research Units under the BRIGHTLY Project, offers a detailed exploration of the economic conditions, employment opportunities, and livelihood challenges in the districts of Ad Dali', Ash Shu'ayb, Bayhan, and Mayfa'ah. This assessment provides critical insights into the local labor market dynamics, highlighting both the challenges faced by the population and the potential opportunities that could be leveraged to improve livelihoods, particularly for women, youth, and vulnerable groups.

Background

The prolonged conflict in Yemen has had a severe impact on the country's economy, leading to a decline in income opportunities and the deterioration of livelihoods. Yemen's labor market has been profoundly disrupted by ongoing conflict, severe economic hardships, and widespread humanitarian crises. The war that erupted in 2015 has wrought extensive damage across various sectors, leading to widespread employment instability.

Yemen has long been classified as a low-income, food-deficit country, producing a mere ten percent of its food needs. The protracted conflict has devastated the economy and created an unprecedented humanitarian crisis, which remains the primary driver of food insecurity in Yemen. The cumulative contraction in real GDP reached an estimated 48.4 percent in 2019 compared to 2014, while the unemployment rate soared to an estimated 32 percent in the same year.

Key Objectives

1. Explore the General Livelihood & Employment Context
2. Identify the current status, challenges, and opportunities for businesses.
3. Discover viable job and self-employment options for women, youth, and innovation.
4. Determine the skills and training needed for women and youth.
5. Identify factors that help secure and retain self-employment.
6. Analyze the effects of market disruptions and local response capabilities.
7. Assess how shocks affect the resilience of households, communities, and sectors.
8. Map available resources like raw materials, skills, and training facilities.
9. Evaluate demand for locally producible skills and services.
10. Explore financial services for youth, women, and vocational training graduates.
11. Identify suitable industries for youth startups and employment.
12. Find opportunities for new businesses and investments to stimulate economic growth.

Methodology

A mixed participatory methodology was employed in this assessment, combining both secondary and primary data collection methods. The secondary data collection involved a comprehensive desk review of relevant literature, while the primary data collection utilized qualitative and quantitative research tools.

✿ **Assessment Tools**

The LMA utilized a suite of tools that were meticulously developed to align with the key objectives of the assessment.

➤ **Quantitative Tools**

- ✓ Enterprise Questionnaire

➤ **Qualitative Tools**

- ✓ Focus Group Discussion FGD Tools (Community Leaders FGD Tool, Youth FGD Tool, and Potential Trainees FGD Tool)
- ✓ Key Informant Interviews KII Tools (Business Association KII Tool, Micro-Financial Institutes KII Tool, and Vocational Training Centers Assessment Tool)

✿ **Sampling**

The LMA in the targeted communities employed two distinct sampling methods tailored to the nature of each assessment tool.

➤ **Random Sampling**

➤ **Purposeful Sampling**

Key Findings

1. Economic Context and Sectoral Overview

- ✿ Ad Dali' and Ash Shu'ayb: These districts are largely dependent on agriculture, which suffers from low productivity due to outdated farming methods, lack of access to modern equipment, and water scarcity. The economic activity here is constrained by limited market access and poor infrastructure, exacerbating unemployment rates, especially among women and youth.
- ✿ Bayhan: This district has a more diversified economy with a mix of agriculture, trade, and small industries. However, the ongoing conflict has disrupted trade routes, leading to significant economic challenges. Businesses here are struggling with high operational costs, a lack of skilled labor, and reduced consumer demand.
- ✿ Mayfa'ah: Characterized by subsistence farming, Mayfa'ah faces severe economic isolation, with limited access to markets, financial services, and infrastructure. The district's economy is heavily reliant on traditional farming, which is insufficient to meet the needs of its growing population.

2. Employment Landscape

- ✿ Across all districts, the assessment reveals a severe scarcity of employment opportunities. Businesses in these areas have reported minimal or no new hires in recent years, primarily due to the high cost of operations, a shortage of skilled workers, and weak consumer purchasing power.
- ✿ Youth and Women: The labor market remains particularly inaccessible to youth and women, who face significant barriers such as social restrictions, lack of vocational training, and limited access to capital. Women, in particular, are underrepresented in the workforce, with cultural norms further restricting their participation in economic activities.

3. Market Opportunities and Sectoral Potential

- ✿ Despite the challenges, certain sectors exhibit potential for growth. Foodstuffs trading, electronics repair, and vocational training are identified as areas with untapped opportunities. However, these sectors are hampered by high competition, lack of skilled labor, and inadequate financial support.
 - ✿ Agriculture: There is considerable potential for modernization and value addition in the agricultural sector. Introducing modern farming techniques, improving irrigation systems, and developing agricultural value chains could significantly enhance productivity and create new jobs.
4. Skills and Training Needs
- ✿ The assessment highlights a critical gap in skills development, particularly in modern agriculture, vocational trades, and emerging sectors like technology. There is a strong need for establishing vocational training centers that offer tailored programs aimed at equipping the youth and women with the skills required to meet the demands of the labor market.
 - ✿ While some businesses are open to hosting trainees, the opportunities for women remain very limited due to prevailing cultural and social norms.
5. Infrastructure and Financial Services
- ✿ Infrastructural deficiencies, particularly in Mayfa'ah, pose a significant barrier to economic growth. The lack of reliable road networks, electricity, and internet connectivity severely limits business operations and access to markets.
 - ✿ The availability of financial services is also limited, with a significant gap in access to microcredit and other forms of financial support, particularly for small and medium-sized enterprises (SMEs) and women-led businesses.

Recommendations

To address the challenges identified in the assessment and leverage the potential opportunities, the report proposes several key recommendations:

- ♣ Modernize Agriculture: Introduce modern farming techniques and develop agricultural value chains to increase productivity, create jobs, and improve food security. This includes investments in irrigation, seed distribution, and training farmers in sustainable practices.
- ♣ Enhance Access to Finance: Expand microcredit schemes and provide financial literacy programs, especially targeting women and youth. This would help in empowering small businesses and enabling them to grow, thereby creating more employment opportunities.
- ♣ Promote Vocational Training: Establish vocational training centers that offer practical, demand-driven courses. These centers should focus on sectors with high growth potential, such as technology, mechanics, and agriculture, and include tailored programs for women and youth.
- ♣ Improve Infrastructure: Invest in developing reliable road networks, electricity supply, and internet connectivity, particularly in remote areas like Mayfa'ah. These investments are crucial for enabling businesses to operate efficiently and for improving market access.
- ♣ Build Economic Resilience: Encourage economic diversification by supporting sectors beyond agriculture, such as trade and small-scale manufacturing. This approach will help reduce dependency on a single sector and build resilience against external shocks.

1. Introduction

The "Labor Market Assessment in Ad Dali' and Shabwah Governorates," conducted by the YFCA MEAL and Research Units under the "Building Resilience in Yemen through Community-Based Humanitarian Integrated Leadership and Transformation Systems _ Yemen" BRIGHTLY Project, offers a detailed exploration of the economic conditions, employment opportunities, and livelihood challenges in the districts of Ad Dali', Ash Shu'ayb, Bayhan, and Mayfa'ah. This assessment provides critical insights into the local labor market dynamics, highlighting both the challenges faced by the population and the potential opportunities that could be leveraged to improve livelihoods, particularly for women, youth, and vulnerable groups.

1.1. Background

The prolonged conflict in Yemen has had a severe impact on the country's economy, leading to a decline in income opportunities and the deterioration of livelihoods¹. Yemen's labor market has been profoundly disrupted by ongoing conflict, severe economic hardships, and widespread humanitarian crises. The war that erupted in 2015 has wrought extensive damage across various sectors, leading to widespread employment instability².

Yemen has long been classified as a low-income, food-deficit country, producing a mere ten percent of its food needs. The protracted conflict has devastated the economy and created an unprecedented humanitarian crisis, which remains the primary driver of food insecurity in Yemen. The cumulative contraction in real GDP reached an estimated 48.4 percent in 2019 compared to 2014, while the unemployment rate soared to an estimated 32 percent in the same year³.

Traditionally, Yemen's economy relied heavily on agriculture, fishing, and the extraction of oil and gas, these industries were vital to the nation's Gross Domestic Product GDP. Prior to the conflict, these main resources were supported by a diverse array of other sectors industries. However, the war has ravaged the main and, as well as, the supportive industries, precipitating a sharp economic decline and widespread instability. Infrastructure damage, business closures, and the emigration of skilled workers have compounded the difficulties facing the job market. The relentless conflict has had a catastrophic impact on employment. The destruction of essential infrastructure, including factories and transportation networks, has led to the shutdown of numerous businesses. Sectors such as manufacturing, construction, and services have been particularly hard-hit, with significant job losses and disruptions to supply chains hampering business operations. Unemployment rates in Yemen have soared, especially among the youth. The scarcity of job opportunities has left a large portion of the working-age population either unemployed or underemployed. Job seekers grapple with a myriad of obstacles, including limited openings, mismatches between skills and market demands, and inadequate access to quality education and

¹ Yemen Food Security Outlook, FEWS NET, 2023

² World Bank Report, Yemen, 2023

³ UNDP & FAO, YEMEN FOOD SECURITY RESPONSE AND RESILIENCE PROJECT #(P176129)

vocational training. The ongoing conflict has only deepened these challenges, making the search for stable employment increasingly difficult⁴.

Ad Dali' governorate is one of the Yemeni governorates that was established after the unification of Yemen in 1990. It is situated in the south-central part of the Republic of Yemen, between the governorates of Ibb and Lahj, and is approximately 135 kilometers away from Aden. The governorate is divided into nine administrative districts, with the city of Ad Dali' serving as its capital. Spanning an area of 4786 km², Ad Dali' governorate is home to an estimated population of 894,975 people, based on the most recent official estimates⁵.

The Governorate of Shabwah is situated in the southeastern region of the Republic of Yemen, stretching along the coastline of the Arabian Sea between Abyan and Hadhramout. It is comprised of 17 administrative districts, with the city of Ataq serving as its capital. Shabwah Governorate spans an area of 47,584 km² and is home to an estimated population of 720,756 people, as per the most recent official estimates⁶.

Ad Dali', an area primarily dependent on agriculture, has seen its economic base eroded by the war, leading to reduced agricultural productivity and heightened poverty. The governorate's limited infrastructure further stifles job creation and economic growth. In contrast, Shabwah, which has historically benefited from its oil and gas resources, has suffered significant declines in these sectors, resulting in widespread job losses and diminished economic activity. The conflict has intensified these issues, contributing to soaring unemployment rates and extensive displacement⁷.

This Labor Market Assessment (LMA) was conducted as a stand-alone activity within the **BRIGHTLY** Project. It aims to provide an updated overview of the labor market landscape in Ad Dali' & Ash Shu'ayb Districts in Ad Dali' Governorate, and Bayhan & Mayfa'ah Districts in Shabwah Governorate.

1.2. Key Objectives

1. Explore the General Livelihood & Employment Context: Evaluate the current situation of businesses, focusing on their main challenges, opportunities, and expectations for the future.
2. Assessing the Businesses: Identify the businesses current situation, main challenges, opportunities, and expectations.
3. Identify Employment Opportunities: Explore viable employment and self-employment opportunities that align with market needs and gaps, with a focus on women, youth, and opportunities for innovation.

