

Humanitarian Economics - Yemen

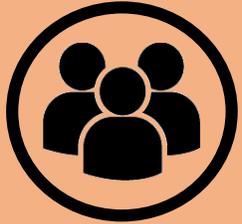


ALLAH IS GREAT
DEATH TO AMERICA
DEATH TO ISRAEL
A CURSE UPON THE JEWS
VICTORY TO ISLAM

How a viable humanitarian economy could positively impact socioeconomic wellbeing, while, on the other hand, it could be devastating when deviated to fund the war economy



Yemen Overview



Population is 30 million. Over 17 million of Yemen's population are at risk of famine.



Over 24 million in need of humanitarian aid, 3.3 million children and pregnant or lactating women suffer from acute malnutrition.



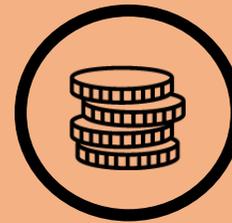
90% of food in Yemen is imported.



Unemployment is approximately 65%.



Salaries are not increasing. Govt. pays 100% of the salaries in Govt. controlled areas and around 20% in Houthi militia controlled areas, while Houthis do not pay any salaries.



Yemen's currency is experiencing devaluation: Yemeni Riyal was at 215YR to \$1 now it's at 550YR to \$1.



GDP in 2019 is -50% vs 2015.

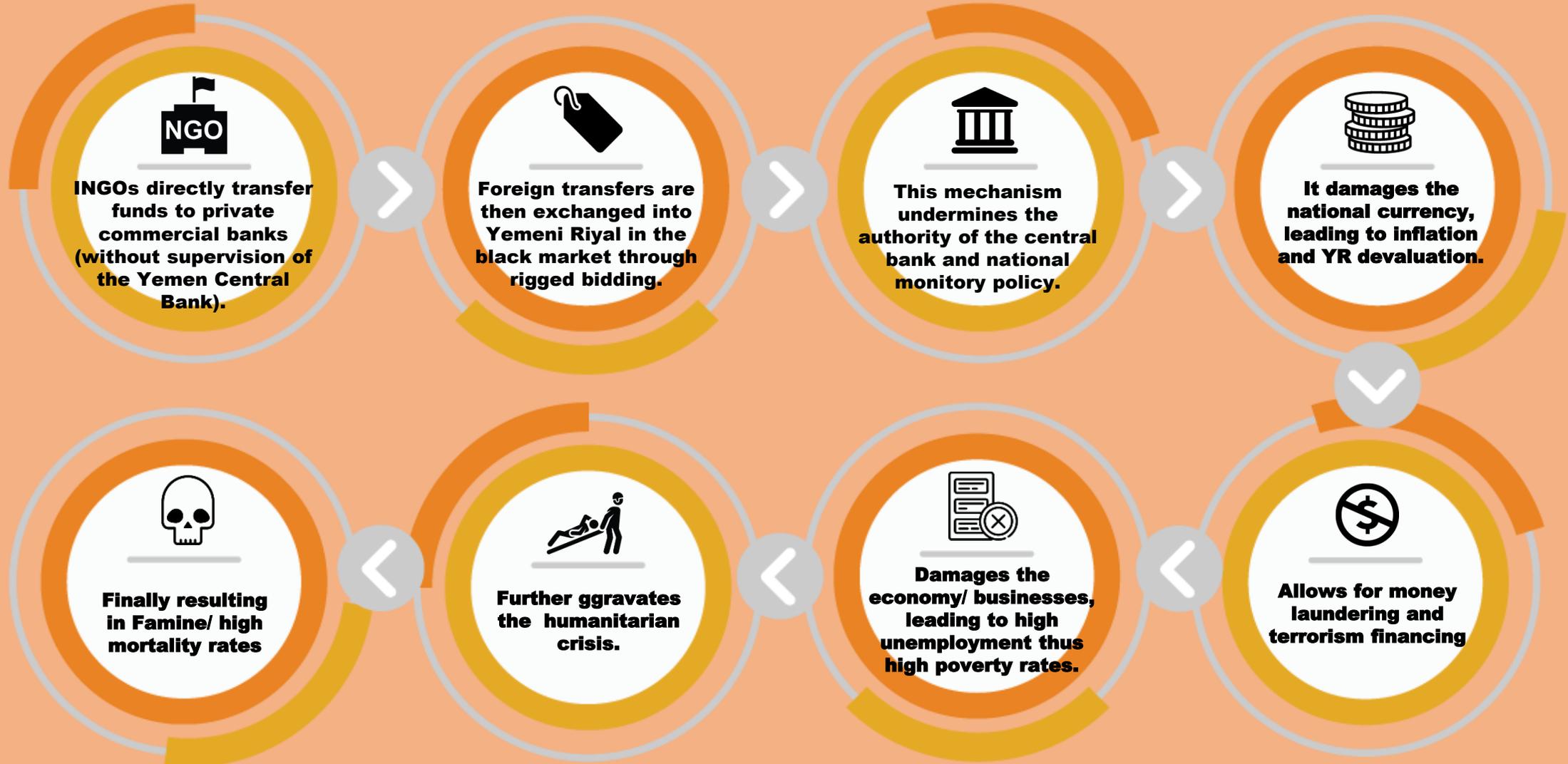
How Humanitarian Aid is Fuelling the War Economy

