3.6 ICD’S INNOVATION IN SUPPORTING SMES IN FRAGILE SETTINGS

3.6.1 The IBES Program, the architect of the BRAVE Initiative

Competitive enterprise growth requires a favorable business environment that offers low transaction costs to help companies respond to market demand and initiatives. Given the complex nature of both the problem of market failures and the solution through donor interventions, enterprise growth initiatives (especially for SMEs) need to operate at several levels. In order to revitalize enterprise performance, build coalitions in the private sector, transform market institutions and improve the business environment, these initiatives should occur at the national, sectoral, and enterprise levels.

To assist the MCs in fragility situation, as of 2018, ICD has continued to customize its advisory program for Industry and Business Environment Support (IBES). The goal of this program is to help ICD play an instrumental role in helping many of the most challenging regions. As a result, IBES is expanding its activities into fragile and conflict-affected areas of the Middle East, Africa and Asia, while also trying to reach a wider segment of potential beneficiaries.

The aim of IBES is to identify critical challenges inhibiting the growth of businesses and work closely with public and private partners. This partnership involves identifying solutions, putting in place needed technical assistance interventions, mobilizing resources from the partnerships and sharing expertise. The program focuses on four themes:

- Business Environment as national level of intervention.

Moving forward, the program plans to expand its operations horizontally across the four themes, shifting focus from special economic zones (SEZ) towards value chains (VC) as the core theme linking firm, spatial, and national level themes. The program is expected to focus primarily at the firm level and to a lesser extent on value chain interventions. The former will leverage the design and fund-raising experience gained in structured projects such as BRAVE to blend modalities and themes within one intervention. Value chain projects will be undertaken only if the selected intervention creates traction for subsequent financing or firm support schemes, allowing the transition from technical assistance to project financing or blended finance arrangement from DFIs. Specific to conflict affected and fragile environments, value chain and firm level approaches will be combined to design business resilience programs while learning from the BRAVE model and other international practices. More balance will be needed between delivering projects and developing new ones. The materialization of direct development impact will be an important objective for both efforts.
3.6.2 BRAVE: The first pilot in Yemen

Since the recent turmoil in Yemen, a quarter (25%) of all enterprises have closed. The most affected have been women-owned enterprises where almost half have been forced to close (42%), including those operating in the vital health sector, further compounding the struggle of the average Yemeni citizens to access basic health services.

In response to this conflict, ICD’s IBES Team has initiated the concept of Business Resilience Assistance for Value-adding Enterprise (BRAVE). The BRAVE project was designed through joint efforts between ICD and the Small and Micro Enterprise Promotion Service (SMEPS), an NGO based in Yemen, to combine value chain design principles, grant-matching scheme concepts for Micro, Small and Medium Enterprises (MSMEs) and banking credit practices within an integrated framework that responded to the in-conflict challenges of the private sector. The IsDB provided the sponsorship.

The IsDB-SMEPS Technical Assistance Grant Agreement was signed at the end of 2016, and in January 2017 BRAVE started its operations with the objective to “enhance the resilience of the private sector, as the engine of sustainable growth, against the impact of ongoing violence.” The Deauville MENA Transition Fund financed the project with a budget of USD 9 million. The BRAVE project targeted five pro-poor/value adding sectors of the economy, namely private health care, fisheries, food industries, clothing and agri-business. The beneficiaries of the project were employees and owners of MSMEs and Lead Value Chain Firms that received training only and/or training and grants in three regions of the country: Sana’a, Aden and Hadramout. The training and grant support were intended to build and sustain a long-lasting infrastructure for sustainability and growth of the Yemeni private sector.

The BRAVE project structure consisted of three parts: project team, a Grant Judging Panel of six members, and an Advisory Committee. In terms of activities, the project had the following five components: business resilience capacity building, business recovery support, value chain resilience, BRAVE IT platform, and a Project Management Unit (PMU).

