



An Analysis of the Investment Climate and Prospects in Taiz Governorate

By: Yasser Al-maqtari, an Economic Researcher and a Non-Resident Research Fellow at Studies and Economic Media Center (SEMC).



An Analysis of the Investment Climate and Prospects in Taiz Governorate

2024

Table of Contents:

● Executive Summary	4
● Methodology	4
● Overview of Taiz Economic Activities and Outputs	5
● Key Investment Prospects	11
● Sector Specific Investment Overview	15
● Key challenges	18
● Recommendations and Solutions	19
○ Recommendations to the Local Authority in Taiz	19
○ Recommendations to the Private Sector	22
● References	23

Executive Summary

This bulletin aims to provide focused and important information about investment opportunities in the Taiz Governorate by identifying Taiz's demographics, geography, economic and political context, as well as highlighting investment opportunities in key productive sectors. The bulletin also covers main indicators of productive sectors and emphasizes competitive advantages of the sectors and businesses in the Taiz Governorate, including its strategic location overlooking the Red Sea and Bab al-Mandab Strait, one of the world's most important waterways, and other valuable economic assets.

The bulletin addresses key opportunities ripe for investment and potential timeframes for this investment. It concludes by explaining challenges in Taiz and proposes solutions for some of these challenges. Specifically, it outlines what the local authorities can do to attract investments, increase the pace of commercial activity, and drive economic development in Taiz.

Methodology

In preparing this bulletin, SEMC relied on desk research sources such as studies and publicly available official documents, as well as primary sources such as conducting key informant interviews with public officials and employees of local authority offices like the Taiz Investment General Authority, local businessmen and representatives of private sector, and experts and specialists in the economic field.

Overview of Taiz Economic Activities and Outputs:

The Taiz Governorate is in southwest Yemen, approximately 256 kilometers away from Sana'a. It borders the Ibb and Hudaydah Governorates to the north, parts of the Lahij, Al-Dhale'e, and Ibb Governorates to the east, the Lahij Governorate to the south, and overlooks the Red Sea to the west.

Taiz's population is 3.55 million according to projections by the National Population Council for the years 2005-2025, with a growth rate of 2.47%. This represents about 11% of Yemen's total population. However, the war that has negatively impacted Taiz. Since 2015, fighting has altered Taiz's demographic landscape, including declining birth rates and higher death rates, in addition to the displaced people in and out of the Governorate and capital. The number of displaced people from Taiz reached 415,000, making up 14% of Yemen's total displaced people, making Taiz the second highest governorate after Marib in terms of displaced people.

About 55.2% of Taiz's population is in the 15-64 age group (working-age population). The high population of working aged people is a competitive advantage for Taiz, as there is a large supply of people to participate in the labor force, enhancing opportunities for creating a high-growth environment based on the innovations and creativity of the youth. This is particularly important for technology sectors and other innovation-driven projects. Taiz's demographic composition provides a workforce that can be trained and qualified to meet the demands of the modern labor market.

These demographics require the local authorities to reconsider the distribution of development and population, shifting more opportunities from the city of Taiz to the other met-

ropolitan centers such as cities like Mocha, Al-Turbah, and coastal areas. There are strategies being implemented in various countries and global cities that can be summarized as follows:

- 1- New Land Development Strategy (Leveraging Natural Resources).
- 2- New Cities Strategy (selecting new magnets for industrial investment).
- 3- Growth Poles Strategy (spatial redistribution of development benefits across districts).
- 4- Rural Development Strategy (selecting key villages as rural development poles). It emphasizes agricultural development, land reclamation, and the provision of essential services and infrastructure to boost the rural economy and improve living standards.
- 5- Industrial Location Strategy (directing industries towards targeted areas).

Economic Overview

At the macroeconomic level, Taiz contributes approximately 9.7% to Yemen's gross domestic product (GDP) as of 2020. This substantial contribution is primarily due to the availability of skilled labor and the diversity of economic activities. Additionally, Taiz's major contribution to Yemen's industrial output is notable, as it is one of the leading governorates hosting national industries.