⁴ Yemen Job Market, GulfCareers, 2023

⁵ UN Final Population Projection Dataset, Yemen 2023

⁶ UN Final Population Projection Dataset, Yemen 2023

⁷ World Bank & UNDP Reports, Yemen Overview

4. Determine Skills and Training Needs: Identify the specific skills and training required for women and youth to effectively engage in these economic opportunities.
5. Assess Enabling Factors: Identify the factors that enable individuals to gain and retain self-employment opportunities.
6. Analyze Market Vulnerabilities: Examine the key ripple effects of market shocks and stresses, including the unemployment rate, and assess the capacity of local government and private sector entities to respond.
7. Understand Systemic Impacts: Analyze how shocks and stresses affect the absorptive, adaptive, and transformative capacities of households, communities, infrastructure, government, and private sectors at the system level.
8. Map Current Resources: Map the availability of raw materials, local skills, processing and communication infrastructure, marketing channels, technical education, vocational training centers, and appropriate technologies in the targeted area.
9. Assess Local Demand: Evaluate the local demand for skills and services that could be efficiently produced on a micro to small scale.
10. Explore Financial Services: Understand the financial services available in the local market and explore opportunities for financial service providers to cater specifically to graduates of vocational training programs.
11. Identify Industries for Youth Enterprises: Determine the industries and markets best suited for youth startup enterprises and employment opportunities.
12. Assessing the Business Creation and Investment Opportunities: Identify opportunities for creating new businesses and attracting investments, promoting economic growth and development.

1.3. Geographical Scope

This LMA was carried out in two Yemeni governorates, Ad Dali' and Shabwah. Within these areas, targeted efforts were made to collecting the required data. In Ad Dali', the assessment focused on the districts of Ash Shu'ayb and Ad Dali', while in Shabwah, data collection concentrated on the districts of Bayhan and Mayfa'ah.

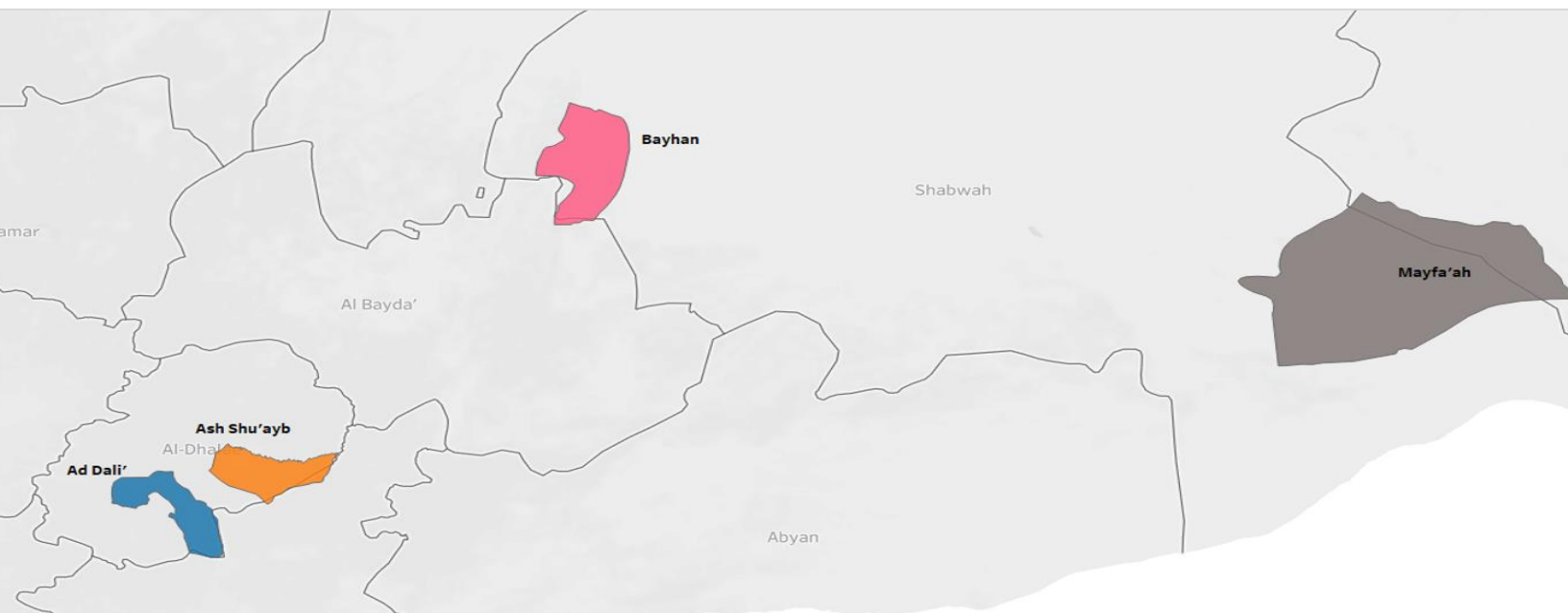


Photo 1 A Map Showing the Location of the Targeted Districts in Ad Dali' & Shabwah

2. Methodology

A mixed participatory methodology was employed in this assessment, combining both secondary and primary data collection methods. The secondary data collection involved a comprehensive desk review of relevant literature, while the primary data collection utilized qualitative and quantitative research tools. By these approaches, the research team aimed to achieve a comprehensive and well-rounded understanding of the subject matter under investigation.

2.1. Assessment Tools

The LMA utilized a suite of tools that were meticulously developed to align with the key objectives of the assessment.

2.1.1. Quantitative Tools

2.1.1.1. Enterprise Questionnaire

The Enterprise Questionnaire was designed to collect quantitative data on the structure, operations, and challenges faced by local enterprises within the targeted communities. This tool gathered detailed information on business demographics, types of services provided, employment levels, financial, market demand, and the specific obstacles businesses encounter in their day-to-day operations. It also explored the demand for new skills and the potential for business expansion. The primary respondents for this tool were business owners and managers. The focus was on a diverse range of enterprises, from small, informal businesses to more established enterprises, ensuring a comprehensive understanding of the local business environment.

2.1.2. Qualitative Tools

2.1.2.1. Focus Group Discussion Tools

The Focus Group Discussion FGD tools were developed to facilitate the collection of qualitative data through structured group interactions.

➤ Community Leaders FGD Tool

The tool focused on community-wide issues, such as economic opportunities, challenges to employment, and the role of external factors like conflict or policy changes. It targeted respected community leaders, including tribal elders, local council members, and other influential figures.



Photo 2 Male & Female Focus Group Discussion _ Mayfa'ah District

➤ Youth FGD Tool

The discussions covered topics such as youth unemployment, skills gaps, barriers to entrepreneurship, and aspirations for future employment. This tool was used with groups of young men and women, capturing diverse perspectives on youth employment and self-employment opportunities.

➤ Potential Trainees FGD Tool

The tool gathered information on the participants' current skills, their interest in different training opportunities, and their perceptions of the labor market. Potential trainees, including unemployed

youth and adults who were interested in acquiring new skills to improve their employment prospects, are the main respondents.



Photo 3 Female Focus Group Discussion _ Bayhan District

2.1.2.2. Key Informant Interviews Tools

Key Informant Interviews KIIs were employed to obtain in-depth insights from individuals with specialized knowledge or unique perspectives on the labor market.



Photo 4 Local Council KII _ Mayfa'ah District

➤ **Business Association KII Tool**

Information on market trends, business support needs, policy impacts, and potential growth sectors was gathered. Representatives of local business associations, including those representing Micro, Small and Medium Enterprises (MSMEs), were the primary respondents.

➤ **Micro-Financial Institutes KII Tool**

The collected data focused on the availability of financial services, challenges in accessing credit, and the effectiveness of existing financial products. The targeted group by this tool were Key informants included managers and representatives from micro-finance institutions operating in the targeted regions.



Photo 5 MFIs KII _ Al Tadamon for Microfinance _ Ad Dali' District

➤ **Vocational Training Centers Assessment Tool**

The tool gathered data on the types of training offered by the training centers, the alignment of training programs with market needs, and the challenges faced by these centers in delivering effective training. The respondents were directors and trainers from vocational training centers.

2.2. Sampling

The LMA in the targeted communities employed two distinct sampling methods tailored to the nature of each assessment tool. These methods were carefully chosen to ensure that the collected data was both comprehensive and representative of the diverse community. The sampling methods used are detailed below:

2.2.1. Random Sampling

Random sampling was utilized for selecting both enterprises and participants for the FGDs. This method was chosen to ensure that all segments of the community, including different genders, were fairly represented. The using of random sampling aimed to capture a wide range of perspectives and experiences from across the community. This approach promoted inclusivity and ensured that the FGDs reflected a balanced cross-section of the population, providing a robust and diverse set of insights.

2.2.2. Purposeful Sampling

Purposeful sampling was employed to select respondents for the KIIs. This method involved the deliberate selection of individuals who possessed specific knowledge, expertise, or experiences that were directly relevant to the assessment objectives. Key informants were chosen based on their roles, responsibilities, and their involvement in the labor market or related fields. This targeted approach allowed the research team to engage with individuals who could offer in-depth and valuable insights, thereby enriching the overall quality and relevance of the assessment data.

Table 1 Sampling

District	Ad Dali'		Ash Shu'ayb		Bayhan		Mayfa'ah	
Activity	FGDs	KIIs	FGDs	KIIs	FGDs	KIIs	FGDs	KIIs
#Activities	8	5	7	3	5	4	5	4
#Participants	60		45		43		40	
Enterprise Questionnaire	15		8		10		10	

2.3. Data Collection and Analysis

During the data collection phase, the field team conducted fieldwork across various districts over a 14-day period, from July 18 to 31, 2024. Utilizing pre-prepared tools, the team conducted face-to-face interviews with key informants and owners of randomly selected enterprises, as well as facilitated FGDs with randomly chosen participants. This work was carried out in collaboration with community leaders and local authorities, providing a comprehensive understanding of the local context and perspectives.

For data analysis, the research team used a thematic categorization approach to analyze qualitative data from FGDs and KIIs. This involved organizing responses into relevant themes and

categories corresponding to the main questions posed during these discussions. Quantitative data collected through questionnaires was analyzed using Excel Pivot Tables.

The summarized responses were then systematically organized and interpreted in line with the assessment's objectives. This approach allowed for a structured analysis of the findings, facilitating the identification of key insights and patterns within the collected data.

2.4. Ethical Considerations

The research adhered to the ethical principles guiding social science research. The following key principles were observed:

- **Respect for Participants:** Participants were treated with respect and dignity throughout the research process, recognizing them as individuals with rights and agency, not merely as subjects.
- **Cultural Sensitivity and Respect for Community Leadership:** The research honored the cultural values, norms, and practices of the involved communities. Local knowledge and leadership were acknowledged and valued, with their input actively sought in the research process.
- **Informed Consent:** Participants were provided with clear, comprehensive information about the research objectives, procedures, potential risks, and benefits before their involvement. They were given the opportunity to ask questions and gave their voluntary consent to participate.
- **Confidentiality and Privacy:** Strict measures were taken to protect the confidentiality and privacy of participants. Personal or sensitive information shared was kept confidential and used solely for the stated research purposes.
- **Transparency in Research Communication:** The researchers clearly and honestly communicated the research's intended purposes to the participants. They ensured that the findings would be used exclusively for the purposes communicated, avoiding any undisclosed or unauthorized use.

