Yemeni Expatriates’ Remittances … Last Resource Under Threat

**INTRODUCTION**

Migration to improve the living standards has been part of people’s culture in Yemen. Throughout history, Yemenis have migrated to regions of economic prosperity and attraction, sometimes to East Asia, the east of Africa, then to Europe and America and finally towards the Arab Gulf countries.

In recent decades, the migration of Yemeni labor has went through several turning points. The period from the 1970s to the 1980s was the golden age of migration, which helped to absorb unemployment, stabilize the security situation and accelerate the development process in the country. Since the Second Gulf War in 1990, immigration procedures became more complicated, especially with the inclusion of Yemeni expatriates in the sponsorship system in Saudi Arabia. As a result, Yemen’s economy was shocked by the return of around 800,000 Yemeni expatriates to Yemen. This was the most severe shock and the economy is still suffering from its consequences to date (1).

During 2013-2014, the economy sustained another shock with the return of about 400,000 Yemeni expatriates from Saudi Arabia to Yemen, which exacerbated unemployment and poverty rates and contributed in creating conducive environment to undermine stability in the country (2). Most of these laborers managed to return to Saudi Arabia later.

Whatever the case may be, expatriates’ remittances during the ongoing war remained the last source to fund Yemen’s economy, import essential and luxury goods and support the national currency. However, the new escalating levy imposed by Saudi Arabia on expatriate workers and their dependents threatens not only to erode remittances of billions of dollars, but also to force tens of thousands of expatriates to return to Yemen. This threatens to widen unemployment crisis, increase misery and frustration and ignite further conflict in the war-torn country.

Employing Yemeni youth and increasing their remittance inflows to Yemen is a worthwhile investment in the security of Yemen, the region and the entire world, especially due to Yemen’s unique strategic position on international shipping lines, in addition to being the southern gateway of the Arabian Peninsula towards Africa. Without taking into account the difficult situation in Yemen, the economic and humanitarian tragedy will worsen and undermine social peace in the country.

**IN THIS EDITION:**

» Magnitude and Sources of Yemeni Expatriates’ Remittances.

» Economic and Social Role of Expatriates’ Remittances.

» Threats and Difficulties facing Remittances.

» Successful Experiences of Labor-exporting Countries.

» Immediate priorities.

First: Magnitude and Source of Expatriates’ Remittances:

Expatriates’ remittances are increasingly becoming an important source for labor-exporting countries, including Yemen. These remittances have become an important source of foreign exchange inflows exceeding the external loans, direct foreign investments and foreign aid.

Expatriates’ remittances are relatively stable and are not affected by the cycles of conflict and war in Yemen. They represented the first source of foreign exchange inflows into Yemen during the war period 2015-2017. Remittances made by Yemeni expats maintained their absolute value at $3.3 billion during 2012-2015, rose slightly to $3.7 billion in 2016 and were estimated at $3.4 billion in 2017, benefiting millions of Yemenis (Figure 1) (3).

The increase in remittance inflows clearly reflects the generous response of Yemeni expats to the consumable and non-consumable needs of their households and compensates the losses in other sources of income during the war period. Thus, any prejudice to remittances will have direct or indirect disastrous consequences on the humanitarian situation in Yemen.

**Figure (1): Yemeni Expatriates’ remittances ($ billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
<td>3.7</td>
<td>3.4</td>
</tr>
</tbody>
</table>


**Facts and Indicators**

- **YER 476 / USD**: The parallel exchange rate in February 2018.
- **50,797 Retiree**: 41% of retirees in the GAIP without pensions since March 2017.
- **22.2 million**: people in need of humanitarian assistance in 2018.
- **3 million**: people displaced (IDPs & returnees) as of September 2017.
- **6 in 10**: people are food insecure in December 2017.
- **47.1%**: Cumulative decline in real GDP during 2015-2017.
- **24.3 million**: 90% of the population lack access to public electricity.

**Sources:**

* UN Agencies.
** General Authority for Insurance and Pensions (GAIP), 2017.
*** WB, June 2016.
On the other hand, Yemen ranked at 5th place among the 10 labor-exporting countries in the Middle East and North Africa (MENA) region in the absolute value indicator of expatriates’ remittances. However, it is difficult to compare incoming remittances of countries listed in Figure (2) due to the lack of accurate and up-to-date statistics on the number of expats, particularly Yemenis. Undoubtedly, remittances of expatriates to Yemen are less than remittances of expatriates to other countries such as Jordan and Lebanon. This is mainly due to the low educational levels and insufficient training of Yemeni expats and their concentration in low-paying occupations. A Rapid Survey (Expatriate - General phenomenon) conducted by the Economic Observatory for Studies and Consultations (EOSC), in cooperation with the International Organization for Migration (IOM) on 342 households receiving remittances in Hodeidah, Hajjah, Ibb and Hadramout governorates in 2017, revealed that only 9.3% of Yemeni expats holds qualifications higher than secondary school certificate while about half of them (48.2%) work in services, stores and markets.