The economic activities in the Taiz Governorate are diverse, including agriculture, industry, and livestock production. The Governorate has vast, fertile, agricultural lands and grows

many seasonal crops, leading the country in the cultivation and production of vegetables. It is also home to manufacturing, food industries, quarries, and mining industries such as copper and cobalt, as well as non-metallic minerals like limestone and gypsum. The industrial sector is one of the most prominent in the Governorate. Additionally, some residents engage in fishing along its coastal strip.

Public Revenues

The Governorate's financial resources are collected from taxes, service fees, Zakat (almsgiving), and other charges. In 2022, the total public resources amounted to approximately 21 billion Yemeni Riyals. This is after a decline in revenues during the years 2015-2018, which then gradually improved with an average annual increase of 43% since then.

Taiz has no natural resources such as oil and gas, however, it boasts a diversity of vital sectors including fisheries, agricultural products, commercial activities, investment ventures, and production factories. There are still areas yet to be investigated, meaning there is a chance of finding these natural resources in the Governorate. Currently, the Governorate relies on revenues from taxes, public service fees, Zakat duties, and other sources for its financial resources.

The industrial sector is highly active in Taiz, which is home to some of the largest industrial complexes in Yemen. Importantly, many of these facilities are owned and operated by private sector entities and actors. These complexes produce a wide range of products, including food items such as biscuits, margarine, soap, as well as other products like plastics and cleaning supplies. Additionally, around five mineral water plants have been established in the Governorate.

According to the Office of Industry and Commerce in Taiz, the number of registrations and renewals in the commercial register and trade names was 877 in 2022, compared to 1002 in 2014. The registrations and renewals in the industrial and artisanal register were 91 in 2022, compared to 129 in 2014. These figures indicated that there is a continued interest in investment in Taiz's industries, but there needs to be more support and focus on investment to maintain investment efforts in Taiz.

Agriculture

The agricultural sector, concentrated in the coastal and central areas of the Governorate as well as along rivers and valleys in districts such as Waziyah, Mawza, and large parts of Mocha district, is one of the most important productive sectors in the Governorate. Twenty-one percent of the total workforce in the Governorate is employed in agriculture sector. Taiz produces 22% of Yemen's total vegetable production. The cultivated area reached 86,997 hectares, with 73% of this area, (63,508 hectares) relying on non-irrigated farming. It is estimated that in 2022 the total agricultural production in the Governorate reached 287,805 tons, compared to 256,676 tons in 2014, reflecting a 12% increase. By 2014, a total of 44 projects had been implemented in the agricultural sector, with a total cost of 5.2 billion Yemeni riyals.

Taiz produces a diverse range of agricultural crops. For grains, it grows corn, millet, wheat, and barley. In terms of vegetables, it produces tomatoes, onions, zucchini, okra, radishes, parsley, eggplants, cucumbers, and more. The fruit production includes grapes, bananas, papayas, mangoes, lemons, watermelons, figs, and guavas. Additionally, Taiz produces cash crops such as coffee, sesame, and cotton, as well as large quantities of animal fodder.

Fisheries

The fisheries sector is one of the important productive sectors in all of Yemen. Taiz Governorate contributes 5,000 tons annually according to 2014 data. The city of Taiz is located along parts of the Red Sea coast, with a coastline stretching 138 km from the Bab al-Mandab Strait south to the city of Al-Khawkhah in the north. Before the war, the Governorate had weak infrastructure, which was subsequently destroyed during the conflict. This destruction included the loss of many fishing boats and the destruction of fish landing areas, as well as significant impacts from naval mines surrounding the Governorate and the imposition of inspection and prohibition measures on fishermen.

However, the sector has seen improvement in recent years. From 2018 to 2022, the number of fishing boats increased from 1,000 to 5,000, a 400% increase. The number of fishermen rose from 3,000 to 12,000. This improvement resulted from relative stability in the coastal areas, the allowance of fishing activities, and the reduction in the intensity of conflict in the Red Sea. However, these numbers might change due to recent events in the Red Sea and attacks on commercial ships.