BRAVE was designed as a two-phase project to be completed in three years. By the end of 2018, the project’s first phase had managed to support 528 MSMEs and large firms in the three selected locations. The MSME selection process consisted of two phases: eligibility screening for training (selection from 1,226 applicants) and computerized random selection for grants from those who completed training and developed their Business Continuity Plans. A grand total of 295 enterprises were selected to receive grants with 50% matching contribution from their own funds. However, due to the withdrawal of 29 firms, this total only amounted to 266 enterprises, including the participation of 15 Lead Firms.

The overall rationale of the project is summarized in the Theory of Change with six main categories: inputs, activities, outputs, outcomes, impact, and context (see Figure 7).
3.6.3 Development Results of the Pilot Phase based on the External Evaluation Report

In October 2018, ICD contracted Ghubril Ltd. (an independent evaluation firm, based in Canada) to conduct the midterm evaluation of the BRAVE Project. To undertake the evaluation, Ghubril has composed a core multi-national team of three expert evaluators based on their regional knowledge, location and experience in similar evaluations and subject matter. In addition, a team of local enumerators conducted the interviews with project beneficiaries under the supervision and guidance of the in-country team member. The evaluation team was supported by Ghubril's in-house staff that helped with logistics, document review, data management and analysis.

The evaluation covered the time period from January 2017 to August 2018 and included 189 beneficiaries in three locations where the project has been implemented. Local enumerators made site visits to businesses in Sana'a and Aden. Due to the wide spread of business activities and access difficulties in the Hadramout governorate, with the center in Mukalla, the team conducted phone interviews with business owners in this location. Also, the evaluation team interviewed SMEPS and ICD officers, representatives of three local banks and three training institutions.

3.7.3.1 Relevance of the Project

In examining the relevance of the BRAVE project, according to the MSME survey, 97% of entrepreneurs confirmed that the intervention was right and did occur at the right time. The results indicated that the grants have helped recipients survive during the on-going conflict, and that overall, the intervention has helped them grow their business. In general, the support was rated as relevant to the needs of businesses in terms of them being able to obtain new assets and materials, expand operations, and hire workers. In addition to the benefits
to enterprises, the intervention has provided benefits to the community as a whole, especially in light of the on-going conflict, by creating new job opportunities and improving access to new services, particularly in the health sector.

Knowledge transfer through the training component of BRAVE was another benefit noted by both groups of beneficiaries (training only group and training and grant group). In the MSME survey, 91% of all respondents noted that the training was sufficient. They reported that they had learned how to deal with risk, assure business continuity, particularly in a crisis, carry out project research and evaluation, develop business plans, and better understand investment decisions. Perhaps more importantly, even the beneficiaries that were not awarded a grant, acknowledged the benefits of the training component of the BRAVE project.

Beneficiaries that only received training and no grant expressed their disappointment for not receiving grants, which would have been vital for business survival as some of them had to close their business because of lack of funding.

Regarding the recipients of grants, about a third of the respondents noted that the grant amounts were insufficient for their business needs since the grant covered their basic needs only, but not other investments requirements. It must be noted, however, that BRAVE support never intended to go beyond assistance with the crucial assets, a condition that the project team explicitly communicated at the start of the project.

3.7.3.2 Effectiveness of Output and Outcome Achievement

In terms of project’s service delivery, a large proportion of MSME survey respondents stated that they received quality training and that the matching grant process was excellent or good. For example, the BRAVE dashboard reported that over 800 direct jobs were created as a result of the project and 600,000 people gained access to health care services. Additionally, MSMEs were able to increase their customer base, improve performance, and increase the wages of employees through the support of BRAVE. A success story is the Aden Dental Clinic, owned by Dr. Maisah Hassan Mohamed, which was severely impacted by the conflict and experienced continuous interruptions of electricity and deterioration of medical equipment. With the support of BRAVE, Dr. Mohamed was able to continue with her business and learned important principles of continuity and how to deal with risks. Upon receiving BRAVE’s support, Dr. Mohamed noticed an increase in the number of customers, net profits, and fixed assets.21


In regard to interactions among stakeholders, there was no formal communication strategy in place; although the project team used social media quite effectively to disseminate project information to the public. Local banks maintained a direct communication with ICD and SMEPS by phone, emails and through meetings. Overall, the project achieved notable results.