2.5. Limitations and Challenges

The data collectors team encountered several limitations and challenges during the data collection process, including:

- **Survey Participation Challenges:** Many institutions were reluctant to participate in the surveys, citing the high frequency of similar surveys conducted previously and the lack of available time in their schedules.
- **Difficulty in Targeting Commercial Enterprises:** The scarcity of commercial institutions in the region resulted in challenges, leading to the targeting of smaller shops, such as pharmacies and grocery stores, for the surveys.

- **Competing Priorities of Government Facility Managers:** The preoccupation of some government facility managers included in the surveys hindered the ability to conduct comprehensive interviews.
- **Logistical Challenges in Accessing Survey Locations:** The distances between the survey centers and the lack of available transportation made it difficult for the survey teams to reach all the designated locations.
- **Low Awareness of Survey Importance:** The lack of awareness among the population about the significance of participating in such surveys led to a decrease in the quantity and quality of information that could have enhanced the utility of the survey outputs.

3. Findings

3.1. General Livelihood & Employment Context

The assessment shows that, the general livelihood and employment context across the four targeted districts Ad Dali', Ash Shu'ayb, Bayhan, and Mayfa'ah is shaped by a combination of economic challenges, socio-political instability, and varying degrees of access to resources and opportunities.

In Ad Dali' and Ash Shu'ayb, the economy is predominantly agrarian, with most households relying on subsistence farming as their primary source of income. However, agricultural productivity is low, constrained by limited access to modern farming techniques, poor infrastructure, and the impact of ongoing conflict. Employment opportunities outside agriculture are scarce, leading to high unemployment rates, especially among women and youth. The economic activities in these districts are largely informal, with small-scale trade and casual labor being common, but they do not provide stable or sufficient income for most households.

In contrast, Bayhan exhibits a more diverse economic landscape, with a mix of agriculture, small-scale industry, and trade. The district benefits from relatively better infrastructure, including access to main roads and markets, which supports a more vibrant local economy. However, the conflict has still had a significant impact, disrupting trade routes, increasing the cost of goods, and leading to a decline in business activities. Unemployment remains a critical issue, particularly among youth, who struggle to find formal employment or viable entrepreneurial opportunities.

Mayfa'ah is characterized by a largely subsistence economy, with agriculture being the mainstay. However, like Ad Dali' and Ash Shu'ayb, the district faces severe challenges due to poor infrastructure, limited access to markets, and the effects of the conflict. The economic opportunities in Mayfa'ah are extremely limited, with high levels of poverty and unemployment. The district's remote location and lack of connectivity further exacerbate these issues, making it difficult for residents to access services or engage in economic activities beyond basic subsistence.

According to the enterprises survey, 60% of businesses across all four districts reported difficulties in hiring new employees. Bayhan district had the highest percentage of enterprises experiencing

these challenges at 80%, while Ash Shu'ayb district had the lowest at 38%. In Ad Dali' and Mayfa'ah districts, 60% of enterprises also reported facing similar difficulties.

As for the nature of that difficulties and challenges, 92% of enterprises indicated there are few workers who have the appropriate technical skills or experience. The following chart shows the other difficulties and challenges, with percentages, which reported by the surveyed enterprises.

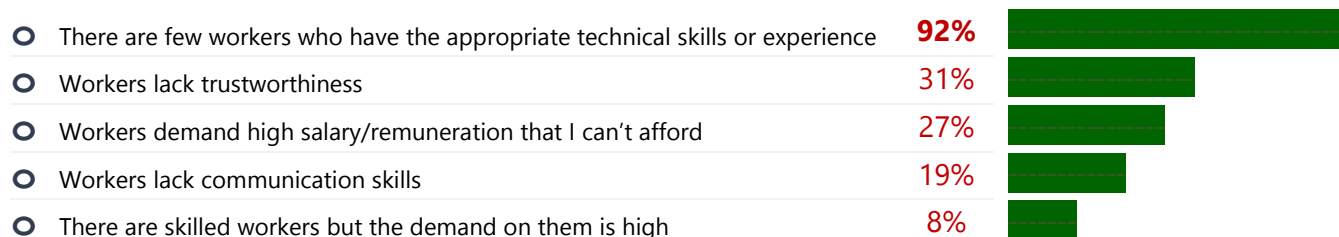


Figure 1 The biggest challenges the enterprises face when hiring employees

It's important to note that the vast majority of enterprises facing difficulties in hiring new employees do not rely on formal recruitment methods. In fact, 98% of the surveyed enterprises that reported difficulties in hiring new employees rely on word of mouth, social connections with friends and relatives, or referrals from current employees to fill job vacancies. This heavy reliance on informal recruitment methods explains the scarcity of employment opportunities for many unemployed individuals, especially those without strong social networks or connections to current employees. As a result, the job market becomes less accessible, favoring those with established personal connections over potentially more qualified candidates without such ties.

In fact, 98% of surveyed enterprises, who said facing difficulties in hiring new employees, recruit the employees through word of mouth, social connections with friends and relatives, or through referrals from current employees. This explains the scarcity of employment opportunities for many unemployed people.

In addition to the informal recruitment methods, the survey findings indicate that a significant portion of enterprise owners (68%) tend to hire relatives, such as sons, brothers, nephews, and cousins, in their enterprises. Specifically, 58% of these owners employ 1 to 2 relatives, while 12% employ 3 to 4 relatives. This preference for hiring family members can limit employment opportunities for other unemployed individuals who lack familial connections to business owners. Such practices highlight the challenges faced by job seekers without personal networks, potentially leading to a less inclusive and competitive job market.

60% of businesses across all four districts reported they have not hired any employees over the past year (Ad Dali' 47%, Ash Shu'ayb 50%, Bayhan 90%, and Mayfa'ah 60%), while 28% of them hired 2 – 3 employees only, and 12% hired 4 – 10 employees.

When asked about the reasons for not hiring additional staff, 76% of surveyed enterprises indicated that they did not require extra employees. Additionally, 17% cited that available workers are unwilling to accept jobs due to low market wages, and 7% reported needing more staff but were unable to hire due to financial constraints.

Furthermore, only 28% of surveyed enterprises expressed plans to hire more employees in the coming year, with the breakdown as follows: Ad Dali' (40%), Ash Shu'ayb (25%), Bayhan (10%), and Mayfa'ah (30%).

At the total level of analysis, 67% of surveyed enterprises reported that the average monthly salary paid to a full-time worker is between 100,000 - 150,000 Yemeni riyals (equivalent to 53 - 80 dollars)⁸, while 25% of them reported that the average monthly salary paid to a full-time worker is between 180,000 - 300,000 Yemeni riyals (equivalent to 95 - 158 dollars). The chart below shows the average monthly salary at the district level analysis.

Ash Shu'ayb district, due to its rural nature, recorded the highest percentage of the lowest average monthly salaries, with 75%. This was followed by Bayhan and Mayfa'ah districts, each at 70%, and then Ad Dali' district at 47%.

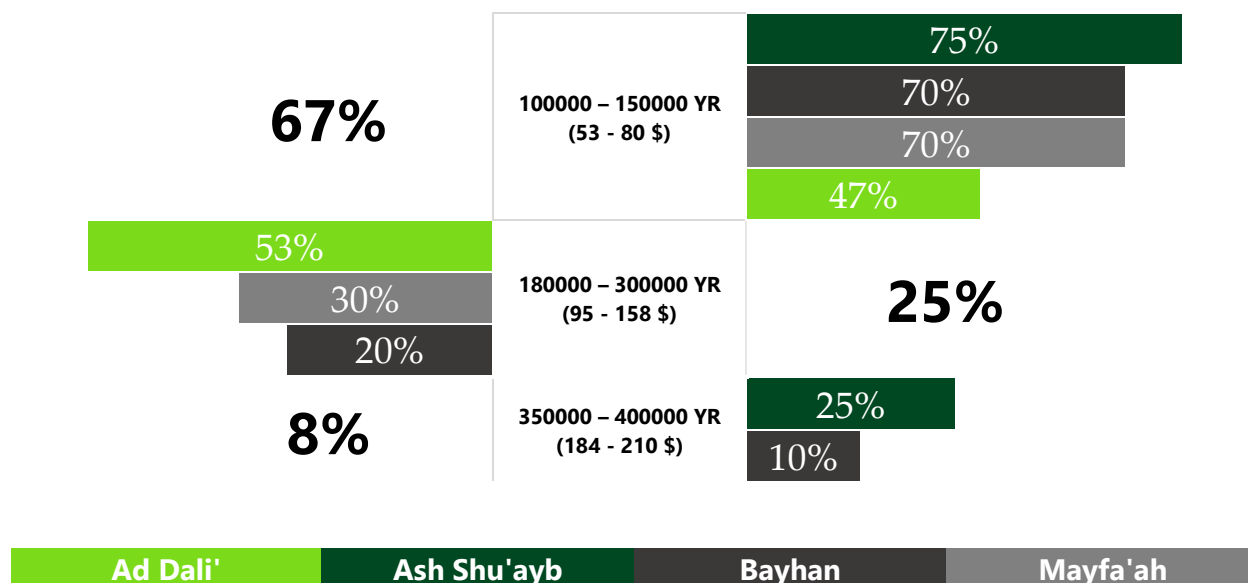


Figure 2 Average monthly salary for full-time workers

Upon reviewing the average weekly working hours, it became clear that the reported monthly wages are disproportionately low relative to the hours worked. Specifically, 61% of enterprises

⁸ According to the exchange rate during the period of report preparing

indicated that their employees work more than 50 hours per week, often exceeding 8 hours per day. Meanwhile, 39% reported weekly working hours ranging from 35 to 50 hours. This notable disparity underscores a significant mismatch between salaries and the extent of work performed.

There is a significant mismatch between salaries and the actual workload, measured by the weekly average number of work hours.

Across all four districts, the ongoing conflict has had a profound impact on livelihoods, leading to widespread displacement, loss of assets, and increased vulnerability. The economy in these districts is highly fragile, with limited opportunities for stable employment, and most households rely on coping mechanisms such as selling assets, reducing consumption, or engaging in informal labor to survive.

3.2. Businesses (Current situation, Challenges, Opportunities, and Expectations)

3.2.1. Current Business Situation

The following table describes the current business situation in terms of clients, number of operating companies/businesses, and business income for the surveyed enterprises.

In terms of client numbers over the past three months and the number of operating businesses over the past six months, the largest proportions of respondents indicated that the situation remained unchanged, at 41% and 55%, respectively. However, when it comes to income, the highest percentage of respondents reported that their income has decreased this year compared to last year.

Table 2 Current Business Situation (clients, operating companies, & business income)

District	Clients in last 3 months			# Operating businesses in area/last 6 months			Income compared to last year		
	Increased	Decreased	The Same	Increased	Decreased	The Same	Increased	Decreased	The Same
Ad Dali'	40%	20%	40%	0%	13%	73%	40%	53%	7%
Ash Shu'ayb	13%	0%	88%	0%	0%	100%	0%	38%	63%
Bayhan	30%	60%	10%	10%	60%	30%	30%	40%	30%
Mayfa'ah	20%	40%	40%	20%	60%	10%	20%	40%	40%
Total	28%	31%	41%	7%	24%	55%	26%	44%	30%

The following chart describes the current business situation, from surveyed enterprises point of view, in terms of successfulness and profitability, where 51% of surveyed enterprises reported

their businesses are successful & profitable, while 42% of them indicated their businesses are stagnant.