Other Sectors

Other sectors contribute to the economic development of Taiz Governorate at varying levels, including the education, health, commercial, and service sectors. Key indicators show that the services sector is one of the most critical sectors in terms of activity, employment rate, and coverage. It includes hotels, restaurants, private educational institutions, hospitals, institutes, and banks. These services support other economic activities and enhance the quality of life for residents.

These activities are significant due to their high employment rate and contribution to increasing Yemen's GDP. Key parts in the health sector include hospitals, schools, and private universities. Regarding the banking sector, there are approximately 30 local bank branches, most of which are in the city of Taiz, while some existing in secondary cities. This indicates a gap in the distribution of banking services despite the banks' efforts towards financial inclusion. By offering electronic services based on smart programs and applications, banks are facilitating easier and more accessible banking services for the community. This technological approach helps bridge the gap and ensures that more people can access banking services easily.

Key Investment Prospects:

All productive and service sectors in the Governorate are promising. Its geographical composition, diverse terrain, and suitable environment create fertile grounds for various investments and opportunities.

Natural Resource Exploration and Development

The Governorate still needs investment in mining and the utilization of natural resources and raw materials, which can be used in various industries such as cement, glass, ceramics, and decorative stones. Based on this sector indicators, these opportunities require significant capabilities and specialized companies, either locally or in partnership with foreign companies. This is due to the lack of specialized scientific studies and exploration in this area. Additionally, modern methods, technologies, and technical expertise are needed to fully realize these opportunities.

Agriculture

Based on agricultural sector indicators, the Governorate still holds promising opportunities. Farmers currently work with limited self-sufficiency, as there are no specialized companies that could bring about a significant transformation by introducing modern technologies in irrigation, harvesting, storage, cooling, marketing, and exporting their products. There is also an opportunity to engage in reclaiming agricultural areas and utilizing seasonal water flows from valleys and drilling affordable artesian wells. Vast agricultural lands remain untapped, as the local authorities can provide necessary facilitation and a conducive environment for investors.

There are agricultural products that need companies to improve their quality and develop them technologically to make them suitable for exporting abroad. Yemeni coffee, a renowned product grown in various areas of Taiz, notably in Bani Hamad and Al-Masrakh districts, could be cultivated in other nearby areas with similar climates. In terms of livestock, there are opportunities to develop the production of local cheese (goat cheese), by repackaging and canning it to make it exportable, especially from Maqbana district, which is well-known for its local market production.

Tourism

Investment opportunities in the tourism sector lie in establishing tourist resorts along the Red Sea coast in the medium to long term (5-10 years). This includes providing hotel services and attracting visitors from within the Taiz and other governorates. The international asphalt road runs along the coast, making it feasible to set up rest stops equipped with hotels, restaurants, and all other necessary services. These stations could be established in the Mocha and Dhubab districts, which boast beautiful sandy beaches.

Developing Mocha

In the industrial sector, there are opportunities for establishing industrial complexes in the large available areas in the coastal districts of Mocha and Dhubab districts. These areas are well-suited for major investment projects. Besides its historical and commercial significance, Mocha is promising for investment, as it is very large covering approximately 1.6 thousand square kilometers, with most of this land being flat, extending from the coast to the foot-

hills in the east. Mocha is highly suitable for investments and industrial zones. Key features include:

- Airport and commercial port facilitating the shipping and unloading of raw materials.
- Strategic location on major shipping routes overlooking one of the main international shipping routes, through which more than 21 thousand ships and tankers pass annually.
- Linking a major international road to Aden, the temporary capital of the country, and one of the most important Yemeni cities both before and after the war in terms of geopolitical and commercial significance.

Additionally, Mocha's proximity to districts with agricultural and livestock production, as well as those rich in minerals and rocks, enhances its appeal. The area also features long fishing coastlines. These advantages further contribute to its potential as an industrial and commercial hub, making it an attractive destination for diverse investment opportunities.