3.7.3.3 Preliminary Impact

BRAVE is moving in the desired direction as many MSMEs have witnessed an increase in sales, exports and imports, customer base, products and markets, and an expansion of business activity, especially in the health sector. Support to MSMEs, either financial or through training, allows BRAVE’s participants to develop their businesses, which has several value-added benefits to the economy, translating into reduced economic and societal vulnerabilities for risk towards fragility in these two dimensions.

MSME survey respondents thought that BRAVE has also helped restore confidence and re-build trust in doing business in Yemen (74% and 40% respectively), revitalize value chains (57%), and reinforce the inclusion of women in the economy (43%). Additionally, survey respondents noted that BRAVE helped nurture partnerships and, as a model project, helped Yemeni businesses in advocating the role of the private sector in the peace building process to both governments and donors. The surveyed beneficiaries and interviewed officials of local banks and training institutions believed that all these positive changes would not have happened without BRAVE interventions. Moreover, the analysis showed that training, in combination with the grant, had a stronger impact on both MSMEs and the whole business environment than training alone.
Story 1 - Al Ameer for Mauaz Manufacturing

Founded in 1995, the company’s aim since day one was to produce craftsmanship of izzar (Mauaz).

The manufactory imports knitting and spinning materials for the production of Mauaz. The extra knitting and spinning are sold to wholesalers and retailers in the local market. It also has retail stores located in several provinces where they sell directly to consumers.

Al Ameer had four main factories in Aden, Shabwa, Mukalla and Hodeidah, as well as several sub-factories and 25 retail stores throughout Yemen.

According to the owner, everything was going well until the conflict broke out. After the outbreak of violence, many customers were unable to pay back their obligations to Al Ameer, especially in the conflict zones. Furthermore, the imports stopped, production was interrupted and electricity was blacking out. All the obstacles made the owner seriously consider closing the business.

BRAVE members targeted Al Ameer business during the field survey, promotion and registration stages of the project. The factory then joined the business continuity training which helped the owner to prepare the business continuity plan for the first time. They prepared a conservative plan with only 2-3 production lines but were advised by the BRAVE adviser to add 10 more lines due to the high demand. They took the risk “Bravely” and invested more to cover the total cost (around USD 107,000 SR) and also USD 10,000 for extra factory rehabilitation to increase production.

As a result of the intervention, the factory created a new production line: Al-Shemage – Traditional cloth for men, in Gulf countries in particular. This is the first time a local company has produced such a high quality product to be exported to Saudi Arabia and Emirates. This new expansion allowed them to open additional 8 retail stores in different cities and employ more staff. During the busy periods, they hire even more workers, sometimes exceeding 500 seasonal workers.

Adding a new local product to the market has benefited both wholesalers and retailers as they are now able to cover the demand in the local market again. Clearly BRAVE has had provided a tangible benefit to Al Ameer, its employees, and the community.
Story 2 - Bio Move for Plastic Organs and Rehabilitation

As a result of the conflict, the public health system largely collapsed, with a significant increase in the number of people disabled, specifically by landmines. In response, Dr. Elham, the owner of Bio Move Center, has stated that “Our goal is to reach all handicapped across the country.” Like many private clinics, Bio Move faced numerous challenges, including electricity shortage and an unstable currency. Dr. Elham was about to shut down the entire project, when she heard about BRAVE.

Bio Move specializes in manufacturing plastic organs for handicapped people and providing rehabilitation programs. The current conflict made it difficult for Bio Move to reach its patients due to limited access to other governorates. The center, which has a single branch located in Sana’a, found itself forced to seek other solutions to reach the patients. Therefore, the idea of establishing a new branch in the more secure governorate of Ibb emerged, which has also witnessed a major influx of Internally Displaced Persons (IDPs) from Hodeida, Taiz, Lahj and Dhala’e.