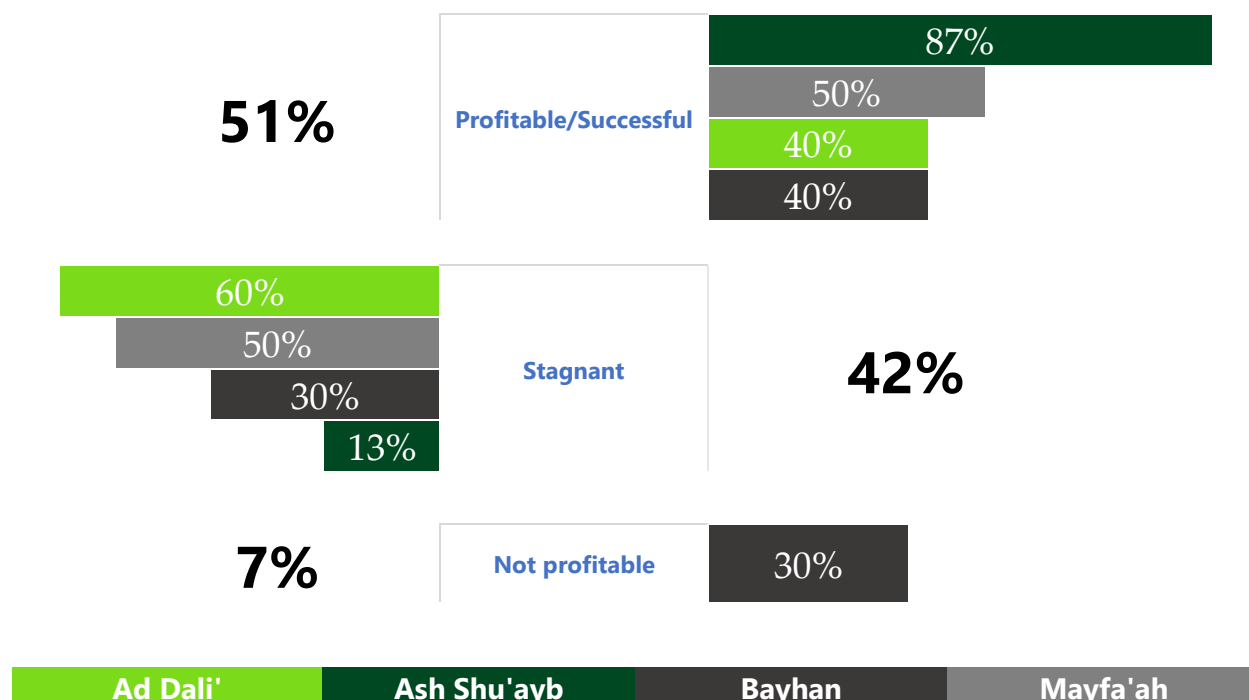


Figure 3 The current business situation

According to the surveyed enterprises, the types of businesses currently in high demand and most profitable are as follows: foodstuffs trading leads with 34%, followed by medicines, medical supplies, and health services at 22%. Mobile phone, computer, and electronics sales and maintenance come next at 18%, vocational/technical training and accounting businesses account for 14%, and exchange and transfer companies make up the remaining 12%.

At the district level, the following table clarify the differences and convergences between the opinions of respondents depend on their deep knowledge of the market and the urban nature of the targeted districts.

Table 3 Types of businesses currently in high demand

Row Labels	Foodstuffs	Medicines, medical supplies and health services	Mobile phone, computer and electronics sales and maintenance	Vocational/technical training & Accounting business	Exchange & transfer companies
Ad Dali'	50%	27%	0%	13%	10%
Ash Shu'ayb	25%	0%	50%	25%	0%
Bayhan	40%	40%	0%	0%	20%
Mayfa'ah	20%	20%	20%	20%	20%
Total	34%	22%	18%	14%	12%

3.2.2. Challenges

The findings from the enterprises survey highlights the main challenges faced by businesses in the surveyed districts:

1. Insufficient Access to Electricity/Power: **86%** of businesses reported this as a major challenge, indicating a critical need for reliable energy solutions.
2. Low Consumer Purchasing Power: **81%** of businesses are affected by this issue, reflecting the economic difficulties faced by the population.
3. Shop Rental Cost: **66%** of businesses see high rental costs as a significant burden.
4. Mobility Restrictions: **58%** of businesses are impacted by mobility restrictions, such as checkpoints and road closures, which hinder access to supply chains and markets.
5. Low Demand for Products/Services: **51%** of businesses experience low demand, possibly due to the overall economic conditions.
6. Security Concerns: **33%** of businesses cite security issues as a challenge, which can disrupt operations and deter investment.
7. Insufficient access to safe water: **30%** of businesses reported this as a challenge affected their work and productivity.
8. Access to Finance: **24%** of businesses reported difficulties in obtaining loans and investments.
9. Government Regulations: **21%** of businesses find government regulations, including taxes and business registration, to be challenging.
10. Market Competition: **21%** of businesses are concerned about competition in the market.

These challenges highlight the need for comprehensive strategies to improve infrastructure, boost consumer purchasing power, reduce regulatory burdens, and enhance security and mobility to support the business environment.

➤ Selling on Credit

The low purchasing power of people in the four districts significantly impacts the monthly selling practices of service and production enterprises. Many businesses are compelled to sell on credit to accommodate their customers, which in turn affects their cash flow. According to the survey findings, 88% of the surveyed enterprises sell both on credit and for cash, with varying proportions, while only 6% of the enterprises operate on a cash-only basis. This reliance on credit sales indicates challenges in maintaining cash liquidity, which could affect the sustainability and financial health of these enterprises.

➤ Market Competition

Regarding market competition at the sector level compared to the previous year, 30% of surveyed enterprises reported an increase in competition this year, while 58% indicated that the level of competition has remained the same.

When looking specifically at competition within the same type of businesses (those providing similar goods and services), 55% of enterprises reported high competition, 32% indicated medium competition, and 13% stated that competition is very high. These findings suggest that while overall market competition may not have drastically changed for most enterprises, competition within specific business sectors remains significant, with a notable proportion experiencing high to very high levels of competition.

3.2.3. Opportunities

According to 40% of the surveyed enterprises, there is a significant shortage of certain types of businesses in the market, which are in high demand. These include cooling facilities such as refrigerators and cold storage, bakeries, public restrooms, laundries, large commercial markets, electronics repair and engineering services, cafes, and grocery stores, especially in rural areas. Addressing these gaps presents a valuable opportunity for investment and entrepreneurship, which could fulfill market needs, create employment, and contribute to the overall economic development of the region.

3.2.4. Expectations

According to the survey, 35% of enterprises anticipate that their business will remain unchanged over the next two years, while 16% expect growth and success. At the sector level, 30% believe their industry will stay the same, while 21% expect it to experience significant growth. This indicates a mixed outlook, with a greater proportion of enterprises expecting stability rather than expansion. These findings highlight the need for targeted interventions to support businesses currently facing stagnation, while also creating an environment that promotes growth and success for those aiming to expand.

3.3. Market Opportunities for Women and Youth

According to the qualitative data analysis, the market opportunities for women and youth are limited in all four districts, though there are some variations in the nature and extent of these opportunities.

In Ad Dali' and Ash Shu'ayb, women and youth face significant barriers to accessing market opportunities, primarily due to traditional gender roles, limited access to education and training, and a lack of financial resources. Despite these challenges, there are some opportunities in small-scale agriculture, handicrafts, and informal trade, where women and youth can engage in income-generating activities. However, these opportunities are often low-paying and insecure, providing little chance for upward mobility.

Bayhan presents a slightly more dynamic environment, with opportunities for women and youth in small businesses, retail trade, and service industries. The district's relatively better infrastructure and access to markets support a more vibrant local economy, where women and youth can participate in entrepreneurial activities. However, these opportunities are still limited by factors such as cultural restrictions, competition, and a lack of access to credit. Youth in Bayhan are

particularly interested in technology and mobile services, which are emerging sectors with potential for growth, but they require support in the form of training and access to finance to fully capitalize on these opportunities.

In Mayfa'ah, the market opportunities for women and youth are extremely limited. The district's remote location, coupled with strict social norms, severely restricts the participation of women in economic activities outside the home. Youth face similar challenges, with few opportunities available in the local economy. Most of the economic activities in Mayfa'ah are centered around subsistence agriculture, which provides little scope for entrepreneurship or formal employment. The lack of infrastructure, access to markets, and financial services further compounds these challenges, making it difficult for women and youth to engage in productive economic activities.

Among the surveyed enterprises, 84% expressed a preference for employees aged between 25 and 45 years, while 16% preferred the 18 to 24 age group.

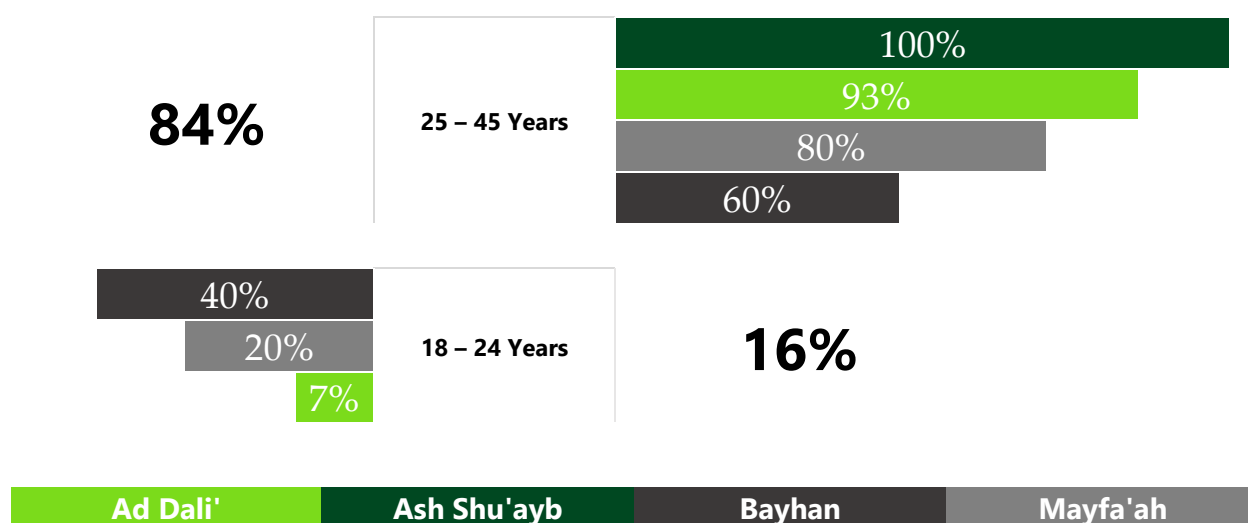


Figure 4 The employees preferred age-group

As shown in the chart above, the best opportunities appear for youth in Bayhan district, where 40% of enterprises reported their preference for the 18-24 age group for workers, while these opportunities are completely absent in Ash Shu'ayb district.