Manufacturing

The local authority in Taiz should identify industrial areas according to well-studied criteria and based on the type of manufacturing, allocating these areas to investors interested in manufacturing. After identifying these areas, they should partner with the private sector to provide basic infrastructure such as electric power by operating Taiz's Steam Plant. This can be done either through operating contracts with the private sector, Yemen's government support, or INGOs' support. Also, they should implement urban planning, pave main and secondary roads, and establish a sewage network in and near the designated industrial areas.

Fisheries

Moreover, there is a good opportunity for investment in the fishing sector through local or foreign investment companies to sell or lease advanced technology fishing boats to fishermen. This would help increase fish production, allowing the companies to purchase the fish and sell it either locally or abroad. Involving the private sector in investing in fish unloading facilities on the coast is also crucial. These centers should include a fish reception hall, a fuel depot, a fuel pump for refueling boats, an ice factory, an ice storage, and refrigeration storage. These centers will enhance fishermen's productivity and returns for investors.

Other Sectors

In other sectors, there are many opportunities available. The energy sector is particularly promising, especially since the public power stations are completely out of service. Investing in wind and solar energy is highly feasible given the high cost of traditional energy sources. The education and health sectors also need substantial investment to attract many graduates eager for new specializations that keep pace with global technological and technical advancements.

Investors have an opportunity to invest in the service sector by establishing centers and intermediate institutes focused on technical education that aligns with market needs, labor demands, and technological advancements. These specializations should include programming and applications, network systems, modern vehicle maintenance, mechanization and automated control systems, plant and animal production technologies.

Sector Specific Investment Overview

Here are the key investment prospects in different productive sectors of Taiz:

sector	Key Investment Prospects
Agriculture Sector	<ul style="list-style-type: none"> ● Companies for cooling, preserving, and storing agricultural products. ● Companies for developing agricultural products, including repackaging, marketing, and exporting. ● Land reclamation and the introduction of modern production techniques, such as advanced irrigation systems. ● Food processing industries that rely on agricultural products. ● Food processing industries that depend on animal products, such as dairy, cheese, and their derivatives. ● Factories for preserving, freezing, and canning meat. ● Central markets for marketing agricultural products in key secondary cities. ● Refrigeration storage for agricultural products.
Fishing Sector	<ul style="list-style-type: none"> ● Fish unloading centers on Mocha's coast, equipped with a fish reception hall, fuel depot, fuel pump for refueling boats, ice factory, ice storage, and refrigeration storage. ● Companies for freezing and storing fish products. ● Companies selling traditional boats and boats with modern technology to help fishermen increase production.

	<ul style="list-style-type: none"> ● Fish canning factories for local and international marketing. ● Fish and marine life farming, especially shrimp (prawns). ● Companies for exporting and marketing fish products after purchasing them from local fishermen. ● Establishment of intermediate institutes focusing on the development of fish resources and fish farming and opening new academic majors in the fish farming field at Taiz University.
Industrial Sector	<ul style="list-style-type: none"> ● Food industries such as dairy and its derivatives. ● Factories that rely on agricultural products such as oils. ● Mineral water factories. ● Cement manufacturing near raw materials in Taiz coastal districts. ● Canning and packaging factories for agricultural, animal, and marine products. ● Battery and solar panel industries. ● Manufacturing industries based on certain metals, copper, and cobalt. ● Establishment of technical institutes focusing on technical specializations that support the industrial sector.
Mining Sector	<ul style="list-style-type: none"> ● Mining and exploration companies for minerals and natural resources. ● Manufacturing companies that rely on the minerals and primary raw materials available in the Governorate.

Services Sector

- Establishing technical institutes that rely on modern technology, such as:
 - Agricultural institutes, including animal and plant production, environment, and green energy.
 - Fisheries institutes, including fish production, aquaculture, and supply chains majors.
 - Technical institutes specializing in programs and automated applications, modern vehicle maintenance, network systems, and automated control systems.
 - Industrial institutes specializing in industrial automated control systems, electronic technologies, electricity, mechanics, etc.
- There are numerous opportunities in tourism sector, as the beaches of Taiz and its long coastline present a significant chance for investors to establish tourist resorts, parks, and amusement cities. Restoration of historical sites like Cairo Castle in Taiz, and other landmarks to open them to the public.
- The creation of public and private gardens and the utilization of hot springs for therapeutic tourism.
- Real estate development companies can invest in residential towers and housing cities in the open areas.
- Establishing private universities and institutes focusing on new specializations that keep pace with both virtual and real job markets.
- Investment in renewable and clean energy sectors is crucial given the high cost of traditional energy.
- Establishing technical and vocational institutes to develop the young skills and investing in the development of supply chains.

