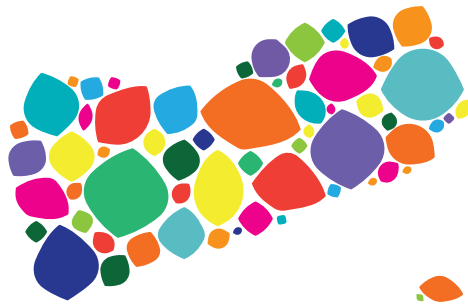




Expat Returnees and Mukalla's Entrepreneurial Resilience

Nabhan Abdullah bin Nabhan



منتدى سلام اليمن
YEMEN PEACE FORUM

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Cover Photo : A sweets seller does brisk business during Ramadan festivities in Mukalla, April 20, 2021 // Sana'a Center photo by Abu-Bakr Belfakih



The Yemen Peace Forum initiative is a track II youth and civil society platform facilitated by the Sana'a Center and funded by the Dutch Ministry of Foreign Affairs. This interactive initiative seeks to both invest in building and empowering the next generation of Yemeni youth and civil society actors and to engage them in critical national issues. Building on the Sana'a Center's core goal of producing knowledge by local voices, this initiative seeks to develop and invest in young policy analysts and writers across Yemen.

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INTRODUCTION

When Al-Qaeda in the Arabian Peninsula (AQAP) took control over Mukalla in 2015, a young man opened a shop to sell fast food in our neighborhood. The shop was popular; the food it served was the first of its kind in the city. The diverse menu, impressive packaging and employees' professionalism reflected good management during a period when job opportunities were scarce, consumers were focused mostly on only buying essentials and many of the city's established merchants were fleeing eastward toward the security of neighboring Oman^[1]. Investing in a new venture at a time of such uncertainty might seem strange, but the enterprising restaurant owner had little choice. He was one of hundreds of thousands of Yemeni expatriate workers compelled to abandon their lives in Saudi Arabia due to an intensifying campaign in the kingdom to reduce its reliance on foreign workers. Remittances from Saudi Arabia to Yemen total billions of dollars annually and are currently the country's largest source of foreign currency^[2]. As expat workers return home and these transfers fall, so too do the incomes of hundreds of thousands of Yemeni households that depend on them. Less foreign currency in Yemen also puts pressure on the Yemeni rial, driving up prices for many basic commodities and other goods^[3]. These economic impacts are undeniably devastating on a broad scale. A less discussed consequence of the repatriation of Yemeni workers, however, is that they include a segment of skilled entrepreneurs who are being reintegrated into the Yemeni market, many of whom are keen to build their businesses despite the challenges of operating in Yemen's conflict-torn economy.

While no statistics regarding the precise number of expatriate returnees is available, it is clear that they are a budding segment of Mukalla's small- and medium-sized business sector. This article looks at the specific cases of two enterprising young women who overcame multiple barriers to build businesses in niche market segments, and uses

[1] Mohammed Ali al-Aidaros, Deputy Manager of al-Aidaros Kitchens Mukalla, Interview with the author via the internet, March 2020.

[2] Wadhah Al-Awlaqi, Saleh al-Hada and Yousef al-Shawthabi, "Yemen's Expatriate Workforce Under Threat: The Essential Role Of Remittances In Mitigating Economic Collapse", Sana'a Center for Strategic Studies, May 2019, https://devchampions.org/uploads/publications/files/Rethinking_Yemens_Economy_No5.pdf

[3] Al-Awlaqi, Hada and Al-Shawthabi, "Yemen's Expatriate Workforce Under Threat"