Thus, education should be a high priority for decision-makers in Yemen after the achievement of peace in the country. Teaching English extensively from first grade of basic education is a core issue that should be taken into consideration in the future, in addition to expanding the teaching of foreign languages, especially languages of strong economies that face shortage of workforce. This will increase the competitiveness of Yemeni laborers and expand their options for legal immigration to all countries worldwide.

Regarding the sources of expatriates’ remittances, the oil boom in the GCC countries since the 1970s has made these countries attractive economic destinations for Yemeni workers, especially due to the geographical proximity of Yemen to these countries within the Arabian Peninsula and the unity of religion, language and culture. This has made Yemeni laborers focus on the GCC countries while being attached to their motherland. Additionally, inability to speak foreign languages constitutes one of the major barriers that prevent Yemenis from migrating to other parts of the world. Therefore, the GCC countries are the most important exporting-countries of remittances to Yemen, which were estimated at 90% of the total remittances in 2016. Remittances from Saudi Arabia ranked first by 61% of the total remittances made by Yemeni expats in 2016, followed by remittances from UAE by 18%, Kuwait by 5%, Qatar by 5%, while remittances from the US, Bahrain and other countries accounted for 11% (Figure 3).

The influx of Yemeni laborers to the GCC labor market doesn’t only mean more remittance inflows to Yemen, but it also maximizes the benefits of Yemen and the GCC countries by promoting the degree of complementarity between commodity and labor markets, especially in light of the large trade exchange between Yemen and the GCC countries, which increased significantly during the war period due to the closure of some Yemeni air, land and sea ports by the Saudi-led coalition and its control over the foreign trade movement to and from Yemen. Yemen has become a consumer market for many products of the GCC...

(A) Stores and markets means workers in small shops, markets, restaurants, domestic services and other personal services.
countries. Thus, the increase in Yemeni expats’ remittances results in higher imports to Yemen from the GCC countries and, thereby, improves the trade balance of the GCC countries and boosts their production apparatus in a better way. Yemeni expatriates often transfer a large part of their income to their households in Yemen in the form of goods (including food, clothes and furniture required by their households) due to the geographical proximity of Yemen to the GCC countries and the reasonable transportation costs, in contrast to expatriates of other nationalities in the GCC countries, including Asian laborers, whose excessive presence results on social, cultural and economic consequences on the GCC countries because these expatriates transfer almost all their income in cash to their countries. This affects the balance of payments of the GCC countries.

**Second: Economic and Social Role of the Expatriates Remittances**

The Yemeni expatriates’ remittances have been playing a crucial role in the economic and social development for several decades. This role has become more important during the ongoing war, where the remittances have become a major lifeline that provides foreign currency for the balance of payments, strengthens the foreign exchange reserves, finances imports, supports the national currency, reduces unemployment and alleviates poverty. Below is a further analysis of the economic and social importance of remittances:

### 1- Economic Role:

#### 1-1. Contribution of Remittances to GDP:

The remittance-to-GDP ratio is one of the most important indicators used to measure the contribution of remittances to the national economy. Remittances enable expats to cover expenditures of their households and carry out small and medium-sized economic enterprises that would not have been possible without such remittances. The impact of remittance isn’t limited to individuals or households that receives it, but also goes beyond to have a double impact on the economy and society because remittances contribute to increasing the aggregate demand and, thereby, stimulating the economy to produce more goods and services, generating employment and income opportunities and reducing poverty, both directly and indirectly.

Figure (4) indicates that the contribution of the expats’ remittances to Yemen’s economy has increased significantly during the war period, where it increased from 9.9% in 2014 to 23.7% in 2017⁷. This is mainly attributed to the sharp contraction in economic activity, and the depreciation of the Yemeni riyal exchange rate, in addition to the slight increase in the amount of remittances during 2016-2017. At all events, this means that the expatriates’ remittances contribute about 25% of the economic activity in the country and have become the last resource left to support Yemen’s economy and finance the consumable needs of expatriates’ households and some investment activities such as construction. This requires developing a national policy to maximize the use of this resource and encourage expatriates to increase their remittances through the banking system, as well as studying the feasibility of establishing a bank for Yemeni expatriates after the achievement of peace in the country.

**Source:** CBY, 2016.


**Source:** WB, Migration and Remittances, Recent Developments and Outlook Special Topic: Return Migration, October 2017.

By comparing this ratio to other labor-exporting countries in the MENA region, Yemen comes at the forefront (23.7%) and Iraq ranks at the bottom of the list (0.5%) (Figure 5)\(^{(4\&7)}\). It is worth noting that the absolute number of expats remittance inflows into Yemen is not large compared to other countries. However, Yemen ranked first on the map of expatriates’ remittances in the region due to the non-diversification of Yemen’s economy, which is highly dependent on remittances due to the exhaustion of other resources during the war period. In general, there are various factors that illustrate the variance between countries, including the number of immigrants, the level of education and qualification, the nature of occupations and jobs and the difference between wages in labor-receiving countries and remittance channels.

