



An Analysis of Investment Climate and prospects in Hadhramout Governorate

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Executive Summary

This bulletin aims to highlight the investment opportunities available in Hadhramout Governorate, where the landscape varies between the coast and valley. The coast stretches along stunning shores that combine sand dunes, rocks, golden beaches, mountain ranges, valleys, and coral reefs, spanning 303.9 km along the sea. While the valley, Wadi Hadhramout, is considered a Food Basket for Yemen due to its fertile lands suitable for agriculture and vast deserts ideal for tourism.

This bulletin attempts to highlight these features and aims to optimally leverage them within the Governorate, ensuring their ability to generate financial returns sustainably for the Governorate and preserving these natural and untapped resources, safeguarding the rights of future generations.

This bulletin also identifies the availability of untapped investment opportunities across various sectors including oil, gas, agriculture, fisheries, and tourism. The Governorate boasts abundant raw materials, such as oil, minerals, construction stones, and vast agricultural lands that support the cultivation of various crops in areas with diverse climates. And despite numerous obstacles that have hindered investment projects, Hadhramout continues to possess these valuable attributes.

One such obstacle is the ongoing conflict in the country, which has created a hostile investment environment. Additionally, outdated legislative and legal frameworks fail to keep pace with the regulations of neighboring countries. The lack of crucial security and stability is also an obstacle, despite the Governorate's relative stability compared to other governorates under the control of Yemen's internationally recognized government.

Hadhramout has not been engulfed in the ongoing conflict, yet land ownership has remained a significant problem since the 1990s. Furthermore, widespread bureaucracy within its government agencies plays a major role in deterring both national and foreign investments in Hadhramout, despite the presence of wealthy Hadrami expatriates abroad. The volatile economic situation and instability of the national currency have also hindered the establishment of investments thus far.

To promote investment, this bulletin suggests updating investment laws to align with regional and international ones, create a partnership with the private sector, and activating the role of the courts in issuing judgments regarding land disputes. Additionally, it recommends supporting the General Investment Authority and the Chamber of Commerce and Industry in Hadhramout to hold exhibitions at both local and international levels to showcase investment opportunities in Hadhramout to attract investments in the Governorate.

Methodology

This bulletin relies on secondary sources such as books, magazines, and journals issued about Hadhramout. It also includes several personal interviews with key executive offices and relevant authorities involved in investment opportunities, as well as businessmen in the Hadhramout Chamber of Commerce and Industry. These interviews discussed promising investment opportunities and the obstacles hindering their optimal utilization, which would add value to production and contribute to the creation of diverse job opportunities. Consequently, this would increase the Governorate's contribution to Yemen's GDP and positively impact citizens' lives by increasing their income and improving their living conditions.

An overview on the Governorate

Hadhramout Governorate is in the eastern part of Yemen. It is bordered to the west by Shabwah Governorate, to the east by Al Mahrah Governorate, to the south by the Arabian Sea, and to the north by Saudi Arabia, with a large border extending approximately 700 km. Some of its major cities include Mukalla, Ash Shihr, Seiyun, Tarim, and Shibam.

According to population projections, its population has reached approximately 1,780,162. However, due to the lack of an accurate census since 2004, the governorate's statistics office believes these estimates do not align with the current population density. There has been a displacement influx of approximately 13,088 families and 90,144 individuals to the Governorate from conflict areas, according to the 2022-2023 census.

The Governorate comprises a hilly area near the coast, consisting of 10 districts, and an inland valley occupied by a seasonal watercourse, the Wadi Hadhramout, consisting of 18 districts. The coastal areas are varied between beaches, mountain ranges, large valleys, oases, plateaus, and flatlands, featuring diverse geographical terrains. Consequently, the climate is hot and humid in the summer along the coast, and mild in the winter. While the climate in the Wadi Hadhramout is hot and dry in the summer with temperatures reaching up to 45 degrees Celsius, it is cold and dry in the winter.

The Coastal districts are Broom and Mayfa, Mukalla, Ghayl Ba Wazir, Al-Shihr, Al-Dhiy Eastern, Al-Raydah Eastern and Qusay'ir, Ghayl Bin Yamin, Hajer, Yab'ath, and Doan comprising 303.9 km in distance.