BACKGROUND OF THE BUSINESS ENVIRONMENT

Mukalla is the capital city of Hadramawt governorate. Prior to the war, commercial activity in Mukalla was stable relative to most urban centers in Yemen, with the largest employment sector being the construction industry – fueled by investments from a wealthy Hadrami diaspora – followed by the public service, commercial activities, industry, transportation, fishing, and tourism^[4]. The city’s main streets and public squares – such as Khour al-Mukalla, Cornish al-Mukalla, Cornish al-Mahader and Al-Aroud Square – had profited from tangible development and expansion in 2005, work done as part of commemorations marking 15 years since Yemen’s unification. Notably, however, there were no projects to expand electricity, sanitation or water services at that time. Nearby Al-Rayyan Airport was then operating domestic and international flights and the city’s main port handled more than 1 million tons of cargo in 2014^[5]. Yemen’s macroeconomic woes over the years have presented challenges for businesses across the country. Yet in Mukalla, a small city of just under 350,000 people in 2014, the factories, hotels, hospitals and various companies that make up the commercial sector did not face severe local challenges^[6]. This population has since risen to an estimated 536,000^[7], due in part to returning expatriate workers but more so because of the influx of people displaced by the war^[8]. Even during AQAP’s presence in the city, Mukalla received an estimated 150,000 displaced people from Aden and other governorates^[9].

[4] “Mukalla: Gateway to the Hadramout – Local Economic Development Strategy”, Ministry of Planning and International Cooperation, 2008, <https://www.citiesalliance.org/sites/default/files/mukalla.pdf>

[5] “Detailed statistics for the activity of (Mukalla Port) from 2007 to 2016”, Arabian Sea Ports Institution, 2018, <http://portofmukalla.com/assets/EnglishReportBrochure-brochures/af9626bee4/Mukalla-Port-Statistics-from-2007-2016-English.pdf>

[6] Ibrahim bin Qafla, Head of Programs Department at Mukalla Public Policy Forum, phone interview with the author, March 2021.

[7] Yemen Metro Area Population 1950-2021, Macrotrends (n.d.), <https://www.macrotrends.net/cities/23741/al-mukalla/population>

[8] Moneef Lahamdi, acting director of the Hadramaut Chamber of Commerce, interview with the author via the internet, April 2021.

[9] Saeed al-Batati, “The Truth Behind Al-Qaeda’s Takeover of Mukalla: An Interview with Abd al-Hakim Bin Mahfood,” Al-Jazeera, September 16, 2015,

Since the escalation in the war in 2015, rising inflation and a falling currency value have eroded incomes and savings across the country. Mukalla has been no exception^[10].

Although AQAP made some initial investments in the city's infrastructure to try and curry favor with residents^[11], the extremist group's rule quickly became oppressive and drove many of Mukalla's merchants to look for opportunities elsewhere. Many chose to make a new base in the Omani city of Salalah or in the free zone area of Al-Mazyunah between Oman and Yemen^[12]. The central bank branch in Mukalla was shuttered and looted, and commercial banks were closed for a number of weeks. When they resumed, activity was minimal^[13].

On April 24, 2016, AQAP was ousted from Mukalla by United Arab Emirates-backed local forces. The internationally recognized Yemeni government took back control of the city under the leadership of Governor Ahmad Bin Breik, who took a series of measures to help restore commercial activity^[14]. For instance, prior to AQAP's control of Mukalla, entrepreneurs in the city had been required to undergo a time-consuming process of obtaining their licenses centrally from the Ministry of Trade and Industry. To facilitate investment, Bin Breik authorized the ministry's local offices to handle this task, streamlining the process and making it easier for new businesses to be opened^[15].

10) Ibrahim bin Qafla, Head of Programs Department at Mukalla Public Policy Forum, phone interview with the author, March 2021.

11) Tawfeek al-Ganad, Gregory Johnsen, Muhammed al-Katheri, "387 Days of Power: How Al-Qaeda Seized, Held and Ultimately Lost a Yemeni City", Sana'a Center for Strategic Studies, January 5, 2021, <https://sanaacenter.org/publications/main-publications/12247>

12) Mohammed Ali al-Aidaros, Deputy Manager of al-Aidaros Kitchens Mukalla, interview with the author via the internet, March 2020.