1-2. Contribution of Remittances to Foreign Exchange Resources:

Expatriates’ remittances represent a major source that provides foreign exchange inflows to Yemen’s balance of payments. These inflows far exceed the official development assistance and external investments, where they accounted for 18% of the total foreign exchange inflows in 2014 and ranked second after the oil and Liquified Natural Gas (LNG) exports (Table 1)\(^{(3)}\).

Over the past three years, several foreign exchange resources have dried up due to the ongoing war in the country where the oil and LNG exports have been halted, tourism revenues have been disrupted, external direct investments and external loans have been frozen. Yemen’s economy has no other resources but expatriates’ remittances and external support for humanitarian response and war purposes. Thus, remittances came at the forefront among the sources of external funding and exceeded the exports of goods and services during 2015-2017.

This reflects the growing economic importance of remittances among other foreign exchange resources, due to the advantages of remittances such as relative stability; appreciation in times of crisis, war and conflict; in addition to their direct arrival to the needy households. This allows economic and monetary policymakers to ascertain the expected magnitude of remittances and then draw up economic and social policies accordingly, without fear of their volatility.

1-3. Contribution of Remittances to Finance Imports and Support National Currency

Measuring the ratio of remittances to imports makes it possible to determine the level of remittances’ contribution to finance import and reduce the pressure on the value of the national currency. In this context, the average ratio of remittances to merchandise imports accounted for about 25.4% during 2012-2014\(^{(5)}\). In fact, the remittances served as the main complement to the role of oil and LNG exports in financing imports and controlling the exchange rate during the transitional period. The government’s share of oil and LNG exports used to flow to the Central Bank of Yemen (CBY) to be used to finance the basic goods and fuel imports at the official exchange rate, while remittances flow to exchange companies and bank to provide the foreign exchange required by importers.

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>%</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export of Goods of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Oil and gas</td>
<td>6.4</td>
<td>36%</td>
<td>0.19*</td>
</tr>
<tr>
<td>Services Exports of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Tourism returns</td>
<td>0.9</td>
<td>5%</td>
<td>-</td>
</tr>
<tr>
<td>Expatriates’ remittances</td>
<td>3.3</td>
<td>18%</td>
<td>3.4**</td>
</tr>
<tr>
<td>External grants</td>
<td>1.7</td>
<td>10%</td>
<td>2.3***</td>
</tr>
<tr>
<td>External Loans</td>
<td>0.5</td>
<td>3%</td>
<td>0.003</td>
</tr>
<tr>
<td>Investment of oil companies</td>
<td>2.5</td>
<td>14%</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>0.3</td>
<td>2%</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18.0</td>
<td>100%</td>
<td>-</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>29.2%</td>
</tr>
<tr>
<td>2013</td>
<td>24.5%</td>
</tr>
<tr>
<td>2014</td>
<td>22.4%</td>
</tr>
<tr>
<td>2015</td>
<td>49.4%</td>
</tr>
<tr>
<td>2016</td>
<td>58.9%</td>
</tr>
</tbody>
</table>

Source: CBY, 2016.
Since 2015, the foreign exchange reserves have been depleted gradually, oil and LNG exports have been disrupted and the CBY has gradually abandoned financing basic goods and fuel imports, while expatriates’ remittances have maintained their absolute value of $3.3 billion in 2015, rose slightly to $3.7 billion in 2016 and were estimated at $3.4 billion by 2017(3). By ignoring the external support flowing into Yemen for humanitarian response and war purposes, the expatriates’ remittances represented the last resort - which is crowded by importers in the exchange market - to cover more than 50% of the imports bill of food and non-food items on average during 2015-2016 (Table 2). This has saved the economic and humanitarian situation in the country from slipping into more dangerous scenarios. Without the expatriates’ remittances, the exchange rate would have gone far beyond the current rate.

The importance of the expatriates’ remittances becomes more evident when taking into consideration informal remittances that enters the country with travelers in the form of cash and in-kind goods. According to ESCWA, the informal remittances exceed formal remittances into Yemen(14)(B). However, the recent policies taken by Saudi Arabia to impose surcharges on all foreign workers and their dependents, including Yemenis, will undoubtedly have adverse impact not only on millions of Yemenis who rely directly on remittances, but also on Yemen’s economy as a whole, unless Yemeni expatriates and their dependents are exempted from these measures.

2. Social Role:

The lack of a comprehensive and accurate database of the Yemeni expatriates, recipients of remittances and their uses makes it difficult to measure the social impact of these remittances. However, below is an overview of the importance of the social role of expatriates’ remittances based on the available data:

- Expatriates’ remittances represent an important source of income for millions of individuals in Yemen. These remittances are totally or partially used to cover the needs of expatriates’ households in Yemen. Thus, they contribute to stimulating the aggregate demand in the economy and have become a source of income for a series of goods and service providers. Due to the lack of accurate data on the number of expatriates and receivers of remittances specifically, a close indicator has been used— the estimated per capita remittance (remittances / population%) of the expatriates’ remittances, which accounted for about $120 in 2017, representing 25% of the GDP per capita in the same year(3&7).