Key challenges

There are many challenges faced by investors in the Governorate as follow:

- 1- The continued closure of main roads and the division of state institutions between the conflicting parties.
- 2- The high cost of commercial electricity in the Governorate, as government power plants still out of operation.
- 3- Weak infrastructure and institutional frameworks due to the destruction caused by the armed clashes in the Governorate.
- 4- Centralized decision-making and overlapping authorities and powers between the government and local authorities, amidst stalling investment regulations.
- 5- Continued division of resources as the Houthi group controlling the industrial area and other parts of the Governorate.
- 6- Lack of urban planning for some cities and districts.
- 7- Weak coordination between coastal districts and the local authority in the Governorate.
- 8- The need for the Mocha port to be rehabilitated and developed, including all its components such as docks, cranes, and motorboats, which require a technical study for rehabilitation.
- 9- Despite improvements in the efficiency of security agencies, there are still shortcomings in the security sector in the Governorate.

Recommendations and Solutions:

Recommendations to the Local

Authority in Taiz:

The local authority in Taiz should play a significant role in leveraging existing opportunities and creating new ones. Without its participation in improving the investment environment, developing policies, taking appropriate measures, fostering a general direction for development, and involving the private sector in identifying and prioritizing opportunities, these prospects cannot be fully exploited. Here are some recommendations to the Taiz's local authority as follows:

- Working towards achieving security stability and improving the efficiency of security personnel to control crime and unruly behavior, stop illegal actions and extortions, protect public and private rights and properties, and reduce the presence of armed groups in public spaces.
- Addressing electrical power cuts through partnering with the private sector to establish a hybrid power generation plant.
- Open alternative main roads connecting the Governorate with other governorates via the coastal international road and pave and maintain the secondary roads linking the city of Taiz with other districts, specifically the Taiz-Kadhah-Mocha Road.
- Designating industrial zones in the districts of Mocha and Dhubab, as well as agricultural zones, and improve the infrastructure of these areas through partnerships with the private sector or through international organizations' supporting.

- Improving the level of public services and adopt a participatory policy with the private sector to help cover the shortfall in public resources and to invest in services sectors.
- To work according to scientific and logical strategies and studies to change the economic development distribution map to include various districts and secondary cities.
- Developing agricultural and fishery products as the two main sectors the Governorate relies on and invite the private sector to invest in these sectors by offering some incentives and supporting current individual and corporate investors to increase production.
- Coordinate with all supporting entities and donors, banks, and financial institutions to provide concessional financing for existing companies and investors, as well as those interested in investing in these sectors.
- Establishing an electronic portal through a single window to collect all local authority resources, improve the level of public resources, increase collection efficiency, reduce corruption and waste, and activate control and transparency mechanisms.
- Take serious steps to introduce modern technologies, applications, systems, and programs that contribute to institutionalizing government offices, simplifying procedures, and enhancing access to services.
- Formulating general orientations within the public sector in government offices, public institutions, the private sector, and the community towards clear developmental goals and specific strategies based on an understanding of the current and future conditions of the Governorate, and grounded in diagnostic studies of the economic, political, and social realities.

- Working on distributing development within the Governorate by developing other qualified cities and areas based on criteria such as location, distance, and available resources, such as coastal districts, the city of Al-Turbah, and other secondary cities.
- Working in the medium term (5-10 years) to declare the city of Mocha as a free investment zone according to a well-studied vision and plan.
- Encouraging and urging current and potential investors to introduce modern technologies and production methods in various promising investment sectors, such as agriculture and fisheries.
- Establishing an economic council in the Governorate including the private sector, civil society organizations, and representatives from the public sector to contribute formulating of general policies related to development and investment.