13) Ibrahim bin Qafla, Head of Programs Department at Mukalla Public Policy Forum, phone interview with the author, March 2021.

14) Ahmed Al-Tamimi, Head of Administration and Economics Department at Al-Ahqaf University, interview with the author via the internet, 12 June, 2021.

15) Ibid

'STUDIO BASMA' SEIZES ON A TELEPHOTO OPPORTUNITY

Basma Fares, a Yemeni in her 20s, has family roots in Hadramawt, although she was born and raised in Saudi Arabia. When she was compelled to leave the kingdom in 2018, she decided to take a risk and set up her own business in Mukalla.

"That was the first time I visited Yemen," she said. "I had no idea how the situation was, but I focused on achieving my dream there, no matter [what], and on not giving up and surrendering to failure, which would haunt me for life

Fares was already a keen amateur photographer, but when she moved to Yemen, she decided to turn her hobby into a profession. She opened Studio Basma using a family loan of \$1,000, which she has since repaid out of her profits. Fares focused her business on female clients, taking photos and videos at women's events and home gatherings, as well as photos of babies and children. She also worked in product photography. Fares was able to expand by using her profits rather than borrowing money.

At first, Fares had difficulty finding services for printing, and places from which to buy photo albums and photography equipment. However, she turned these obstacles into an opportunity and began offering these services and products herself, expanding her activity to printing photos and selling albums. She currently employs six women who work in photography, editing and printing. Employing only women has allowed her to secure a female customer base since many women prefer to deal with women.

Fares hopes to expand her business to other parts of Yemen, but said that even if she is offered the chance to work abroad, she will stay in Yemen "because there are great opportunities that must be seized.

Fares said that access to loans for youths to support their creative projects, such as photography, would help them find jobs and become small business owners, adding:

"At the beginning, I sought to turn my passion and hobby into a job opportunity, and now I run my own business in the field I am fond of."

'CAFÉ SHAWA' MAKES SPACE FOR WOMEN IN MUKALLA

When returning expatriate Farea'a Ahmad Badokhan was opening her new café in 2016, purchasing equipment and supplies from abroad was still the only option available.

Badokhan returned to Yemen in early 2016, a year after the war erupted, due to measures limiting job opportunities for non-Saudis in the kingdom. "It was not clear how the situation was in Yemen, but I decided to return because I had to work," she said. "I returned to Yemen even though I was not familiar with it, since I was born to a Saudi mother and grew up in the kingdom." Badokhan, who holds a degree in business management from King Faisal University, worked in Saudi Arabia as a secretary and administrative assistant, and also in the fields of quality management and marketing.

Badokhan opened Café Shawa in the center of Mukalla's women's market after realizing that the city didn't have a single café for women. The café offers hot and cold beverages, Arabic and Western food, and includes a library. She funded the project herself with help from her family, but furnishing and stocking the café was expensive. "We had to import many resources from abroad, like furniture, equipment and raw material for beverages and food as they are not available in the local market," she said. "This posed a challenge and was also costly."

Badokhan said that opening the café had been difficult from the start. Her first challenge was the lack of qualified and trained employees. However, given her experience in business management, she trained the employees herself to provide proper services to her customers. In time, the café gained fame not only for being the first women-only venture of its kind in Mukalla, but also for the quality of its service

Challenges were not limited to just opening the café; there were also difficulties keeping the business running due to fluctuating exchange rates, having to pay rent in hard currency and lack of access to basic services such as electricity, especially in summer. The concept itself also became an issue. Mukalla society did not easily accept the idea of the café at first and a number of rumors spread regarding its reputation and the purpose behind it. However, this attitude changed with time.

Badokhan said she believes the café meets an essential requirement for women in

Mukalla, where public spaces are often dominated by men meeting to chew qat. She noted that the café's profits were not as high as she had expected given the size of her investment, but that she has been studying ways to expand her business

The challenges faced by Badokhan have been echoed across Mukalla's commercial sector, from small enterprises such as hers, to larger endeavors in the manufacturing and production sectors.