According to the Emergency Food Security and Nutrition Assessment 2016, households depending on migrants’ remittances as a main source of income accounted for about 9% at the national level (compared to 6.5% in 2014). This ratio rises to 11% among rural households, whereas only 2% of households depends on humanitarian aid (Table 3)(9). Most of expatriates (83.2%) send remittances to their households every month or on a quarterly basis(5). The above emphasizes the importance of remittances as a source of income and a tool to stabilize the living standard of citizens.

Table (3): Nine most common livelihoods providing main incomes in rural and urban areas in Yemen

<table>
<thead>
<tr>
<th>Livelihood Profiles</th>
<th>OVERALL 100%</th>
<th>URBAN 100%</th>
<th>RURAL 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government employees</td>
<td>22%</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td>Non-agricultural casual labourers</td>
<td>21%</td>
<td>17%</td>
<td>20%</td>
</tr>
<tr>
<td>Agricultural casual labourers</td>
<td>10%</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Traders</td>
<td>11%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>Private sector employees</td>
<td>11%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Agriculturalists (crop and livestock production)</td>
<td>10%</td>
<td>1%</td>
<td>14%</td>
</tr>
<tr>
<td>Receivers of remittances</td>
<td>9%</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Pensioners and support from others</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Dependents on humanitarian assistance and begging</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>


(B) Due to the lack of reliable data on unofficial remittances, analysis in this edition is limited to the available data of formal remittances. Findings of the Rapid Survey (Expatriate- General phenomenon) in 2017 revealed that 12.9% of expats send their remittances through relatives and friends, 83.8% through money transfer companies, while remittances through banks accounted for 2.9% only.
• The flow of remittances has a direct impact on the ability of households to have access to health care, education, housing and proper nutrition services. According to the Rapid Survey (Expatriate-General Phenomenon), the surveyed expatriates’ households reported that they spend remittances on multiple uses at the same time. About 98.2% of households depending on remittances reported that they spend remittances on daily basic needs (food and clothing), 83% on housing needs (construction and maintenance), 74.3% on health care services, 32.5% on education, while only 2.3% of the households use remittances in investment (purchasing agricultural lands, real estates… etc.) (Figure 6)(5). This emphasizes the importance of the social role of remittances in supporting the access of migrants’ households to basic social services, reducing food insecurity and alleviating poverty. Any shock to remittances will further exacerbate the humanitarian crisis in Yemen.

• The expatriates’ remittances play a vital role in alleviating poverty among households in remittance-receiving countries because remittances are not only limited to initial spending of these remittances, even if it’s consumer spending, because through the multiplier it creates employment and investment opportunities for the small and medium-sized enterprises, thereby helping to reduce poverty(10). Of course, the expat community is on average better than the society as a whole. This is confirmed by the findings of the Yemen Household Budget Survey 2014 where poverty rate reached 15.3% among expatriates’ households compared to 49% in the Yemeni society in general(5). This is a significant variance that clearly reflects the role of remittances in alleviating poverty and improving the living conditions of migrants’ households.

The economic vulnerability and food insecurity vary considerably between households based on the livelihood they depend on. According to the 2016 Emergency Food Security and Nutrition Assessment, households depending on remittances were found to be the least affected by poverty, followed traders and then the private sector employees (Figures 7 and 8). Of the nine livelihoods in Figure (7), households that rely on remittances were the lowest of households falling into the two lowest wealth quintiles. About 25% of remittance-dependent households came in the 4th and 5th wealth quintiles, while more than 50% of households depending on humanitarian assistance and casual labor in the agriculture and non-agricultural sectors came in the 4th and 5th wealth quintiles⁹. 
On the other hand, poor food consumption affected all livelihoods. Households depending on expats’ remittances were found to be less affected by poor food consumption (19%), while households depending on humanitarian assistance were the most vulnerable to poor food consumption (49%) (Figure 8)(9). Observations often indicate that areas depending on remittances from abroad have a good standard of living.

All of the above indicate that while receiving remittances is an indication of a relatively better living situation, a group of households depending on remittances in Yemen suffers from poverty. Without exempting Yemeni expatriates from the escalating surcharges imposed by Saudi Arabia on expats, the severity of poverty will increase among these households and more migrants’ households will slip into the circle of poverty and deprivation.

- The migration of young men have become an option with very limited alternatives to escape the frustration of unemployment and the deterioration of living, security conditions in the country, and to be able to achieve the minimum psychological, health and humanitarian security. The widespread unemployment among young people and lack of work and income opportunities in the country are among the strongest economic roots of the conflict. Findings of the 2017 Rapid Survey (Expatriate- General phenomenon) revealed that the rate of unemployment among expatriates in the pre-migration period accounted for 44.1%, and was very high among young people in the age group (15-29 years), at about 56.4%(5). This confirms that migration is a key input to reduce unemployment, achieve the ambitions of Yemeni young people to live a decent life and reduce the severity of conflict in the country. On the other hand, any mass return of Yemeni expatriates due to the escalating surcharges imposed by Saudi Arabia on expatriates and their dependents will increase the despair and frustration and ignite more flames in a war-torn country.