Despite the limited opportunities available to youth, they are viewed as having better prospects compared to women. The enterprise survey revealed a stark disparity: 100% of the surveyed

Data collectors reported that it is difficult for women to integrate into **85%** of the surveyed enterprises, when they were asked to give their opinion.

enterprises reported having no women among their employees, indicating that women face completely nonexistent opportunities across the four districts.

There is a clear need for targeted interventions to create and expand market opportunities for women and youth. This includes providing access to education and training, improving access to finance, and addressing social and cultural barriers that limit their participation in the economy.

3.4. Skills and Training Requirements

The qualitative analysis indicates that, the demand for skills and training is a critical issue across all four districts, with a clear gap between the skills available in the local labor force and the needs of the economy.

In Ad Dali' and Ash Shu'ayb, there is a strong need for agricultural training, particularly in modern farming techniques, irrigation, and livestock management. The existing agricultural practices are often outdated and inefficient, leading to low productivity and income. Additionally, there is a need for training in non-agricultural sectors, such as small business management, vocational skills, and technical trades, to diversify the local economy and create new employment opportunities. However, access to training programs is limited, and those that are available often do not meet the specific needs of the local economy.

Bayhan has a slightly better training infrastructure, with some vocational training centers and programs available for youth. These include training in trades such as carpentry, plumbing, and electrical work, as well as courses in entrepreneurship and small business management. However, participation in these programs is often low due to a lack of awareness, high costs, and limited accessibility, particularly for women. There is also a need for more specialized training in emerging sectors such as technology and mobile services, which have the potential to drive economic growth in the district.

In Mayfa'ah, the situation is more challenging, with very limited access to any form of formal training or education. The district's remote location and lack of infrastructure make it difficult to establish training centers or programs. As a result, the local workforce is largely unskilled, which severely limits the economic opportunities available in the district. There is a strong need for targeted training programs that focus on improving agricultural productivity, developing vocational skills, and promoting entrepreneurship, particularly among youth and women.

It appears from the survey findings that surveyed enterprises are currently not prioritizing the training of youth and women in their respective fields. When asked if they had hosted any trainees in the past year, all the enterprises reported that they had not. This lack of focus on training highlights a potential gap in opportunities for youth and women to gain practical experience and skills within these sectors.

Interestingly, while none of the enterprises have hosted trainees in the past year, 60% of the surveyed enterprises expressed a willingness to host trainees, provided there is an organization to oversee and coordinate the training process and offer appropriate support. This indicates a

significant opportunity for collaboration with organizations that can facilitate structured training programs, potentially enhancing skills development and employment opportunities for youth and women.

At the district level, and as shown in the chart below, there is a notable variation in the willingness of enterprises to host trainees. Mayfa'a district recorded the highest percentage, with 80% of enterprises indicating a readiness to host trainees under the right conditions. In contrast, Bayhan district had the lowest percentage, with only 10% of enterprises expressing such willingness. This disparity suggests that local factors might influence the openness of enterprises to participate in training initiatives, highlighting the need for tailored approaches in different districts.

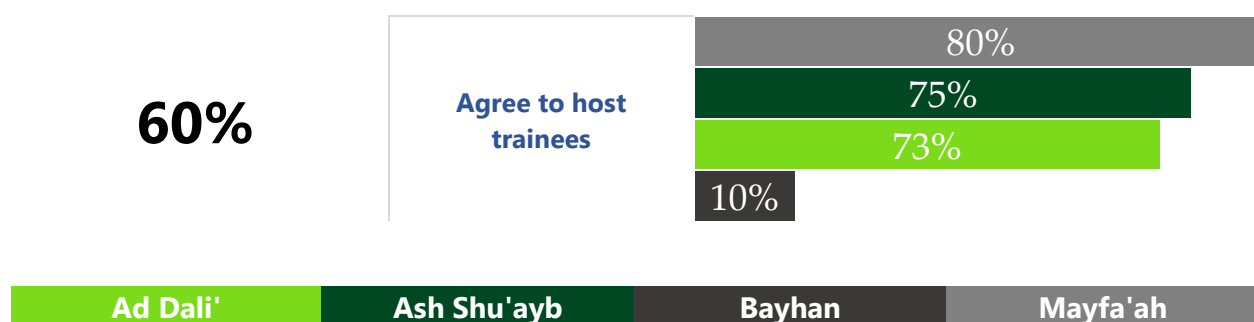


Figure 5 Readiness of enterprises to host trainees

The survey findings revealed a strong gender bias, with 97% of enterprises stating that they were only willing to host male youth trainees. This highlights a critical challenge in promoting gender equality and inclusivity in the labor market, emphasizing the need for targeted interventions to encourage enterprises to provide training opportunities for women.

Similar to the situation with employment opportunities, **women** face a significant lack of practical training opportunities in enterprises and companies.

Regarding the type of work/position in which the trainees will be hosted by the enterprises, the following table explains this.

Table 4 Types of work/positions in which the trainees will be hosted

Gender	Work/Position
Men	Sales Representative, Accountants, Cashier, Customer service, Baking Skills, Men Sewing
Women (only one enterprise in Mayfa'ah presents this opportunity)	Customer Service

The opportunities of PWDs in training in enterprises are almost non-existent compared to the opportunities of IDPs and returnees, as can be seen in the following figure.

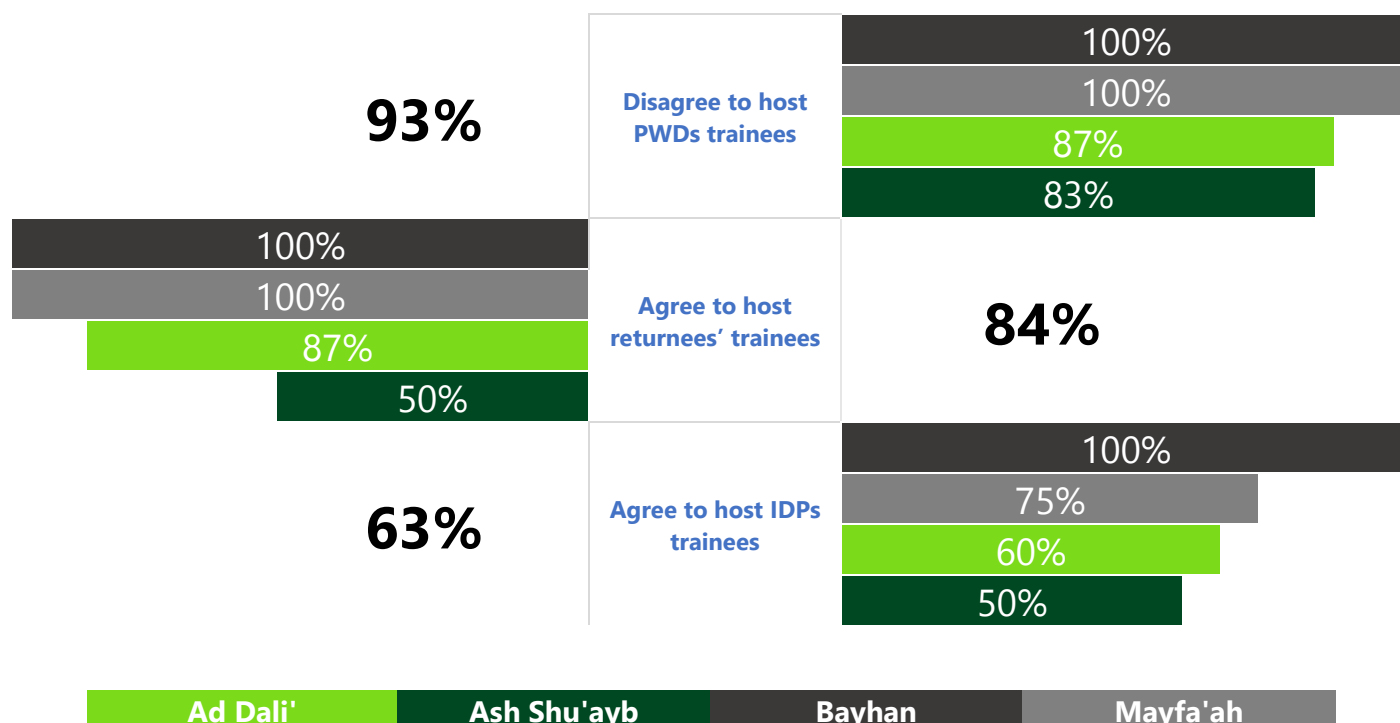


Figure 6 Readiness of enterprises to host IDPs/returnees/PWDs trainees

Regarding the reluctance to host trainees with disabilities (PWDs), the surveyed enterprises cited the belief that PWDs are unable to perform the tasks required in their areas of their enterprises' specialization.

There is a significant barrier to inclusion and underscores the need for greater awareness and training on how to adapt work environments and roles to accommodate PWDs. It also points to the importance of promoting the benefits of inclusivity and diversity in the workplace.

When the surveyed enterprises were asked to describe the ideal profile of trainees, they would be willing to host, the responses highlighted specific preferences. Interpersonal and management skills were deemed the most important, with 70% of enterprises prioritizing these traits. Following this, 58% of enterprises valued previous work experience, indicating a preference for trainees with some exposure to the workplace. A minimum educational requirement was noted by 49% of the respondents, suggesting a baseline level of formal education is considered important. Finally, technical or production skills were mentioned by 28% of enterprises, showing that while these skills are valued, they are less critical compared to soft skills and prior experience. This data

underscores the importance of a balanced skill set, where both soft skills and experience are highly valued by employers. The following chart presents the findings at the district level analysis.