Setting the stage for prolonging the humanitarian crisis to become a chronic socioeconomic disease that feeds on crippling the good national economy.



The Problem (Unregulated INGOs Fx)

– Serving a Malevolent Economy



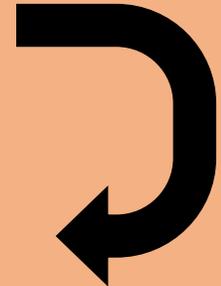
How Did We Get Here?



In 2018, due to the near collapse of the economy due to high inflation & high devaluation rate of the Yemeni Riyal (devaluating by almost 100% from around 400YR for \$1 to more than 840YR).



Saudi decided to help Yemen's economy by depositing \$2 billion in the Central Bank.



The deposit is to be used to finance the importation of food & medicine at supported exchange rates to keep food prices affordable to most of the population.



The deposit will also aid in controlling the value of the national currency.



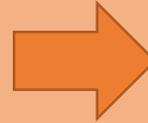
Two months after its implementation, it was a huge success as the banking sector was revived, the Yemeni Riyal appreciated by 35% with its value against the USD going up from 840 YR to 550 YR. Food & medicine prices fell down by the same % & safety food stock started rising. FX exchange rates stabilised and business uncertainty & risks subsided.

The initiative looks at the economy as key to sustainable improvement of the socioeconomic environment which is a real solution to the humanitarian crisis.

Houthi Retaliation



In March 2019, Houthis banned businesses and banks in areas under their control from dealing with CBY resulting in Yemeni Riyal devaluation.



Houthi threatened bankers, kidnapped employees, and later claimed their ban is as a result of CBY requirement to deposit LC value in YR in Aden.



Increased FX rates uncertainty, increased business risks leading to high cost of doing business and increased food & medicine prices. More traders leave the market or reduce their operations.



Instigating destabilisation of the economy & further deterioration of humanitarian conditions.