Unemployment and security are closely linked as confirmed by historical events. Despite the major security unrest in Yemen during the 1970s and 1980s, the unhindered flow of Yemeni workers into the GCC countries helped to absorb unemployment, stabilize security and accelerate the development process in the country. History is repeating itself because recruiting Yemeni youth and increasing the flow of their remittances to Yemen is a very worthwhile investment for the security of Yemen, the region and the entire world especially due to Yemen’s unique strategic location on international shipping lines, in addition to being the southern gateway of the Arabian Peninsula towards Africa.
Expatriates’ remittances have played an essential role in Yemen’s socio-economic life over the past years and represented the last line of defense for Yemen’s economy during the war period. However, remittances are currently facing an emerging threat added to the list of chronic obstacles and challenges that have been discussed below:

1- Emerging threats:

The expat levy imposed by Saudi Arabia on expatriate workers and their dependents (Wife, parents, children, domestic workers, …etc.) is the most important emerging threat to remittance inflows into Yemen. Starting from July 2017 onwards, expatriates have to pay a lump sum of SR1200 per annum for each dependent or sponsored person at the renewal of the expatriate residence permit. The fees shall rise every year until they reach SR4,800 per annum/ dependent or sponsored person by 2020 (Figure 9)(11). In addition, each expatriate worker must pay SR3600 in the first year if he is classified among workers who are higher than the number of Saudi workers or SR4,800 if he is classified among workers who are less than the number of Saudi workers starting from early 2018. The fees shall rise in 2019 and also in 2020 to SR8400 and SR9600, respectively per annum according to the classification of workers (Figure 9)(11).

In an interview with an expatriate worker who has returned recently, he said, “In addition to the new expat levy, expatriate workers must pay other official fees and informal amounts to their sponsors. The total amount of these fees is more than SR10,000 per annum.” Therefore, the new fees have put additional financial burdens on many Yemeni workers who receive low wages.

The most significant expected results and potential impact of the new fees are:

- Increasing the financial burden on Yemeni expatriates (workers and dependents) in Saudi Arabia and decreasing their remittances to Yemen. Given the scarcity of data about expatriates, or its inaccuracy if any, three scenarios have been developed to estimate the new fees burden (Table 5). The first scenario assumes that the number of Yemeni expatriates is 2 million, of whom 25% are dependents. In this scenario, the burden of the fees is estimated at about $ 2 billion in 2018, rising to $4.25 billion annually by 2020. The second scenario is based on the assumption that the number of Yemeni expatriates is 1.5 million, of whom 20% are dependents. The fees are estimated at $1.54 billion in 2018, rising to $3.26 billion annually by 2020.

### Table (4): Scenarios of estimating new levy imposed on Yemeni expatriates (Workers and dependents) in Saudi Arabia per annum in USD billion

<table>
<thead>
<tr>
<th>Year/Scenario</th>
<th>First scenario: assumes that the number of Yemeni expatriates is 2 million, of whom 25% are dependents</th>
<th>Second scenario: assumes that the number of Yemeni expatriates is 1.5 million, of whom 20% are dependents</th>
<th>Third scenario: assumes that the number of expatriates is 1.5 million, of whom 20% are dependents, and the payment of 50% of fees on expatriates.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.16</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>2018</td>
<td>2.00</td>
<td>1.54</td>
<td>0.864</td>
</tr>
<tr>
<td>2019</td>
<td>3.12</td>
<td>2.40</td>
<td>1.34</td>
</tr>
<tr>
<td>2020</td>
<td>4.24</td>
<td>3.26</td>
<td>1.82</td>
</tr>
</tbody>
</table>
The third scenario is based on the assumption that the number of expatriates is 1.5 million, 20% of whom are dependents whose fees are paid. Yemeni laborers pay 50% on average of the fees only while employers pay the other 50%. The increase in fees is expected to increase the wages according to the degree of elasticity of labor demand. In other words, these fees will eventually be transferred at varying levels to the prices of goods and services provided by these workers. Thus, the employer will cover part of these fees in some or all of the activities in other activities such as restaurants. In this context, the burden of fees on Yemeni workers and their dependents is estimated at about $854 million in 2018, rising to $1.82 billion a year by 2020.

- Nearly half of the Yemeni expatriates (51.8%) do not make more than SR2000 (Equivalent to $533) per month, about a quarter of them (23.7%) do not earn more than SR1500 (equivalent to $400) per month and 6.7% of them do not make more than SR1000 ($267) per month(5). Given these low levels of income, the new imposed fees are expected to force tens of thousands of Yemeni expatriates to return Yemen. Dependents, unemployed persons and low-income laborers will be the first to return to their country.

Some Yemenis have fled the tragedies of war and went to reside with their expatriate relatives. However, the newly-imposed fees will oblige them to return to Yemen. The return of Yemeni expatriates is more likely to continue during 2018-2020, and perhaps more because the new fees increase gradually and aren’t fixed fees, while the war conditions, the scarcity of work and income opportunities and the depreciation in the value of the Yemeni riyal oblige them to wait longer before returning to Yemen.