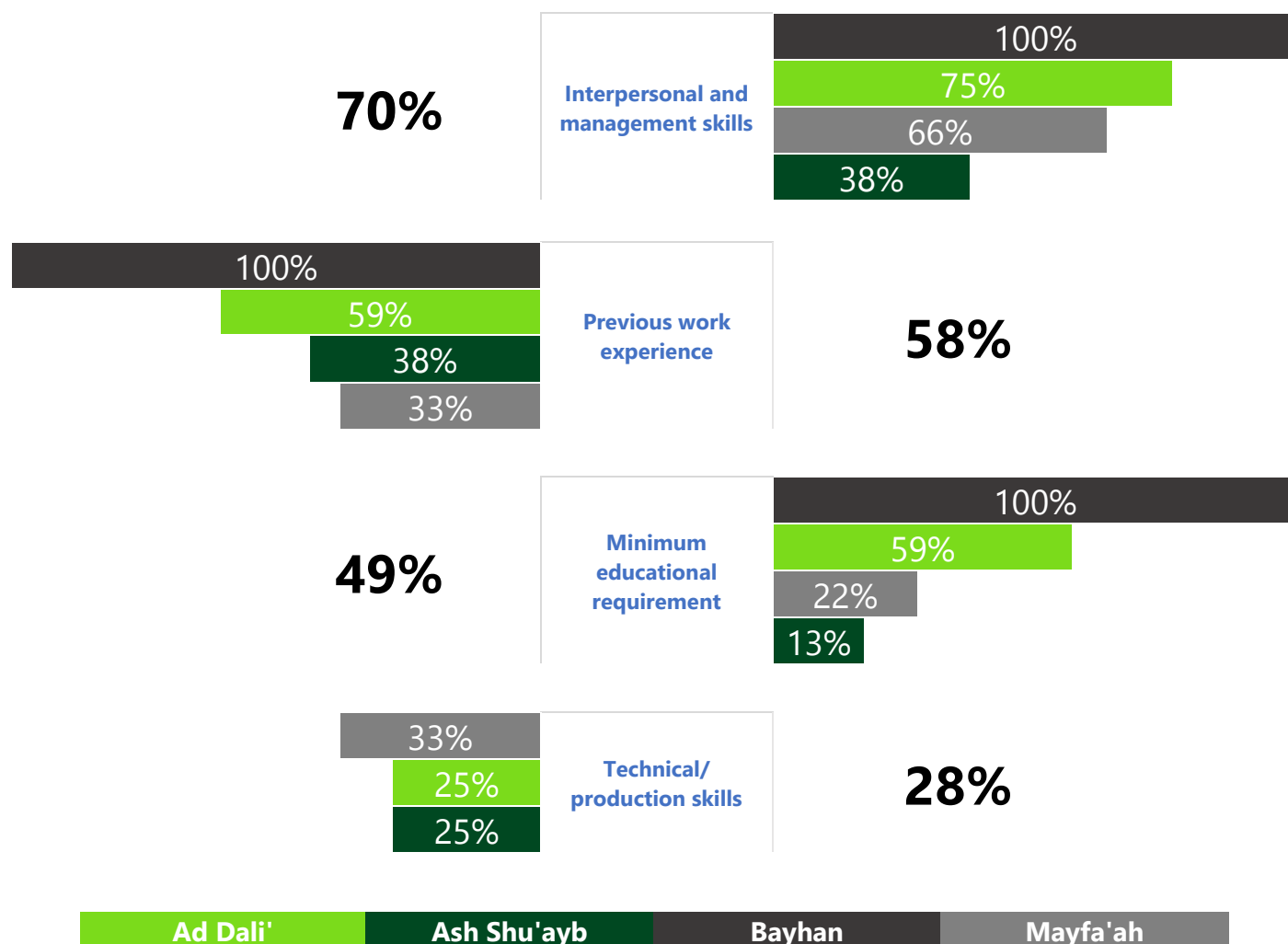


Figure 7 Educational background/skills/traits/qualifications of trainees to be hosted by enterprises

Regarding the type of support that businesses most need, the surveyed enterprises highlighted several key areas. The most commonly mentioned need was the provision of government electricity to facilitate work, which indicates a demand for more reliable and affordable energy solutions. Additionally, enterprises expressed the need for material and financial support tailored to the specific nature of their work, the type of training provided, and the number of trainees hosted. Lastly, moral support and encouragement were also noted as important, suggesting that enterprises value recognition and motivation alongside more tangible forms of support. These insights point to a multifaceted approach being necessary to effectively support enterprises in hosting trainees and improving overall business operations.

3.5. Enablers of Self-Employment

According to the FGDs and KIs findings, self-employment is a critical livelihood strategy in all four districts, particularly in the absence of formal employment opportunities. However, the enabling environment for self-employment varies significantly across the districts.

In Ad Dali' and Ash Shu'ayb, self-employment is primarily centered around small-scale agriculture, informal trade, and handicrafts. However, the potential for self-employment is constrained by limited access to markets, poor infrastructure, and a lack of access to finance. Women, in particular, face additional barriers to self-employment, including cultural restrictions, limited mobility, and a lack of control over resources. Despite these challenges, there is potential for self-employment in areas such as food processing, small-scale manufacturing, and retail trade, provided that the necessary support in terms of training, finance, and market access is available.

Bayhan offers more opportunities for self-employment, particularly in the service sector, small-scale manufacturing, and retail trade. The district's relatively better infrastructure and access to markets support a more vibrant entrepreneurial environment, where individuals can start and grow small businesses. However, the potential for self-employment is still constrained by factors such as competition, low consumer demand, and limited access to credit. Youth in Bayhan show a strong interest in entrepreneurship, particularly in emerging sectors such as technology and mobile services, but they require support in the form of training, mentorship, and access to finance to succeed.

In Mayfa'ah, self-employment opportunities are extremely limited due to the district's economic isolation, poor infrastructure, and lack of access to markets. Most self-employment activities are centered around subsistence agriculture, which provides little scope for income generation or business growth. The lack of financial services, coupled with strict social norms that restrict women's participation in economic activities, further limits the potential for self-employment in the district. There is a strong need for targeted interventions to promote self-employment, including improving access to finance, providing training and mentorship, and addressing cultural barriers that limit women's participation.

In all four districts, promoting self-employment as a viable livelihood strategy will require a concerted effort to improve the enabling environment, including access to finance, training, and markets, as well as addressing the specific barriers faced by women and youth.

3.6. Impact of Shocks and Stresses on the Market System

The LMA revealed that, the market systems in all four districts have been significantly impacted by various shocks and stresses, particularly the ongoing conflict, which has exacerbated existing vulnerabilities and led to widespread economic disruption.

In Ad Dali' and Ash Shu'ayb, the impact of the conflict has been felt most acutely in the agricultural sector, where disruptions to farming activities, supply chains, and markets have led to reduced productivity and income. The conflict has also led to increased displacement, with many

households losing their homes, assets, and livelihoods. This has had a ripple effect on the local economy, leading to a decline in consumer demand, a contraction of market opportunities, and increased poverty and unemployment.

Bayhan has also been significantly impacted by the conflict, particularly in terms of disruptions to trade routes and agricultural activities. The district's relatively better infrastructure has provided some resilience, but the ongoing conflict has led to a decline in business activities, increased prices for goods, and a loss of livelihoods for many households. The market system in Bayhan is highly vulnerable to external shocks, and the district's economy is struggling to recover from the cumulative effects of the conflict.

In Mayfa'ah, the impact of the conflict has been even more severe, exacerbating the district's already fragile economy. The agricultural sector, which is the mainstay of the local economy, has been devastated by the conflict, leading to widespread food insecurity and loss of livelihoods. The district's remote location and lack of infrastructure have further compounded these challenges, making it difficult for residents to access markets, services, or support. The market system in Mayfa'ah is highly fragile, with little resilience to external shocks, and the district's economy is at risk of collapse if current trends continue.

According to the enterprises survey, the following figure shows the findings related to the impact of conflict on the enterprises.

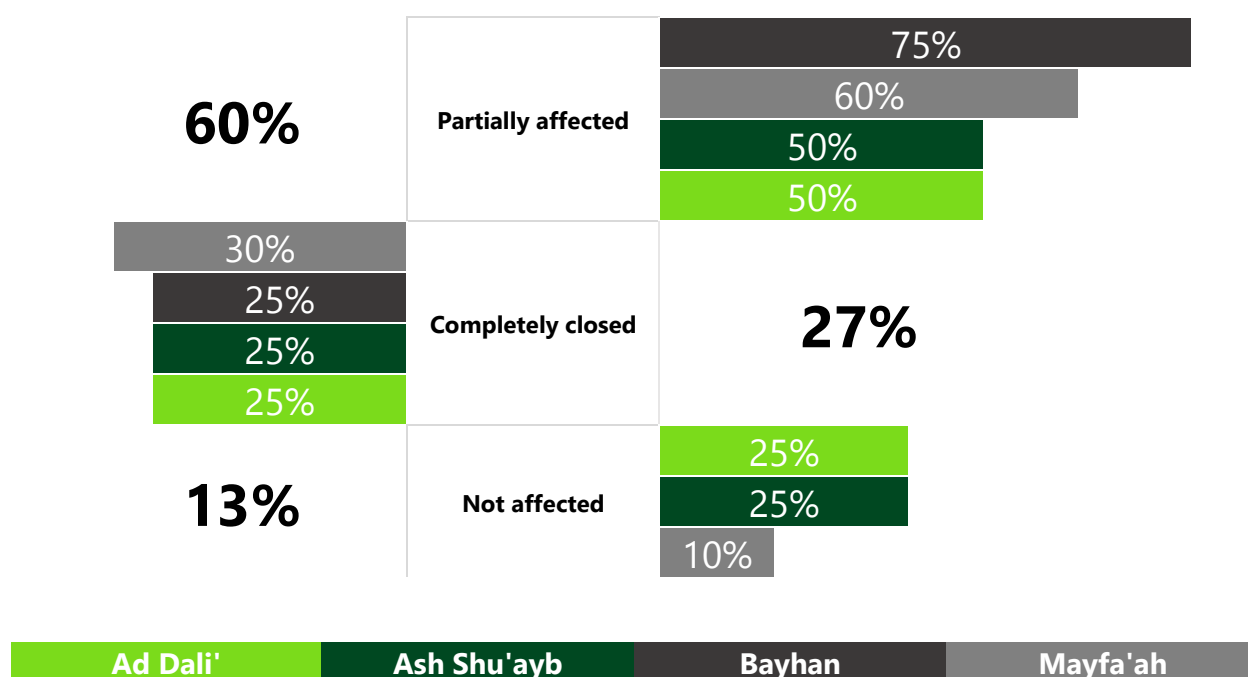


Figure 8 Impact of the conflict on the enterprises

The majority of enterprises included in the study have been affected at the beginning of the conflict. According to the data presented in the figure above, 60% of the enterprises experienced

partial disruption, as reported by their owners. In addition, 27% of the enterprises were forced to close entirely as a direct result of the conflict.

Overall, the market systems in all four districts are highly vulnerable to shocks and stresses, particularly the ongoing conflict. Building resilience in these market systems will require addressing the underlying vulnerabilities, including improving infrastructure, supporting agricultural productivity, and providing access to finance and markets.

3.7. Systemic Resilience to Economic Shocks

Systemic resilience to economic shocks one of themes that covered by this LMA. It varies across the districts, but it is generally low, leaving the local economies vulnerable to external shocks such as the ongoing conflict, climate change, and economic downturns.

In Ad Dali' and Ash Shu'ayb, the agricultural base provides some level of resilience, but this is threatened by limited access to inputs, markets, and infrastructure. The local economies in these districts are highly dependent on agriculture, making them vulnerable to climate-related shocks such as droughts and floods, as well as the ongoing conflict, which has disrupted farming activities and supply chains. Building resilience in these districts will require diversifying the local economy, improving access to finance and markets, and investing in infrastructure to support economic activities.

Bayhan shows moderate resilience due to its more diversified economy, which includes agriculture, trade, and services. The district's relatively better infrastructure and access to markets provide some level of protection against economic shocks, but the ongoing conflict has still had a significant impact, disrupting trade routes and reducing consumer demand. Building resilience in Bayhan will require supporting the growth of emerging sectors such as technology and mobile services, improving access to finance, and strengthening the district's infrastructure to support economic activities.

In Mayfa'ah, systemic resilience is extremely low, with the district's economy highly vulnerable to external shocks. The agricultural sector, which is the mainstay of the local economy, has been devastated by the conflict, leading to widespread food insecurity and loss of livelihoods. The district's remote location and lack of infrastructure further exacerbate these challenges, making it difficult for residents to access markets, services, or support. Building resilience in Mayfa'ah will require targeted interventions to improve agricultural productivity, develop alternative livelihoods, and invest in infrastructure to support economic activities.

Some findings from the enterprise survey highlight the strong resilience in the four districts regarding the age and continuity of businesses. As illustrated in the chart below, 77% of the surveyed enterprises have been in operation for over 10 years, with the breakdown as follows: Ad Dali' (87%), Ash Shu'ayb (100%), Bayhan (60%), and Mayfa'ah (60%). Additionally, 14% of the enterprises have been established for more than 5 but less than 10 years.

