



Republic of Yemen  
Ministry of Social Affairs and Labor  
Social Welfare Fund

**YEMEN'S PAPER FOR THE INTERNATIONAL  
WORKSHOP ON**

**“Innovation Micro-Credit Delivery Systems for Rural  
Poverty Alleviation, Comilla, Bangladesh”  
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## **Introduction:**

The poverty problem is one of the global challenges, which influences negatively most of the countries around the world especially the 3rd world Nations, however, the impact of this problem is different from country to another according to the social, economical and political circumstances. Yemen, one of these Nations, is suffering from poverty too. Here, we are all invited to this workshop in order to put our hands together to look for better work policy for poverty alleviation and to make the world better place for living.

## **The Republic of Yemen:**

Location: South-West Asia, Contains Mountains, desert, coasts and Islands.  
area: 536,869 sq km (207,286 sq miles) Border: Saudi Arabia Kingdom from the north, Sultanate of Oman from the east, the red sea from the west and Gulf of Aden & Indian Ocean from the south. Population: 22.4 million.  
Major language: Arabic. Major religion: Islam. Ruling System: Democracy.

## **Economic Condition & poverty:**

Yemen's economy depends on the agriculture, oil, fishery and tourism (as it is the oldest inhabited area in the earth, in addition it has a variety of unique climate).

But, from what was historically known as "Arabia Felix" – a land of prosperity and happiness – Yemen has become the most impoverished among the Arab countries. Where is, the poverty percentage is 34,8% i.e. third of the population.

During the last 2 decades, the economy situation has been going worst; the thing that made Yemen suffers from poverty due to some factors such as:

- High rate of unemployment and illiteracy among individuals of our country.
- Low health services.
- Low-grade level of education and training.
- Increasing rate of population growth which is the highest in the world and decreasing rate of economic growth, and
- Dryness and drought rain situations that affected negatively the agriculture activities which most of the population work in.

- In addition to some factors that either directly or indirectly contributed in exhaustion the economy and in aggravation of poverty in Yemen ,such as :
  - The 2nd Gulf War that forced more than 1 million expatriates abroad (Gulf Countries) to return back to home country
  - Beside that, the political and militarism crisis, which was caused by the enemies of this nation after the reunification of Yemen.

### **Poverty:**

All that, made the Government to implement some procedures and decisions to pass the economic conjuncture that plagued the economy of the country. One of these procedures is the macro-economic reform program, started in 1996.

Since that, the suffering of the poorest people increased in Yemen as a result of the governmental reforms and the procedures that have been imposed for creating economic stability. The procedures included the removal of the subsidies on the wheat and flour. These procedures still have negative impacts against the life level of poor families.

### **Poverty Alleviation:**

Therefore, Yemen has put the poverty problem within the priority agenda of the government who made the policies for poverty alleviation at different levels. Then, the poverty alleviation strategy came as a national document reflected the commitments of the government toward the citizen for achieving the development and poverty alleviation. Also it has become the program and frame-work of the government with donor countries and organizations to continue the economic reform and achieve the millennium development goals.

In order to confront the negative influences, which come as a consequence of the macro-economic reform program against poor categories in the society, the government created the Social Safety Net Programs in 1996, in addition to the expansion in health and education services that contribute in poverty alleviation and achieve dignified life for the people

### **Micro-credits & small enterprises for poverty alleviation:**

Yemen has worked with all resources for clarifying for the public the importance of the credits and small projects , moreover, making strategies, laws and legislations which encourage and create appropriate environments for promoting small enterprises , industries , and finance through micro-credits .

### **Micro-credits institutions in Yemen:**

The following list shows the major institutions who present small and micro finance and they represent the governmental sectors and civil society organizations. These sectors has presented 179698 Credits.

<b>Micro-credits institutions</b>	<b>finance type</b>	<b>Number of beneficiaries</b>	<b>Start</b>
<b>Cooperative agricultural credit bank(CAC bank)</b>	<b>governmental</b>	<b>139000</b>	<b>1990</b>
<b>Social Fund for Development (SFD)</b>	<b>Governmental / international</b>	<b>32000</b>	<b>1997</b>
<b>Basic Needs Program</b>	<b>international</b>	<b>2500</b>	<b>2004</b>
<b>Tadhamun Islamic Bank</b>	<b>Commercial / private sector</b>	<b>600</b>	<b>2005</b>
<b>Social Welfare Fund (SWF)</b>	<b>Governmental</b>	<b>3832</b>	<b>2007</b>
<b>Al-Saleh Corporation</b>	<b>civil society organizations</b>	<b>4000</b>	<b>2007</b>

## **Challenges**

### **Micro-credits Challenges in Yemen:**

- Plurality of institutions that present credits and the imparity in work policies.
- Absence of coordination among the institutions to create a unified work policy for targeting the vulnerable poor.
- Most of institutions depend on the direct applicants to present credits, the thing that deprives the poor in rural areas from benefiting of credits.
- Scarcity of cash flow concerning credits.
- The interest's percentage on credits is high in some institutions.
- Credits guarantee is very difficult to be achieved by beneficiaries in some institutions.
- As well as in Yemen, banks and institutions in many countries prefers not to present their services for such projects, because, the requested credits are small amounts.