- The return of some expatriates and their dependents to Yemen increases the pressure on demand for basic social services in education, health and water sectors, which are already on the brink of collapse in most parts of the country. Thus, it’s expected that some returnee children will be deprived of their rights to health care, quality education and clean water.

- The new levy imposed on expatriates doesn’t take into account the vertical equity principle in the distribution of burdens. It imposes a fixed amount on each expatriate worker regardless of his income and whether he works or is unemployed. Thus, low-income expatriate workers, including the majority of Yemeni expatriates, are victims of this policy.

- 25% of households depending on remittances made by Yemeni expatriates fell in the fourth and fifth wealth quintiles in 2016, which means that they are poor households. The progressive fees system threatens to cause significant decline in remittances of low-income expatriates specifically. Therefore, it’s expected that poverty will increase among the already poor households and new households will slip below the poverty line.

- It is expected that some low-income expatriates will resort to evade paying the fees by escaping from their sponsors, hiding or working illegally. According to a study, the average income of illegal Yemeni workers was $328 per month, of which $62 average monthly rent(15). Thus, some expatriates would prefer the option of working illegally instead of paying fees that exceed their income or returning to their war-ravaged country.
At all events, the new fees will inevitably affect the remittances of Yemeni expatriates in the short and medium term. Since these remittances are the most important economic source for Yemen during the ongoing war, the impact will not only be limited to households of expatriates, but also on the other macroeconomic indicators and balances, including increasing the current account deficit of the balance of payments, accelerating the depletion of external foreign reserves, putting more pressure on the national currency and rising the inflation rates, in addition to affecting the personal consumption expenditures, aggregate demand, economic and commercial activity, public revenues, and widening unemployment and poverty among the community.

Even in the case of providing more external grants and assistance to Yemen, losses in the expatriates’ remittances may not be compensated because the advantages of remittances go beyond any external support in terms of reaching the needy households, efficiency, effectiveness and sustainability. Without taking Yemen’s situation into account within these difficult circumstances, the humanitarian crisis and the social peace in the country are likely to exacerbate.

2- Chronic challenges and obstacles:

Local challenges and obstacles:

- Lack of a national strategy to develop the expatriates sector, maximize the use of remittances and ensure that Yemen will not enter into any collective or bilateral agreements with labor-receiving countries in order to improve the working conditions of Yemeni expatriates compared to other Arab and foreign countries.

- Weakness of the institutional structures concerned with organizing the process of exporting laborers, both at the level of relevant ministries (such as the Ministry of Expatriate Affairs, the Ministry of Social Affairs and Labor and the Ministry of Technical Education and Vocational Training) or the private sector (Employment services offices). This is seen clearly in the lack of professional guidance; collective and individual advice and weak training and capacity building as well as destruction of many vocational institutes.

- Low output of the education system in all stages and weak skills and abilities that don’t match the requirements of regional and international labor markets, particularly inability to use modern equipment, insufficient computer skills and inability to speak foreign languages. This weakens the competitiveness of Yemeni workers with laborers from other countries.

- Lack of a comprehensive and accurate database on expatriates and their remittances, weak financial infrastructure in Yemen and its failure to provide attractive products to employ the expatriates’ remittances.

External challenges and threats:

- National policies adopted in the Gulf labor markets, which restrict the movement of Yemeni laborers towards these countries, such as the policies of workforce nationalization, replacement of expatriate workers with nationals and limitation of certain jobs and occupations to nationals of the GCC countries only. In continuation of these policies, Saudi Arabia implemented the Saudization procedures and designated 12 job types as Saudi-only since July 2017. The first phase includes cars, motorcycles, children and men’s clothing, home and office furniture and home kitchenware. The second phase will cover electrical and electronic appliances, watches, eyewear, medical equipment and devices, building and construction materials, auto parts, carpets and confectioneries. These policies lay off foreign workers from these jobs and drive them to leave the country, especially Yemeni expatriate workers because the majority of them are low-skilled workers.

- Complicated labor procedures in the Gulf labor markets, especially the sponsorship system which is unfair to workers’ rights and expose them to blackmail and restrict the movement of workers between professions. In addition to imposing large and escalating fees on expatriate workers to make them less competitive.
● Difficulty in obtaining work visas and complexity and protracted procedures of visa systems, which have turned to a “black market” that passes through a series of intermediaries, thereby making visas very expensive compared to the income level of Yemeni workers and the prevailing living conditions in Yemen.

● The foreign worker quota excludes the recruitment of Yemeni laborers in some of the GCC countries, in contrast to the officially declared stances. In addition, Nitaqat System (officially known as Saudi nationalization scheme) obliges companies to allocate a certain percentage of employment to some countries and give laborers of some countries a higher percentage than Yemenis laborers.

● Importation of expatriate workers to the GCC countries through mediation institutions with some exceptions. It’s noted that the number of these institutions is limited between Yemen and the GCC countries. The Rapid Survey (Expatriate – General phenomenon) implemented in 2017 in four governorates indicated that 58.7% of the total number of legal migrants migrated through relatives or friends, which means that they migrated with visas that don’t necessarily guarantee work opportunities(5).