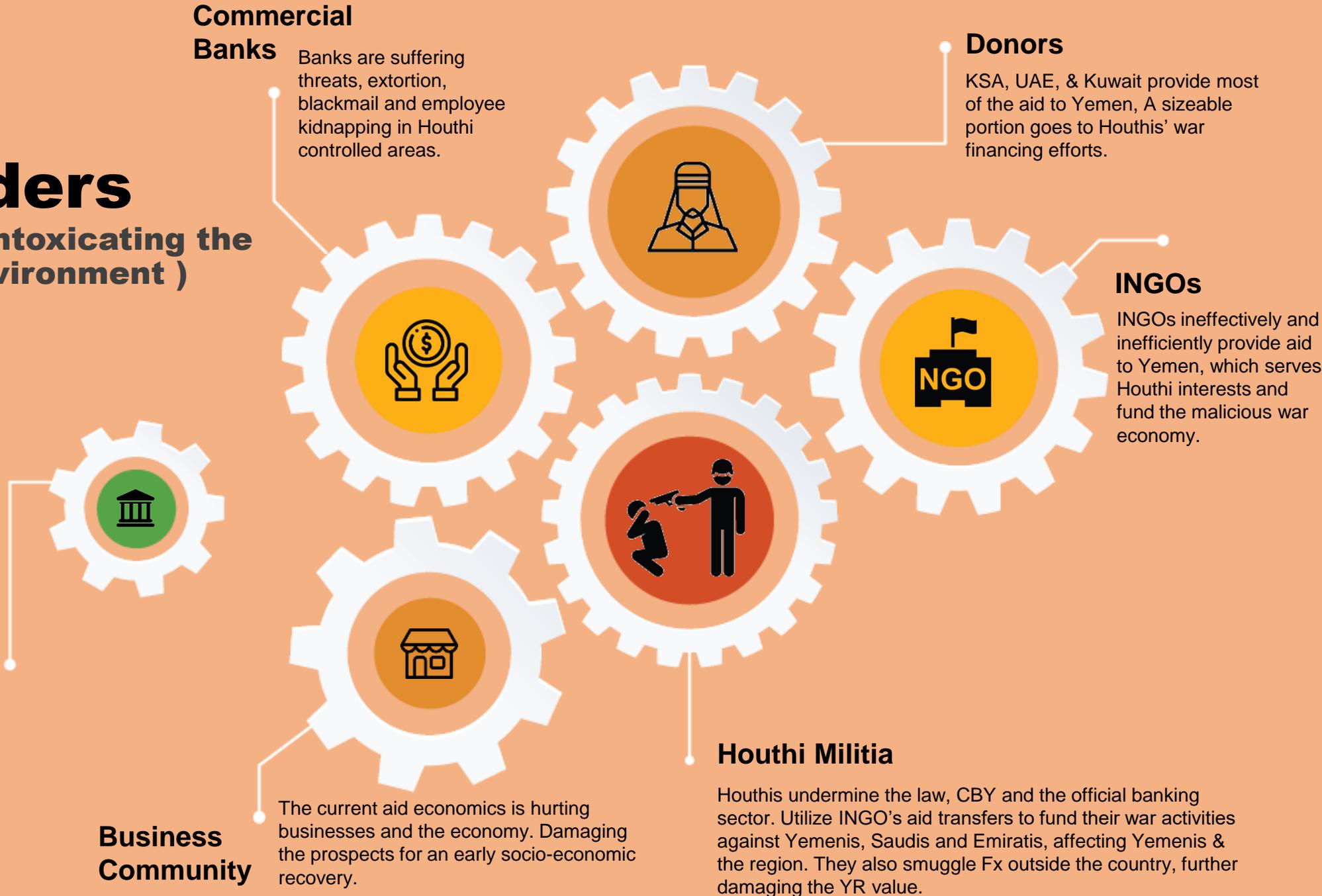
The Solution (New INGOs Fx Mechanism)

– Contributing to a Benevolent Economy



Stakeholders

(INGOs currently intoxicating the socioeconomic environment)



Commercial Banks

Banks are suffering threats, extortion, blackmail and employee kidnapping in Houthi controlled areas.

Donors

KSA, UAE, & Kuwait provide most of the aid to Yemen, A sizeable portion goes to Houthis' war financing efforts.

INGOs

INGOs ineffectively and inefficiently provide aid to Yemen, which serves Houthi interests and fund the malicious war economy.

Houthi Militia

Houthis undermine the law, CBY and the official banking sector. Utilize INGO's aid transfers to fund their war activities against Yemenis, Saudis and Emiratis, affecting Yemenis & the region. They also smuggle Fx outside the country, further damaging the YR value.

Business Community

The current aid economics is hurting businesses and the economy. Damaging the prospects for an early socio-economic recovery.

Yemeni Government/ Central Bank

The Central Bank has no control over the current aid economics. negatively effecting businesses and Yemenis in general.

Stakeholders

(INGOs- detoxicating the socioeconomic environment)

Commercial Banks

The level threats, intimidation, extortion, blackmail & employee kidnapping will decrease as banks will no longer have control over INGOs Fx.