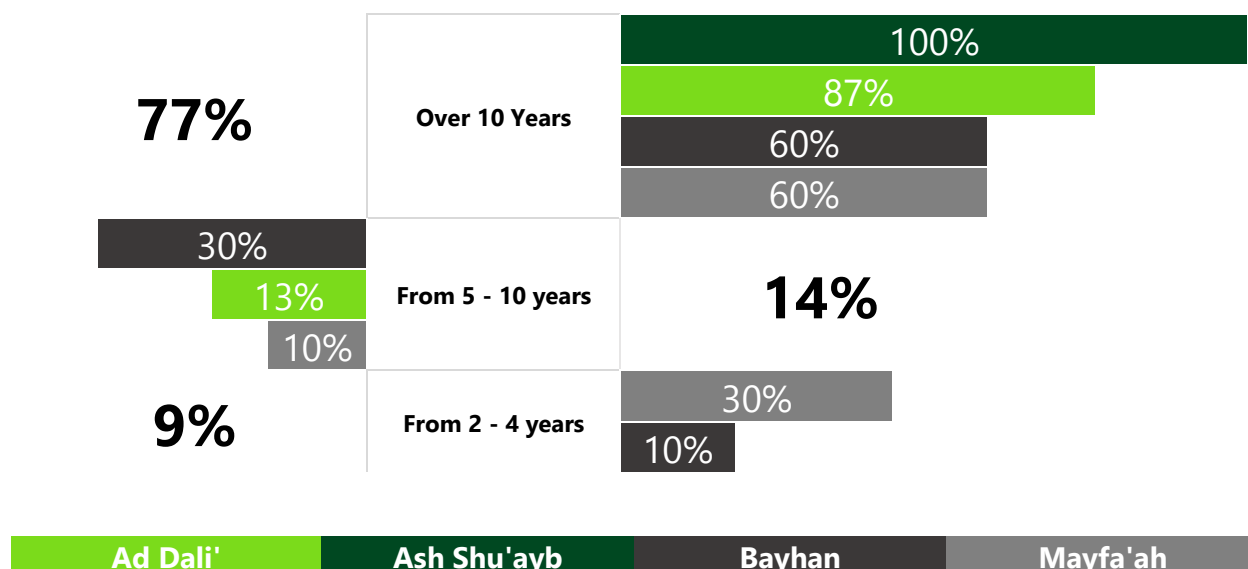


Figure 9 The age of the surveyed enterprises

The building systemic resilience to economic shocks will require, in the four targeted districts, a comprehensive approach that includes improving access to finance, diversifying the local economy, investing in infrastructure, and addressing the specific vulnerabilities of women and youth.

3.8. Resource Mapping and Local Infrastructure

As for the resource mapping and local infrastructure, the qualitative data revealed, they are critical issues that significantly impact economic activities and livelihoods in all four districts.

In Ad Dali' and Ash Shu'ayb, the lack of reliable infrastructure, including poor road networks and limited access to markets, hampers economic activities and increases costs for producers and traders. These districts suffer from inadequate access to basic services such as water, electricity, and healthcare, which further constrains economic development. The limited availability of agricultural inputs, coupled with the lack of access to markets, has led to low productivity and income for farmers. Improving infrastructure in these districts, including roads, irrigation systems, and access to markets, is essential for supporting economic growth and improving livelihoods.

Bayhan has slightly better infrastructure, including access to main roads and markets, which supports a more vibrant local economy. However, the district still faces significant challenges, particularly in terms of access to basic services such as water, electricity, and healthcare. The lack of reliable infrastructure in rural areas of Bayhan limits the ability of farmers to access markets and inputs, reducing agricultural productivity and income. There is a need for targeted investments in infrastructure to support the growth of the local economy, particularly in emerging sectors such as technology and mobile services.

In Mayfa'ah, the lack of infrastructure is a major constraint to economic development. The district's remote location and poor connectivity make it difficult for residents to access markets, services, or support. The lack of access to basic services such as water, electricity, and healthcare further exacerbates these challenges, making it difficult for residents to engage in economic activities beyond basic subsistence. Improving infrastructure in Mayfa'ah, including roads, irrigation systems, and access to markets, is essential for supporting economic growth and improving livelihoods.

There are significant challenges related to local infrastructure and resource availability across all targeted districts. Insufficient access to reliable electricity (86%) and safe water (30%) are major issues that directly affect business operations and hinder productivity.

There is a critical need for targeted investments in infrastructure, across four districts, to support economic activities and improve livelihoods. This includes improving road networks, access to markets, and basic services such as water and electricity, as well as providing access to agricultural inputs and other resources necessary for economic development.

3.9. Local Demand for Skills and Services

Based on the FGDs and KIs extracted results, the local demand for skills and services is limited across the districts but varies in scope and nature, reflecting the economic activities and needs of each district.

In Ad Dali' and Ash Shu'ayb, there is a modest demand for agricultural skills and basic services such as health and education, but these needs are not fully met due to a lack of trained professionals and resources. The agricultural sector, which dominates the local economy, requires skills in modern farming techniques, irrigation, and livestock management. However, there is a significant gap between the demand for these skills and the available training programs, which are often outdated and not aligned with current market needs. There is also a demand for non-agricultural skills, particularly in trades such as carpentry, plumbing, and electrical work, as well as services such as healthcare and education. However, access to training and services in these areas is limited, particularly for women and youth.

Bayhan shows some demand for skilled labor in the service sector, particularly in retail, small-scale industries, and emerging sectors such as technology and mobile services. The district's relatively better infrastructure and access to markets support a more vibrant local economy, where there is a growing demand for skilled workers in these sectors. However, the supply of skilled labor is insufficient, particularly in rural areas, where access to training and education is limited. There is also a demand for entrepreneurial skills, particularly among youth, who are interested in starting small businesses but lack the necessary training and support.

In Mayfa'ah, the demand for skills and services is extremely limited, reflecting the district's overall economic stagnation and limited market activity. Most of the economic activities in Mayfa'ah are centered around subsistence agriculture, which requires basic agricultural skills but offers little scope for formal training or professional services. The lack of infrastructure, access to markets, and financial services further limits the demand for skilled labor or services in the district. There is a need for targeted interventions to develop the local economy, create demand for skills and services, and provide access to training and support for economic activities.

The enterprises survey reveals, 45% of surveyed enterprises reported there are sectors in need to skilled and specialized labor.

Many job opportunities are available to the unemployed; however, securing these positions depends on individuals possessing the necessary skills, whether acquired through experience, training, or education. It also relies on companies and enterprises adopting official hiring practices by publicly announcing job vacancies through channels accessible to everyone.

The figure below illustrates the sectors experiencing labor shortages, as reported by respondents. According to the survey, 53% identified labor shortages in the car maintenance, auto electrician, mobile and electronics maintenance, and electrical extension sectors with the breakdown as follows: Ad Dali' (43%), Ash Shu'ayb (100%), Bayhan (17%), and Mayfa'ah (50%). Meanwhile, 27% pointed to shortages in the computer and accounting systems sector, and 20% reported labor shortages in the health sector.

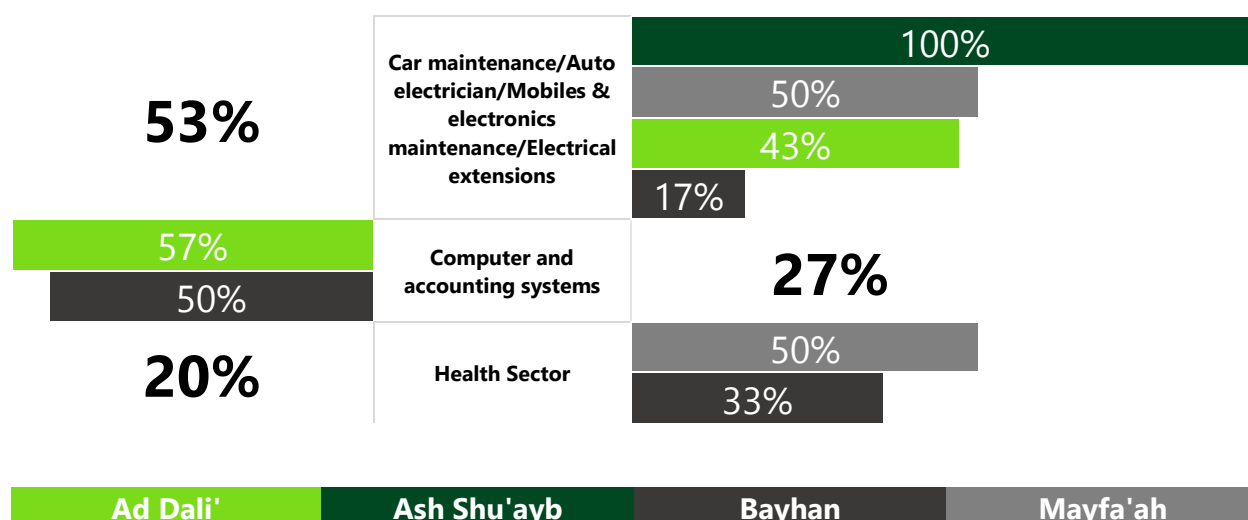


Figure 10 The sectors suffering from labor shortages

3.10. Financial Services Landscape

The financial services landscape is underdeveloped across all four districts, with significant barriers to accessing formal financial services. This has a profound impact on the ability of individuals and businesses to invest, grow, and sustain their economic activities.

In Ad Dali' and Ash Shu'ayb, the financial services landscape is dominated by informal lending networks, with very limited access to formal banking services. The lack of formal financial institutions in these districts means that most residents rely on informal methods such as borrowing from family and friends, rotating savings and credit associations (ROSCAs), or moneylenders. These informal methods often come with high-interest rates and limited access to larger sums of money, making it difficult for individuals to invest in business activities or cope with economic shocks. Women, in particular, face additional barriers to accessing finance, including cultural restrictions, lack of collateral, and limited financial literacy.

Bayhan has a slightly better financial infrastructure, including some microfinance institutions and informal savings groups. However, these services are often inaccessible to the poorest households or those living in remote areas. The availability of formal banking services is limited, and those that do exist are often located in urban centers, making them difficult to access for rural residents. The high cost of credit, coupled with stringent collateral requirements, further limits access to finance for small businesses and entrepreneurs. There is a need for more accessible and affordable financial services, particularly for women and youth, to support the growth of the local economy.

In Mayfa'ah, the financial services landscape is extremely underdeveloped, with almost no formal financial institutions available. Residents rely heavily on informal lending networks or moneylenders, which often come with high-interest rates and exploitative terms. The lack of access to formal financial services severely limits the ability of residents to invest in economic activities, start or grow businesses, or cope with economic shocks. Women and youth are particularly disadvantaged, as they often have even less access to finance due to cultural barriers and lack of collateral. There is a critical need for targeted interventions to improve access to finance, including the introduction of microfinance services, savings groups, and financial literacy programs.

***The access** to finance difficulties, was mentioned by 24% of surveyed enterprises as one of the main challenges facing them.*

This means, the improving access to financial services is essential for supporting economic growth and improving livelihoods. This includes expanding the availability of formal banking services,

promoting microfinance institutions, and supporting informal savings groups. There is also a need for targeted interventions to improve financial literacy, particularly for women and youth, and to address the specific barriers they face in accessing finance.