BRAVE helped Bio Move Center stay in operation with an electrical generator at its main branch in Sana’a. Additionally, the new branch in Ibb has started to provide high standard services with modern and high-quality equipment. Now patients have access to proper treatment at this branch without the need to travel long distances abroad.
Story 3 - Al Salahi Clinic

Despite the conflict and the damages incurred to his medical center, Dr. Adel Al-Salahi did not stop providing great services. According to Dr. Salahi, the losses and damages caused by the conflict at the Salahi Clinic exceeded USD 300,000.

All this did not stop him from performing his work. Dr. Salahi opened the doors of his home to patients, receiving emergency cases and carrying out small and medium surgeries. In total, he has treated over 100 cases in his home during the conflict.

Nevertheless, he was determined to rehabilitate the medical center and reopen it again. His project coincided with the start of BRAVE. After winning BRAVE project support, the business continuity course helped the hospital director develop a new plan to restore health services better than the previous ones. Furthermore, after Al-Salahi clinic received the grant, the health services have improved, the Clinic has installed new devices and built rehabilitated rooms for children, which helped save many children’s lives. This achievement is especially important in Aden, where high quality health services are rarely found. Now, Al-Salahi has motivated other hospitals to improve their services. In fact, he has signed several contracts with those hospitals to assist them with their improvement efforts.

The Clinic undertook many interventions such as (i) rehabilitating the emergency care room with some equipment, (ii) re-equipping and rehabilitating another building, (iii) transferring all the damaged sections to the new building at a cost of more than USD 200,000, and (iv) buying medical equipment worth of USD 65,000.

It is also important to note that the clinic has started to process the first oxygen and cylinder filling plant in the city of Aden. This plant provides oxygen to all health facilities in Aden and neighboring cities. This is a milestone project which could save hundreds of lives. Al-Salahi hospital is now resilient, able to provide high quality services and remain in operation.

Scan to watch the video
Story 4 - Al-Madani Poultry

Al-Madani Poultry Corporation was affected by the conflict too, as an entire poultry hangar was shut down and hundreds of poultry died inside.

With the support of BRAVE, the owner has rebuilt the damaged poultry hangar and added a new integrated automatic feeder facility which distributes food automatically to the entire poultry hangar. BRAVE also helped improve the infrastructure in other ways. For instance, it helped finance a power generator to help keep the lights on and has provided automatic waterers to distribute water. Business is now back on track, turning from a fear of closure to increasing production, retaining employees, and even increasing employment by 20%. The production capacity has also increased by 30% compared to the pre-conflict numbers. As a result, Al-Madani has increased its market share, revenues, and profits.
Story 5 – The Green House Company

The Green House Company is considered to be one of the outstanding agribusiness companies in Yemen. Its business module is based on importing seedlings, such as bananas and strawberries, and multiplying them. The multiplying process goes through many stages until the seedlings are ready to withstand the natural atmosphere, grow, get harvested and then sold.

The major problem facing this business was preserving and protecting these seedlings. Thousands of seedlings were subjected to severe cold shocks that eventually killed them. Thousands of dead seedlings meant a significant loss for the business. This hardship could have been prevented with improvement in the businesses infrastructure. For example, a “Cool house” could have protected the plants while special illumination and upper covers could have provided light and helped with growth, and extra shelves would have allowed for increased seedling plantings.