While the Valley districts, Wadi Hadhramout, are Al-Qatn, Shibam, Seiyun, Tarim, Al-Abr, Wadi Al-Ain, Zamakh and Manoukh,

Sah, Rakhyah, Al-Quf, Al-Sawm, Al-Dhaliah, Thamud, Ruma, Haridah, Amd, and Hajar Al-Saiyar. Some of them have borders with the Saudi Arabia like Zamakh and Manoukh, Al-Quf, Thamud, and Rumah.

There are inland roads linking the Governorate's coast and valley such as Wadi Al-Ain Road, Sah Road, and Al-Moadi-Al-Shihr Road. Their distances are 338, 210, 355 km/h respectively.

Hadhramout, like other Yemeni governorates, has experienced political instability from 2011 to the present. This instability, along with the emergence of various factions after the war and the weakened role of political parties in the current phase, creates a challenging environment for investment and its localization. The role of political parties is crucial because it reflect the stability of the political system in the country.

Economic Overview

Since the outbreak of Yemen's conflict, the economic indicators in the Governorate have declined. The value of the country's currency dropped sharply and inflation has soared. All of these indicators have adversely affected new investment projects. Moreover, the suspension of oil exports at the beginning of the war, the resumption of exports in 2017, and the subsequent halt on October 22, 2022, due to attacks by the Houthi group (Ansar Allah) on Dhabba oil port, have deprived Hadhramout of 20% of oil revenues allocated to it for local development purposes. This has led to the cessation of many investment projects. Additionally, the ongoing power outages and weak infrastructure further discourage investment.

On the other hand, Hadhramout is one of key governorates as it significantly contributes to the Yemen's budget. As the Masila oil fields produced 51,400 barrels of oil daily, according

to the latest figures published in 2022, before the recent halt of oil exporting on October 22, 2022. Additionally, the associated gas from oil production is used to generate power in the Wadi Hadhramout areas. Hadramawt is also notable for its diversity in natural resources, including several minerals. Among the most important are gold, which is extracted from Medan valley, black sand and limestone. The Governorate is also home to Yemen's largest lime production plant.

Social overview

Socially, the Governorate has received waves of displaced people from conflict areas, as well as returning expatriates from Saudi Arabia. This influx has placed pressure on undeveloped basic services in the Governorate. This situation has contributed to the spread of informal settlements and the establishment of neighborhoods without basic infrastructure or prior planning. Also, the unemployment rate has risen among the youth, despite efforts to establish small and medium-sized enterprises and create commercial activities.

Fisheries

The Governorate is also renowned for its fish production, as it lies on the Arabian Sea which opens into the Indian Ocean and is rich with tuna, shark, and other marine life. In 2014, Hadhramout accounted for approximately 25% of Yemen's fish production exported to neighboring countries, East Asia, and Europe. In 2021 and 2022, Hadramawt produced 58,000 tons, and 70,000 tons of fish respectively. Among the most popular types of Yemeni fish exported to international markets are mackerel, shrimp, lobster, squid, and a variety of demersal fish.

Others

In addition, Hadhramout produces world-famous honey, as well as several agricultural crops such as onions, which are exported abroad, dates, mangoes, lemons, and wheat.

The Port of Mukalla is also considered one of Yemen's key ports, facilitating trade with the world. It is strategically located in the middle of the Arabian Peninsula, giving it a unique geographical advantage.

Investment Prospects

Fisheries sector

There are many untapped investment opportunities in Hadhramout across various sectors. For example, in the fisheries sector, there are opportunities in pisciculture, fish and marine tongues landing sites. Additionally, there is potential in canning different types of fish, smoking fish, producing fertilizers from fish waste, and food industries based on marine life. These are considered sustainable opportunities due to the presence of fish pastures in Hadhramout.

Other sectors

The agricultural sector is also considered important, given the fertile lands and valleys where water flows year-round, especially in Hajar valley and Shahir valley. These areas are suitable for cultivating date palms, mango trees, bananas, and lemons. Additionally, onions, tomatoes, and wheat can be grown in Wadi Hadhramout, alongside date palms for date production. It is essential to introduce new palm saplings to produce various types of dates, improve production, and establish farms for animal feed production.