3.11. Youth Entrepreneurship and Employment

The analysis of the qualitative data, youth entrepreneurship and employment opportunities are notably constrained across all four targeted districts, with varying degrees of potential and challenges. In Ad Dali' and Ash Shu'ayb, the primary opportunities lie within the agricultural sector and informal trade activities. However, these sectors are not sufficiently robust to absorb the growing numbers of unemployed youth, leading to significant underemployment. The agricultural sector, while offering some potential, is hindered by outdated farming techniques, limited access to modern equipment, and the seasonal nature of employment, which does not provide consistent income opportunities for the youth.

In Bayhan, the landscape presents slightly more promise for youth entrepreneurship, particularly in the burgeoning service sector. Small-scale businesses such as mobile repair shops, internet cafes, and local retail have emerged as viable options for youth. Nevertheless, these opportunities are frequently stifled by substantial barriers, including inadequate access to startup capital, limited business acumen, and insufficient market linkages. The lack of entrepreneurial training and mentorship programs exacerbates these challenges, leaving many youth with promising ideas but without the necessary support to realize them.

Mayfa'ah stands out as the district with the most formidable obstacles to youth entrepreneurship and employment. The district's economic isolation, compounded by a severe lack of infrastructure, significantly restricts the creation of new businesses and the expansion of existing ones. Youth in Mayfa'ah face a scarcity of viable economic activities, and the absence of basic services such as reliable transportation, electricity, and internet further isolates them from broader market opportunities. To address these multifaceted challenges, a comprehensive approach is required, focusing on providing youth with access to finance through microcredit schemes, offering tailored entrepreneurial training that includes business management and market analysis, and establishing mentorship networks that connect young entrepreneurs with experienced business leaders.

3.12. Business and Investment Opportunities

The collected qualitative data clarify that, the business and investment opportunities are limited across the four targeted districts, each presenting unique sectoral potentials and challenges. In Ad Dali' and Ash Shu'ayb, there is discernible potential for investment in agriculture, especially in initiatives aimed at enhancing productivity through the adoption of modern farming techniques and the development of agricultural value chains. Investments in irrigation systems, improved seed varieties, and post-harvest processing could significantly boost agricultural output and create new employment opportunities. Furthermore, there is a growing need for agro-processing

facilities that can add value to local produce, such as milling, packaging, and storage, thereby increasing the income of farmers and generating additional business prospects.

Bayhan demonstrates potential in the retail and service sectors, where small businesses catering to local consumer needs have shown resilience. However, these sectors face challenges such as market saturation, low consumer purchasing power, and the constraints of a limited local economy. Investment in innovative retail solutions, such as mobile commerce platforms or cooperative business models, could help overcome these barriers by expanding market reach and enhancing competitiveness. Additionally, there is potential for investment in vocational training centers that focus on skills development for the service industry, thus equipping the local workforce with the necessary competencies to thrive in these sectors.

Mayfa'ah presents the most challenging environment for business and investment, with significant structural barriers including poor infrastructure, limited market access, and a lack of financial services. The district's remote location and underdeveloped transport networks severely limit the flow of goods and services, making it difficult for businesses to thrive. To unlock business potential in Mayfa'ah, there is an urgent need for targeted infrastructure development, such as improving road networks, expanding access to reliable electricity, and establishing financial institutions that can provide essential banking and credit services. Investment in these foundational areas could lay the groundwork for future business growth and attract both local and external investors.

The strategic investment in key sectors, supported by improvements in infrastructure, access to finance, and capacity building, is essential to unlocking business potential and driving sustainable economic growth. These efforts should be complemented by government and donor-supported initiatives that provide incentives for private sector investment, foster public-private partnerships, and promote a favorable business environment.

Key Findings

Ad Dali' District

- **Economy:** Predominantly agrarian, with reliance on subsistence farming and informal economic activities. Limited agricultural productivity due to outdated techniques and poor infrastructure.
- **Employment:** High unemployment rates, especially among women and youth, with scarce non-agricultural job opportunities. Informal trade and casual labor are common but offer unstable income.
- **Business Environment:** 47% of businesses haven't hired new employees recently. Despite high rental costs, low consumer purchasing power, and insufficient electricity access, 87% of businesses remain profitable. Sectors like cooling facilities, bakeries, and grocery stores present opportunities.

- **Market and Skills:** Limited job opportunities for young individuals, with a strong need for modern agricultural and non-agricultural vocational training. High willingness among businesses to host trainees (60%).
- **Barriers and Shocks:** Limited access to markets, finance, and poor infrastructure restricts self-employment. Women face cultural restrictions and lack of mobility. Conflict and economic shocks have severely impacted agriculture, leading to increased poverty and unemployment.

Ash Shu'ayb District

- **Economy:** Similar to Ad Dali', primarily agrarian with a reliance on subsistence farming. Faces challenges with agricultural productivity and infrastructure.
- **Employment:** High unemployment with prevalent informal economic activities. 50% of businesses have not hired recently, and 38% face hiring difficulties. Youth and women face significant barriers to employment.
- **Business Environment:** Majority of businesses (88%) reported no change in client numbers. Low average salaries and low demand for products/services are significant challenges, but 50% of businesses remain profitable. Needs for services like laundries and large markets identified.
- **Market and Skills:** No opportunities reported for youth (18-24 age group). Similar skills gap as Ad Dali', with a focus on modernizing agriculture and non-agricultural skills development. High willingness to host trainees (75%).
- **Barriers and Shocks:** Similar to Ad Dali', with limited access to markets and finance, cultural restrictions, and lack of infrastructure. Conflict and displacement have further impacted economic stability.

Combined Key Findings for Ad Dali' and Ash Shu'ayb Districts

- **Self-Employment and Barriers:** Focus on small-scale agriculture, informal trade, and handicrafts. Barriers include limited market access, poor infrastructure, and restricted access to finance. Women face additional challenges due to cultural norms.
- **Opportunities:** Potential exists in food processing, small-scale manufacturing, and retail trade with adequate support.
- **Impact of Shocks:** Conflict has disrupted agriculture and markets, increasing poverty and unemployment. Vulnerability to climate shocks due to agricultural dependency.
- **Infrastructure:** Poor Road networks, limited market access, and inadequate basic services restrict economic development and increase costs.
- **Financial Access:** Reliance on informal lending with high-interest rates due to lack of formal banking services. Women face greater financial access barriers.
- **Youth Employment:** Limited opportunities in agriculture and informal trade, with significant underemployment. Modern agricultural techniques and non-agricultural skills training are needed to absorb the youth population.

- Investment Potential: Opportunities to invest in agriculture to improve productivity through modern farming techniques and value chain development.

Bayhan District

- Economy & Infrastructure: More diverse economy with agriculture, small-scale industry, and trade. Better infrastructure compared to other districts, but conflict has disrupted trade and increased costs.
- Employment & Income: High hiring difficulties (80% of enterprises) due to skill shortages. 90% of businesses haven't hired new employees recently, and 70% of salaries are low. 60% of businesses reported decreased clients, with 40% seeing income declines.
- Challenges & Opportunities: High rental costs, low consumer purchasing power, and security concerns are major challenges. Despite this, 40% of businesses are successful, with demand in electronics repair and cafes. Opportunities exist for women and youth in small businesses, especially in technology and services.
- Skills & Training: Significant skills gap, particularly in technology and mobile services. Existing vocational centers have low participation due to accessibility issues. Only 10% of enterprises are willing to host trainees.
- Self-Employment & Financial Services: Limited self-employment due to competition and lack of credit. Better access to some microfinance, but high costs and limited rural reach. More accessible financial services are needed, especially for women and youth.
- Resilience & Economic Stability: Bayhan has moderate resilience due to a diversified economy, but the conflict still significantly disrupts activities. Better infrastructure offers some stability, yet rural areas face significant service shortages.

Mayfa'ah District

- Economy & Infrastructure: Predominantly subsistence agriculture, with severe economic challenges due to poor infrastructure and market access. High poverty and unemployment are prevalent.
- Employment & Income: 60% of businesses haven't hired new employees, and 40% reported income decreases. Challenges include insufficient electricity, low demand, and mobility restrictions.
- Challenges & Opportunities: Limited economic opportunities, particularly for women and youth due to social norms and isolation. 40% of businesses find some success, with potential in basic services like laundries and public restrooms.
- Skills & Training: Very limited training infrastructure. High demand for basic skills in agriculture and vocational trades, but few training opportunities are available. Willingness to host trainees is high (80%).
- Self-Employment & Financial Services: Self-employment is mostly subsistence-based, with barriers including poor infrastructure and limited financial services. High-interest rates and informal lending are common.

- Resilience & Economic Stability: Very low resilience to shocks, with significant reliance on agriculture and poor infrastructure. The economy is extremely fragile, and residents face major barriers to economic development, including lack of access to essential services like water and healthcare.

4. Recommendations

Given the similarities in the nature of the needs identified across the targeted districts, with the severity varying by district, it is recommended to implement the following activities. The focus of these activities should be adjusted according to the specific severity of needs in each district.

1. Modernize Agriculture and Develop Value Chains

- ✿ Implement modern farming techniques, improve irrigation, and invest in post-harvest processing facilities. This can enhance agricultural productivity, create consistent employment, and stabilize income for farmers.

2. Enhance Access to Finance

- ✿ Develop microcredit schemes and informal savings groups to provide youth and women with startup capital
- ✿ Encourage financial literacy programs to overcome cultural and knowledge barriers.
- ✿ Expand the reach of microfinance institutions and develop more accessible financial products tailored to the needs of small businesses and low-income households.
- ✿ Facilitate partnerships with financial institutions to lower interest rates and relax collateral requirements, making credit more accessible, particularly for women and youth.

3. Promote Vocational and Entrepreneurial Training

- ✿ Establish training centers focused on modern agricultural practices.
- ✿ Establish and expand vocational training centers focusing on high-demand skills such as electronics repair, mobile services, and technology.
- ✿ Provide specialized training in small business management, and mentorship programs to support youth and women entrepreneurship.
- ✿ Enhance awareness and accessibility of these training programs, especially for women and youth, to increase participation rates.

4. Support for Micro, Small and Medium Enterprises (MSMEs):

- ✿ Provide financial support and access to credit for SMEs, particularly those in emerging sectors such as cafes, retail, and electronics repair.
- ✿ Implement business mentorship programs to guide new entrepreneurs and help existing businesses adapt to market changes.

5. Promote Women's Economic Participation

- ✿ Implement programs that specifically target women's economic empowerment by providing training, access to finance, and support services tailored to their needs.
- ✿ Address cultural barriers by engaging community leaders to support women's participation in the economy.

6. Improve Infrastructure

- ✿ Improve infrastructure, particular in rural areas, focusing on reliable electricity, water supply to reduce costs for producers and traders, and internet connectivity to support business operations
- ✿ Develop transportation infrastructure to improve access to markets, enabling local businesses to expand their customer base and reduce costs.

7. Build Systemic Resilience

- ✿ Develop local value chains and encourage diversification of the economy to reduce vulnerability to external shocks.
- ✿ Support the development of cooperatives and collective business models to strengthen local businesses and increase their market influence.