Recommendations to the Private Sector:

- Conduct exploratory studies, economic feasibility studies, and surveys to identify key opportunities in the mentioned areas and districts.
- Focus on production and utilization of local raw materials given the high costs of imported products.
- Continuing to adopt initiatives and solutions that contribute to reducing goods imported costs by advocating for the operation of the Mocha port.
- Leverage the large workforce in Taiz Governorate by training and qualifying them, which will contribute to building large-scale projects, particularly in technical, industrial, production, and service sectors.
- The cultural and scientific diversity and coexistence in Taiz Governorate make it a healthy environment for businesses, investment, entrepreneurs, and private projects, especially those requiring a large workforce.
- The local economy needs to enhance the private sector's role to achieve economic growth through private or joint-stock companies that can mobilize and invest resources, distribute risks under the current conditions, and involve the community in development and investment. This approach will alleviate fears, create a supportive business environment, and establish new investment projects both in Taiz Governorate and other governorates.

References

- 1- The National Information Center, <https://yemen-nic.info/gover/taiz/brife/>
- 2- The National Population Council and Central Statistical Bureau, Population Projections for the Republic of Yemen 2005-2025.
- 3- Ministry of Planning and International Cooperation, Economic and Social Bulletins in Yemen, Issue 68, January 2022.
- 4- A matrix concerning displaced people, International Organization for Migration, <https://dtm.iom.int/reports/alymn-ast-byan-nwaya-alnazhyn-dakhlyaan-mayw-2023>
- 5- Geographical Vision for Urban Development in Taiz Governorate, the Journal of An-Najah University, Folder 33, Issue 4, 2019.
- 6- The Economic Situation, Business Environment, and Productive Sectors of Taiz Governorate, In-depth Study, Studies and Economic Media Center (SEMC) 2023.
- 7- https://yemenportal.unhabitat.org/wp-content/uploads/2021/01/01-Taiz-City-Profile_02.pdf
- 8- Journal of Oil and Minerals, Ministry of Oil and Minerals, Issue (48), January 2023.
- 9- Fahd Rajeh, Oil in Yemen, Facts and Indicators, Mocha for Strategic Studies, Yemen, 2022.
- 10- https://agristatyemen.com/wp-content/uploads/2022/02/agri_stat_yemen_y2020-2.pdf
- 11- <https://althawrah.ye/wp-content/uploads/df/2014/06/22/15.df>
- 12- Annual Agricultural Statistics Book for the year 2014.
- 13- The Planning and International Cooperation Office in Taiz.
- 14- The General Investment Authority in Taiz.

Since 1983 CIPE has been working with local partners to craft business-driven solutions to social-economic problems that affect millions of people. We at CIPE believe that democracy is at its strongest when the private sector is flourishing. Working with our local partners that include business associations, chambers of commerce, think tanks, universities and advocacy organizations, CIPE is helping create the enabling environment for business to thrive. This can only happen when the core institutions of democracy are strong and transparent. CIPE currently has more than 200 projects on the ground, including grants with local partners, in over 80 countries to help build those institutions.



Center for International Private Enterprise
1211 Connecticut Ave NW Suite 700
Washington, DC 20036
USA

Ph: (202) 721- 9200

www.cipe.org

www.cipe-arabia.org



The Economic Reform Team (ERT) represents a pioneering voluntary initiative, assembling an elite cadre of Yemeni businessmen, businesswomen, and economic experts. The ERT is dedicated to empowering the private sector's unified and impactful participation in decision-making processes, as well as the formulation of visions, strategies, and policies aimed at advancing economic reforms and growth across Yemen.



Studies and Economic Media Center (SEMC) is one of the Civil society organizations that works on economic field, awareness and promote the economic issues transparency, good governance and participated citizens in decision-making. Also, It works to find a professional media

<https://economicmedia.net/>

ALDAHI - TAIZ - YEMEN



00967-4- 249306



www.economicmedia.net



economicmedia@gmail.com



[@Economicmedia](https://twitter.com/Economicmedia)



[Economicmedia](https://www.facebook.com/Economicmedia)