Donors

KSA, UAE, & Kuwait provide aid to Yemen, which is regulated and monitored by the CBY & immune from Houthi exploitation.

INGOs

INGOs provide aid to Yemen, which is lawfully monitored by the CBY and utilized much more effectively & efficiently leading to improved humanitarian conditions. .

Houthi Militia

The Houthis have no control over the aid transfers. No longer able to fuel war economy, launder money, finance terrorism and smuggle Fx abroad.

Integrated efforts with INGOs, CBY and business sector, leads to lowering risk and cost of Fx resources, hence economic recovery

Business Community

Yemeni Government/ Central Bank

The Central Bank receives aid from donors & INGOs, allowing it to better channel Fx resources, control the value of the national currency, improving economic conditions, hence humanitarian conditions.



Donations from KSA & UAE



Over 60% of donations come from KSA, UAE & Kuwait.



Lack of monetary regulation and CBY oversight enables Houthis to profit from aid transfers and exchange rate differences.



Houthis use this money to acquire weapons and missiles to kill civilians in Yemen, KSA & UAE.



Donors should end this subversion by requiring that funds be paid in YR to INGOs and under the auspices of YCB

KSA & UAE Aid funds end up killing Yemenis, Saudis and Emaratis.

Integrated efforts – The Key Success Factor



Commercial Banks

In pursuance of a foreign organization's notification to the CBY, local banks shall undertake the selling of the foreign currency & exchange the amount only under CBY oversight.

Lower banking risks, increase fx availability and improve banks profitability

Improve banking conformity and compliance.

Allows banks to deal with CBY and minimised illegitimate Houthi intervention in banks. Banks prefer to deal with CBY and not a terrorist militia.



Government

Activate CBY capacity to assure steady national monetary recovery.

Move money cycle from poorly regulated informal money exchange market to the formal banking sector.

Bring back law and order to the banking sector.

Better control FX rates, lower risk of doing business, increase certainty, support business recovery to allow the economy to move people from destitute to solvency.

Improve government's capacity to combat money laundering, terrorism financing and Fx smuggling.



INGOs

Provide better exchange rates to INGOs. Which means more money to spend on projects to further improve humanitarian conditions.

Increased efficiency & effectiveness of how organizations spend & manage their budgets.

Banking & financial services to at least be as good as ever and without any additional charges.

INGOs have the right to reports showing the details of LCs in non-government-controlled areas.



Business Community

Supply foreign currency at better rates & improved banking services - in terms of cost, time and fx availability.

Provide cheap risk-free foreign currency transfers via the formal banking sector to the business sector.

Lower business uncertainty and risks leads to lower cost of doing business, higher turnover, hence food & medicine affordability and increased business profitability

Improve food & medicine supply, higher food safety levels.

Implementing The Mechanism

Suggested INGOs Fx mechanism channel to support letters of credit payments for food & medicine.

Step 1

CBY in Aden will open bank accounts in designated commercial & Islamic banks. These accounts will be under the full control & oversight of the head office of CBY & dedicated for the exchange of foreign currency transfers of humanitarian aid & international organization & for the payment of specified govt. employees salaries in Sana's & other non-government controlled areas.

Step 2

Importers with relevant Saudi deposit LC requests, for essential food commodities & medicine, approved by CBY head office shall open the LCs & deposit 50% in cash of the LCs value in YR in these intermediary bank accounts in the relevant local branches.

Step 3

CBY head office will allocate part of the value of these deposits in YR to pay for the approved salary budget & other expenses in Sana'a & other non-government controlled areas.

Step 4

CBY head office will allocate the remaining deposited amounts in YR to service the currency exchange needs of international organizations' transfers, trade support and as deemed necessary.

Step 7

CBY head office undertakes to offer international organizations the best possible foreign exchange market price & sell back the purchased foreign currencies to the commercial & Islamic banks to cover the importation of goods not covered by the Saudi deposit goods list.

Step 6

When need arises to sell & exchange any foreign transfer amounts deposited in international organizations' local bank accounts, they will have to notify the CBY head office of the amounts & their relevant bank accounts.