● Dynamics of the Gulf labor markets under the influence of accelerated technological advances and the existence of new sectors that require high professional skills such as banking, real estate, tourism and petrochemical industries, which widens the gap between the supply of Yemeni labor and demand in regional and international labor market.

Fourth: Successful Experiences of Countries in Developing and Exporting Human Resources(12):

The Philippines’ experience is an example that can be utilized to develop the education and training systems and link them to the requirements and needs of the local, regional and international labor market if possible. Also there are experiences of countries such as Malaysia, South Korea, India, Australia and Pakistan. All these experiences focus on building the human capital necessary for national development and the possibility of exporting laborers to regional and international markets, although each one of these countries has its own distinctive policies:

Philippines’ experience: is characterized by qualifying the workforce to deal with technology and developing the educational and training institutions. The Philippines focused on using Filipino and English as a medium of instruction, cooperating with Japan in the field of training and benefiting from international cooperation programs in this regard, enabling the private sector to invest in education and training and export surplus employees of its outputs and using NGOs to train people who didn’t find jobs in the labor market and qualify them for other jobs. Filipino migrants are distributed throughout the world and the World Bank estimated their remittances at $31.1 billion in 2016(6).

The Philippines has established a Migrant Welfare Fund to protect workers abroad and provide other services such as providing credit to finance migration, housing, small enterprises, as well as providing pre-departure information and guidance on the transfer of savings. In addition, it established joint technical committees with Saudi Arabia and Japan to coordinate the procedures of recruiting migrant workers and resolving their problems, in addition to issuing multipurpose electronic cards for migrant workers.

Malaysia’s experience: is characterized by establishing smart schools to teach modern technology, instilling productive work values into young people, linking education and training programs to the needs of local development, keeping pace with globalization, engaging the local and foreign private sector in developing educational and training policies with government bodies and stimulating it to invest in the educational and training sectors.
**Korea’s experience:** is characterized by the government’s support to universities and research centers to carry out development studies for education and training in specific areas, implement vocational training programs covering all professions, ages and regions and open door to the private sector to invest in education and training sectors.

**India’s experience:** is characterized by focusing on the information technology sector, establishing a national council to improve the quality of education and training, providing compulsory and free education up to the end of secondary school, increasing the financial allocations and independence of universities, directing the surplus of secondary school students to technical education. In addition to establishing a deposit system for migrants and providing financial products to attract their transfers and savings by providing the highest rates of interest, exchange guarantees, exemption from the wealth and income tax and the issuance of bonds for development purposes.

**Australia’s experience:** is characterized by focusing on education and training as a key to human resource development; integrating the technical education and vocational training programs with secondary education programs and linking them to the labor market needs; adopting new types of education such as distance education, progressive education and cooperative education; focusing on training teachers and trainers before trainees and engaging the private sector in human resources development decisions.

**Pakistan’s experience:** emphasized the importance of remittances for the development process through a series of incentives, such as giving migrants the privileges of having access to higher education and public housing, free renewal of passports and exemptions from import duties (for the minimum amount of US $2,500-10,000)

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**Fifth: Priorities**

To address the threats and challenges facing Yemeni remittances and maximize their use in supporting the development process, this edition includes a set of priorities and policies to be taken at the local and external levels as follows:

**Policies and Priorities at the National Level:**

- **Accommodating Yemeni expatriates returning from Saudi Arabia to Yemen (in the immediate and medium term) by:**
  - Giving orders to the Customs Authority to exempt goods and furniture of expatriates from customs duties, value added and profits tax pursuant to Articles No. (19 & 20) of the Expatriates Welfare Law No. 34 of 2002.
  - Forming a higher committee headed by the Ministry of Expatriate Affairs and membership of the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Interior, Ministry of Education, Ministry of Local Administration and Ministry of Social Affairs and Labor to follow-up with the issues of returnee expats and formulate necessary remedies in a timely manner during the upcoming period (2018-2020), along with allocating a sufficient space in media outlets to discuss the expatriates’ issues.
  - Providing the necessary resources to provide basic care for expatriates returning from Saudi Arabia to Yemen through the release of account of returnee expats in the CBY by the Ministry of Finance and provide it with 50% of the amounts withdrawn to the government’s public account\(^{(1)}\).
  - Giving orders to educational institutions at all levels to enroll returnee students in their educational levels without any conditions pursuant to Article No. (7) of the Expatriates Welfare Law No. 34 of 2002.
  - Mobilizing additional support from INGOs for the basic social service sectors such as education, health and water, in response to the potential increase in demand for these services by returnee expats, along with studying this issue specifically by IOM and the International Labor Organization (ILO) and providing assistance and advice to our country.