Even though the security situation in Mukalla is good compared with other cities in Yemen, it still suffers from difficulties arising from the conflict. The depreciation of the rial and prices of oil derivatives pose persistent challenges, and restrictions to internal travel make it difficult for business people to meet to make trade deals^[16]. Although commercial flights have returned^[17], the suspension of international flights at Al-Rayyan Airport is also a major obstacle for the commercial sector^[18]. Poor electrical supply causes regular and prolonged power cuts that delay production and result both in wasted time and higher production costs incurred by expensive alternative power supplies^[19]. Another common complaint from business owners is that qualified labor is very rare, and even qualified employees often lack professionalism and commitment^[20].

[16] Ibid.

[17] Osan Salem, "Yemen: Al-Rayyan Airport Restarted After Hiatus of Years", Al Arabiya, April 09, 2021, <https://bit.ly/2U4R6XP> [AR]

[18] Moneef Lahamdi, acting director of the Hadramaut Chamber of Commerce, interview with the author via the internet, April 2021

[19] Ibid

[20] Mohammed Ali al-Aidaros, Deputy Manager of al-Aidaros Kitchens Mukalla, interview with the author via the internet, March 2020.

HOW TO HELP BOLSTER SMES IN MUKALLA

Even while much of the wider economy in many areas of Yemen has been devastated during the war, at least 140 new businesses^[21] that have been founded and managed to grow in Mukalla from 2018 to 2020 represent the resilience of the entrepreneurial spirit in the city. The jobs they bring also help create alternative employment options for youth in the city, many of whom otherwise have little choice but to sign up for the local military forces for the salary. Being the capital of Hadramawt and the largest city in the east of Yemen, Mukalla is also a hub for international non-governmental organizations in the area, which spend and provide jobs locally, helping to boost the level of disposable income in circulation and support the local business environment.

Achieving peace in the country is the most crucial step in stabilizing the general economy and restoring public services across the country, and Mukalla is no exception^[22]. However, in the absence of this, there are still opportunities for local socio-economic progress. Until now, entrepreneurs in Mukalla have been largely left to fend for themselves. The city lacks a cohesive plan to best exploit the money and expertise from returning expatriates and has failed to provide financial, procedural, and advisory facilities^[23]. Financial institutions can also develop their activities and services to help foster promising entrepreneurial ventures. Small projects face obstacles related to financing, as many instruments available to them are expensive or require sizable guarantees that price many would-be business owners out of the market. Few financing institutions provide advice to these emerging projects that might help them better navigate the intricacies of acquiring the necessary capital to get off the ground.^[24] Many of the returning expatriates are bold and well-trained, and willing to take the kind of calculated risks essential to succeed in business. All they require is access to capital and business advice to allow them to realize their potential contribution, both to the economy of Mukalla and for the country more broadly^[25].

[21] Ibid; 49 new businesses were recorded by the Hadramaut Chamber of Commerce in 2018, 55 in 2019 and 36 in 2020.

[22] Moneef Lahamdi, acting director of the Hadramaut Chamber of Commerce, interview with the author via the internet, April 2021.

[23] Ahmed Al-Tamimi, Head of Administration and Economics Department at Al-Ahqaf University, interview with the author via the internet, 12 June, 2021.