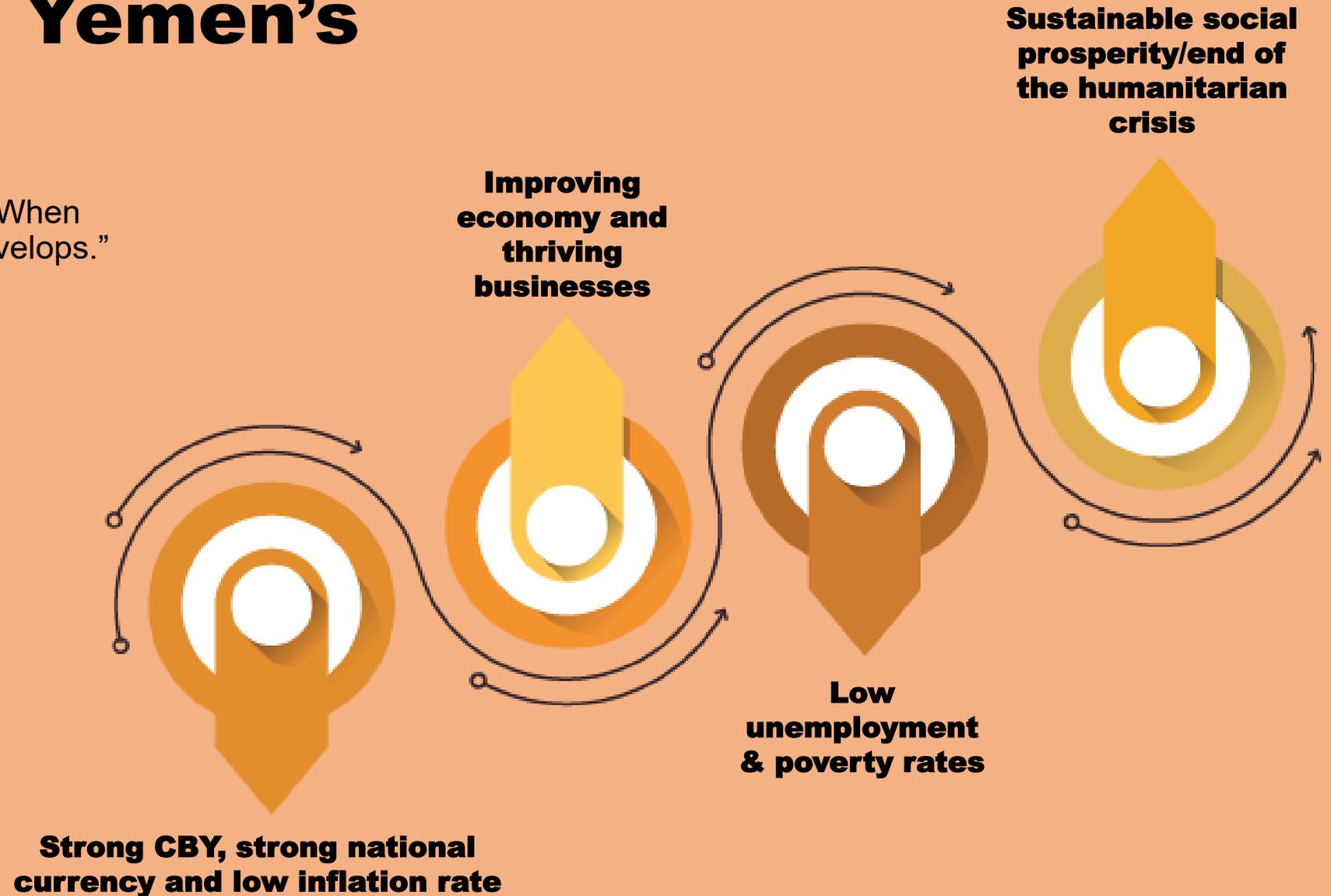
Step 5

International organizations may still keep & use their same & current accounts in their local banks & continue, as usual, their transfers of humanitarian aid & other funds to support local projects & to cover their operational & administrative expenses.

The Road to Yemen's Prosperity

“Economy is the basis of society. When the economy is stable, society develops.”

- Morihei Ueshiba -



Thank you