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\(^{(1)}\) Reference number or page in the original document.
- **Strengthening the role of Yemeni communities abroad (in the short and medium term) by:**
  - Building the capacity and organizational structures of Yemeni communities abroad and their activities to enable them participate in supporting relief efforts in Yemen, as well as considering the possibility of opening unified bank accounts to raise donations from Yemeni expatriates under the supervision of Yemeni communities and specialized international organizations.
  - Studying the successful experiences of expatriates from Hadramout governorate, who finance scholarships and health grants for children in their areas and support the implementation of small enterprises such as building medical clinics and drilling water wells in poor areas, in order to apply these experiences on other extensive expat areas in Yemen.
  - Issuing e-cards with the national number for Yemeni expatriates abroad.
  - Raising the awareness of Yemeni communities in Europe and America of the importance of enrolling their children in technical and vocational education and universities.

- **Directing the education outputs to meet the needs of not only the local and regional labor market, but also the international labor market (in the medium and long term) by:**
  - Developing the skills of education outputs, especially computer skills, teaching English extensively from first grade of basic education and expanding the teaching of living languages, particularly languages of strong economies that face shortages of workforce. This will increase the competitiveness of Yemeni workers and expand their options for legal immigration to all countries worldwide without focusing on a particular region.
  - Conducting short-term and diversified training programs to qualify low-skilled laborers and graduates of some theoretical colleges in accordance with the demand in local, regional and international labor markets.
  - Building specialized centers to train and qualify trainers and assigning the management of some technical and vocational institutes to the private sector.
  - Focusing on the quality of education outputs through the application of the educational accreditation system and quality control at all levels of education.
  - Establishing a specialized university or colleges in all universities in the field of information technology (IT).

- **Maximizing expats remittances’ utilization in the development process (medium and long term) by:**
  - Developing a comprehensive and accurate database of Yemeni expatriates and their cash and in-kind remittances and coordinating between all relevant entities to collect data, including exchange corporations, the Customs Authority and Yemeni communities abroad.
  - Preparing and implementing an integrated national strategy to serve expatriate workers and attach them to the homeland, with the participation of expatriates and all concerned entities to ensure the successful achievement of its objectives.
  - Establishing a national mechanism to mobilize expatriates’ remittances and investments, involving all relevant government authorities, private sector and Yemeni communities abroad.
  - Studying the feasibility of establishing a bank for expatriates, supporting banking services, providing saving systems and investment and borrowing programs, as well as offering various attractive products that are suitable for various income levels of expatriates. In addition to promoting investment opportunities, both projects and banking products, among expatriates by the General Investment Authority, in cooperation with banks (Expatriates Bank).
  - Providing attractive interest rates for expatriates’ savings and issuing special bonds for development purposes.
  - Benefiting from the Philippines’ experience in establishing the Migrant Welfare Fund to protect expatriates and provide credit services to finance migration and raise their awareness of the benefits of transferring their savings to their homeland.
Policies and priorities to be considered at the external level:

♦ Exempting Yemeni expatriate workers from the new levy imposed by Saudi Arabia on expatriates and their dependents and the recent Saudi nationalization scheme.

♦ Benefiting from the Philippines’ experience in establishing joint committees with labor-receiving countries to coordinate workers’ issues and address their problems.

♦ Facilitating the process of granting visas to Yemeni workers at nominal prices, away from the exploitation of intermediaries, and excluding them from the sponsorship system.

♦ Placing Yemeni workers in the first preferred option in the quota system among expatriate workers, giving them preferential advantages such as the ability to move to other jobs, transfer of sponsorship without restrictions, work in occupations prohibited for foreign workers and the right to renew the residency permit (Iqama).

♦ Establishing a mechanism for the continuous flow of information between the relevant agencies in Yemen and the GCC countries.

♦ Supporting and developing the work mechanisms of private employment offices in Yemen and linking them to the employment offices in the GCC countries.

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Annex:

**Institutional Framework for the Relationship between Remittances and Development**

The proposed mechanism to mobilize the savings of expatriates and maximize their utilization in financing national development plans and programs in the medium and long term, in a manner that ensures the rights of expatriates and achieves appropriate economic returns, is based on three key axes:

At the top of the triangle of “Remittances for Development” is the preparation and implementation of an integrated national strategy to serve expatriate workers abroad, which includes policies and mechanisms that can attach expatriates to their homeland and address the challenges facing general cultural, social, economic and other elements in the preparation of the strategy to ensure its objectives. This axes can be carried out by the Ministry of Planning and International Cooperation, along with all concerned bodies, in particular the Ministry of Expatriate Affairs and the Ministry of Social Affairs and Labor.

In cooperation with the Ministry of Expatriate Affairs, the banking sector studies the investment needs of expatriates, designs medium and long-term banking and financial products compatible with the needs of expatriates, establishes easy transfer channels at appropriate prices by increasing the banking presence abroad and creates mechanisms that rely on modern technology and enable the expansion of banking services both inside and outside the country.

Preparing a map for the available investment opportunities in Yemen and preliminary feasibility studies for these projects by the General Investment Authority. Accordingly, banks choose the projects that are compatible with the investment needs of expatriates studied in the second axis, and translate them into financial products for expatriates. The designed financial products should be able to encourage periodic remittances (monthly, quarterly, etc.) and the transfer should be within values commensurate with the average income of workers ($50, $100, $150, $200 per month).

**Source:** Ninth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region, Amman, April 2015