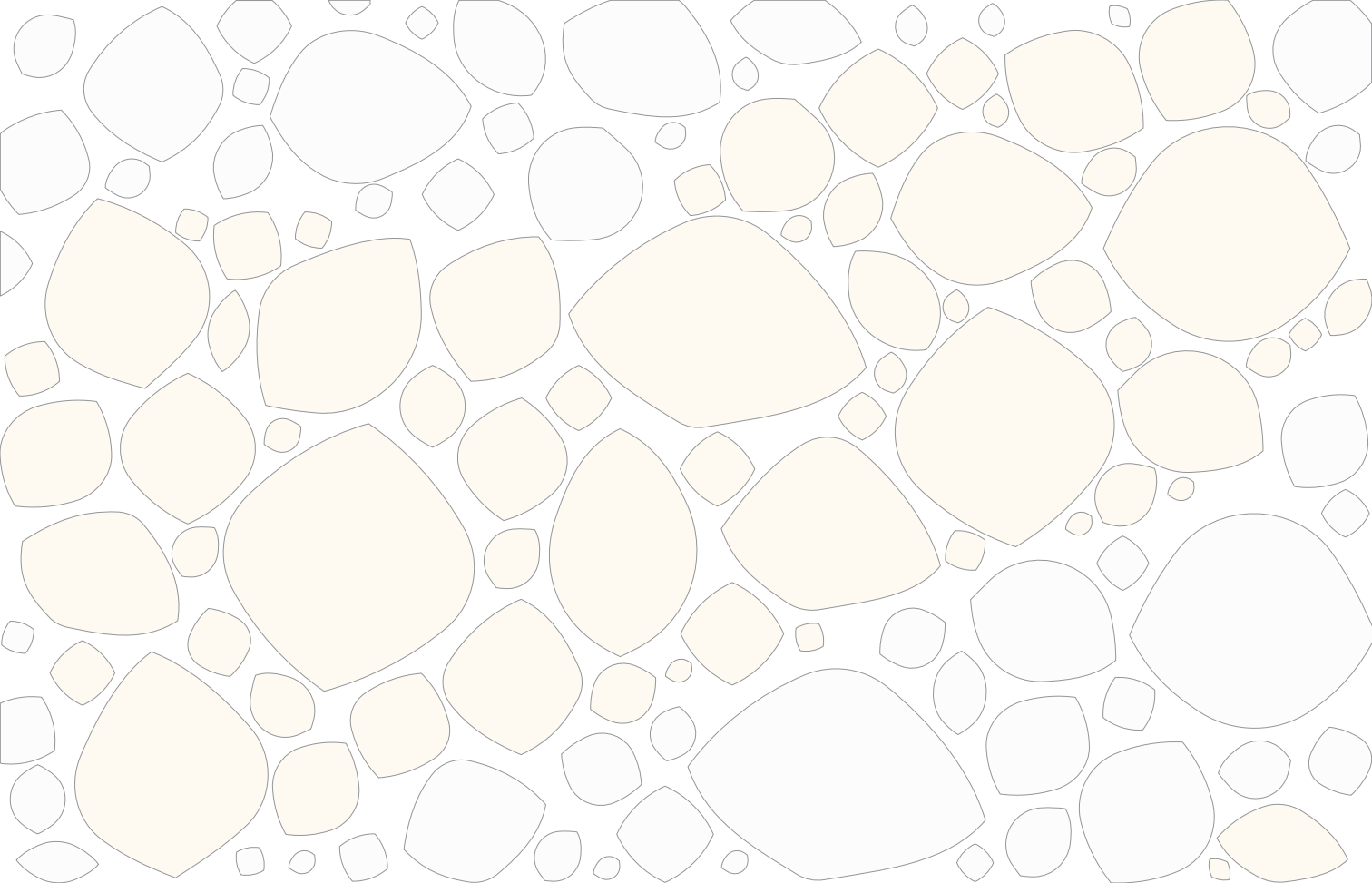
[24] Ibid.

[25] Ibid.

ABOUT THE AUTHOR

Nabhan Abdullah bin Nabhan is an activist and researcher interested in Yemen and Gulf issues. He is currently doing an MA in Public Policy and Global Affairs at the American University in Cairo. His writings have appeared in al-Madaniya magazine and other regional and international publications.

Nabhan is a fellow with the Sana'a Center's Yemen Peace Forum.



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