BRAVE helped The Green House Company overcome these obstacles. The company took the training on business continuity, helping it to stay in business and face risks. The project contributed to the financing of the first protected cool house in Yemen, with special illumination light, upper sheets and large shelving areas. The Green House Company contributed USD 30,000 to the matching grant and employed 2 permanent workers and 4 seasonal workers. By the end 2019, The Green House Company will increase its productivity to 200% and add new crops, such as potatoes.
Story 6 - Shoura Factory for Ice

The Shoura Factory for ice largely provides ice for fishermen, helping to keep their fish fresh. The plant was established in 2009 and has been in operation ever since. As a result of the conflict, it was struggled with the distribution of its products from Mukalla to distant markets, primarily because of insulation issues in transport. For this reason, it lost out on partnerships and contracts from other regions, both for transporting fish and providing ice.

After receiving training in business continuity methodology and obtaining the grant, the company has addressed this issue. It has increased its capacity, with the refrigerated transport trucks now able to carry 450 bags of ice, thus providing the large amounts of ice for its customers. For comparison, prior to this increased capacity, the largest cold compartment in Hadramout carried only 300 bags. As each bag is sold for 800 Yemeni riyals, this improvement represents considerable sums of money.

Furthermore, the grant component provided a job opportunity for a truck driver and 40 workers with daily pay, which also led to 10 new clients for the business.
3.6.5 Next Step: BRAVE Women Yemen, Mali, Nigeria

The year 2018 was a turning point in the upward growth trend of the IBES Program. The successful roll-out of BRAVE 1 in Yemen has been a remarkable success for ICD and IsDB in front of international donors. As a result, an additional USD 3 million was procured from the Deauville MENA Transition Fund in February 2018. This money is to be used to support an additional 40 Lead Firms in the country as well as 10 more business associations/cooperatives in what can be deemed the project’s “second phase”. This expansion of the original project to a wider national scale, as well as the corresponding deepening of the project’s Value Chain component, is meant to support and protect vital value chains in the targeted sectors and upgrade the chain performance, thus impacting many more SMEs (both formal and informal).

Moreover, IBES’s performance as a reliable internal partner for innovative project design and effective implementation outfit, attracted additional interest from IsDB (Women and Youth Empowerment Division) to partner for the newly launched global fund for Women Entrepreneurs Finance Initiative (We-Fi). The IBES team was able to prepare, defend and secure a multi-country USD 32 million program to replicate BRAVE model for women-led MSMEs over a 4-5 years’ timeframe for three fragile contexts: Yemen, Nigeria and Mali.

We-Fi is a collaborative partnership among 14 governments, eight multilateral development banks (MDBs), and other public and private sector stakeholders, hosted by the World Bank Group. It seeks to address financial and non-financial constraints faced by women-owned/led small and medium enterprises in developing countries (https://we-fi.org).

The BRAVE Women program aims to enhance the resilience of MSMEs owned/managed by women in fragile context as potential engines for innovation, employment, and improved quality of life. The program has the following five components:

1. **Business Resilience Capacity Building**: Training of 1,500 MSMEs on how to assess risks and determine their business priority by preparing a Business Continuity Plan (BCP).

2. **Business Recovery Support (BRS)**: Grant matching scheme for over 1,200 MSMEs in pre-selected value chains, on a cost-sharing basis for the procurement of capital goods and services to support business recovery/growth.

3. **Value Chain Resilience**: 40 lead firms and business associations/cooperatives in Nigeria and Mali supported in protecting vital value chains and upgrading the chain performance, impacting many more SMEs.

4. **BRAVE IT Platform**: An online IT platform will be developed to handle CRM, Monitoring/Reporting and knowledge sharing among project stakeholders.

5. **Project Management Unit**: A unit helping to oversee and administer the project.

The new BRAVE Women Initiative considers that both in fragile and non-fragile situations, women tend to have a relatively high propensity to invest back into the family and the community, making entrepreneurship a coping strategy to poverty reduction. In addition, there is a strong link between entrepreneurship and reduction of gender gaps in certain indicators such as education, health, and household nutrition.

This initiative will complement ongoing initiatives in these countries, with an emphasis on women access to skills training and to finance schemes, with the ultimate goal to boost entrepreneurship and job creation within fragile and conflict settings.