### **Small and micro-enterprises challenges in Yemen:**

- High competition with fewness of demand, especially with the existence of big projects and factories, are the main reasons in disturbing the small projects (sometimes the projects stop).
- The Industrialized Countries provide the local markets with various products with cheap prices. Mostly, they invade the traditional handicraft products which are the basis of work for the small projects of poor. i.e. (escaping the work chances from poor).
- Weakness of marketing and managerial skills in the small projects, also, difficulty of acquiring these skills especially in rural areas.
- Dependency not on the necessary criterions of small project success, such as, product quality, costs, market and economic benefit.
- The rural areas are remote areas, which form difficulty for the staff of micro credits and projects , with the absence of suitable tools for keeping on touch and visiting the beneficiaries in order to follow up the projects progress.

## **Model from the Institutions that target the most vulnerable poor**

### **The Social Welfare Fund (SWF):**

The (SWF) is one of the components of the Social Safety Net which was created to confront the negative impacts of the economic reform program against the poor in the society ,and aims to provide the social protection for those poor, who have not any resource of income , by presenting cash assistance (permanent & temporary) according to the Social Welfare Law.

#### **SWF Objectives:**

- To present cash and different assistance for poor (individuals and families) to improve their sustenance and social circumstances.
- To provide all possible facilities and supports toward developing the inoperative human resources to retrain them and insuring works for them in order to depend on themselves to improve their income.

Therefore the SWF present cash assistance for (1044078) cases (families) i.e. (5154800 individuals) throughout the country (villages, districts, cities).

In addition, the SWF developed its work – policies. So, since 2005 the SWF has started to implement training programs for poor, who are able to work, in so many avocations and skills. Until the end of 2007 the SWF has trained 14300 beneficiaries.

#### **SWF's Micro-credits program:**

The SWF doesn't stop just too present cash assistance and training programs, furthermore, in 2007 the SWF started to implement micro-credit programs for 3832 beneficiaries who have already joined training. This experience has gained great success and acceptance among the poor, this success is due to the following reasons:

1. The SWF provides the beneficiaries with necessary needs of skills by joining training programs.
2. The small projects have been studied, by the SWF's Beneficiaries Development Department, according to scientific criteria.
3. The SWF targets the most vulnerable category and reaches to the remote rural areas.
4. Flexibility procedures and facilities in presenting credits.

Consequently, financing of micro credits projects for the beneficiaries, who have been trained; from the SWF, should come with flexible policy focusing on the points mentioned above.

In spite of the SWF experience in micro credits is new, the SWF aimed to work according to successful international experiences.

### **SWF's Credit Policy:**

- 1- The given person should be from the SWF beneficiaries who have been defined according to the field social research.
- 2- The beneficiary has joined a training program presented by the SWF according to the following :
  - The staff of the beneficiaries' development department (SBDD) prepares a study for suitable training programs concerning the nature of an area.
  - Implementing a field survey to identify the beneficiaries' desires in joining a training program.
  - Every 20 beneficiaries join a training program implemented by a professional contract training institution.
- 3- then, presenting credits for the graduated beneficiaries :

After the training programs have been implemented and the beneficiaries have gained the necessary skills for working in a project, the (SBDD) prepare an economic study for a project, identify the tools and needs, identify the money amount to implement the project, and identify the period and the installments of payback of the credit. Then, the credit is handed over according to the following:

- Forming given groups, every group contains 5 beneficiaries, after a preparation meeting has been held with the beneficiaries to have information about the project.
- Then, every group nominates a leader, from the group members, to be a representative of his/ her group.
- The SWF depends on the guarantee of the group members for each other in order to present the Credit.
- The SBDD cooperate with the leader of the group to buy the tools for the project work to be handed over for every member in the group.

- The presented credits from the SWF are white credits i.e. interest free credits.
- CAC Bank is the institution who opens accounts for beneficiaries and receives the installments of payback amounts according to an agreement signed by the SWF and CAC Bank.
- The longest period for a credit is 30 months.
- The time starts from the date of delivering the tools for the beneficiaries.

**Conclusion:**

That was an over view on the experience of Yemen and SWF , and Yemen with all social institutions still looking for better experiences , especially the experience of Bangladesh as it is very well known by the successful experiences .

In addition, it is a great chance, not only to benefit from the micro credits experience, but also to benefit from the whole social work experiences and the conditional assistance methodologies.

Finally allow me and my colleague, and on behalf of the Yemeni people and government, to present the highest considerations and respects to the Ministry of Local Government, Rural Development and Cooperatives, Government of the People's Republic of Bangladesh, to the Afro-Asian Rural Development Organization, and to the Bangladesh Academy for Rural Development, for organising this workshop and for the generous hospitality.

Thank you.

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