Infrastructure can be invested in through partnerships with the private sector to build gas-powered electricity stations. Electricity is the backbone of investment and should therefore be prioritized, as it drives economic activities in Hadhramout.

The basic and higher education sectors, as well as the healthcare sector, are vital sectors. Most patients current-

ly travel to Egypt and other countries, leading to a loss of foreign currency. These sectors will support economic growth due to the population density in the Governorate.

In the tourism sector, there are stunning beaches, nature reserves, and natural sulfur and hot springs, in addition to religious tourism sites such as the tomb of the Prophet Hud and other historical locations. There is also geological tourism, featuring mountain ranges, rock formations, and valleys, as well as the Empty Quarter Desert, which is home to vast sand dunes.

There are also opportunities in the construction industry like establishing a ceramics factory, given the availability of various stones and marble. Additionally, factories for fertilizers produced from fish waste, industries based on honey such as soap and cosmetics, and a factory for packaging and processing dates should be considered.

The available investments in Hadhramout are divided as follows:

1- Short-term investments:

sector	Investment Prospect	The suggested entity for implementing
Infrastructure	<ul style="list-style-type: none"> ● The construction of road networks, electricity, water, and telecommunications infrastructure, as well as the development of new ports and harbors along the coastline. 	The Yemeni Government, in partnership with the private sector, and the establishment of public joint-stock companies.
	<ul style="list-style-type: none"> ● Utilization of sewage in producing organic fertilizers. 	The Yemeni Government, in collaboration with foreign companies.
Manufacturing industries	<ul style="list-style-type: none"> ● Factories for cleaning and packaging vegetables and fruits. ● Production of onion and garlic powder. ● A date processing factory in Hajar. ● Production of date and coffee paste and powder. ● Factories for canning and packaging the famous Doani honey, given the 	Private Sector

sector	Investment Prospect	The suggested entity for implementing
	<p>abundance of Sidr and Ghama trees in Doan valley.</p> <ul style="list-style-type: none"> ● Production of cosmetics and soap from honey residues. ● Factories for lemon and mango juice production in the Khirbah and Zhulomah areas. 	
Refining and petrochemical industries	<ul style="list-style-type: none"> ● Establishing oil refineries and petrochemical plants. 	The Yemeni Government, in partnership with the private sector and foreign companies.
Fisheries	<ul style="list-style-type: none"> ● Establishment of a fishing industrial complex. ● Creation of facilities for drying, freezing, and producing fertilizers from fish waste, given the availability of both Demersal Fish and Small Pelagic Fish. 	Public joint-stock companies
Animal Husbandry	<ul style="list-style-type: none"> ● Establishment of Poultry Farms 	Public joint-stock companies

sector	Investment Prospect	The suggested entity for implementing
Tourism	<ul style="list-style-type: none"> ● Development of geological tourism and hot spring resorts in the areas of Al-Hami, Al-Dais eastern, and Al-Mahjar. 	Private Sector
Education	<ul style="list-style-type: none"> ● Improving technical education and introducing new majors that align with labor market needs considering the digital revolution. 	The Yemeni government, in partnership with the private sector.
Health	<ul style="list-style-type: none"> ● Creation of specialized hospitals, integrated medical cities, and clinics for the treatment of chronic diseases, mental health disorders, and addiction for both men and women. 	Private Sector

2- Medium-term Investments:

These are interlinked projects that add value to the local economy. With increasing population density in Hadhramout, it has become necessary to focus on specific projects that generate additional income.

sector	Investment Prospect	The suggested entity for implementing
Infrastructure	<ul style="list-style-type: none"> Establishing a container area at the Port of Broom, along with a storage space for containers, as the current port lacks forklifts and adequate storage areas. 	The Yemeni government, in collaboration with foreign companies.
Real estate	<ul style="list-style-type: none"> Establishment of residential and industrial complexes, along with implementing the system of exporting real estate to expatriates and foreigners. 	Private Sector
Industries	<ul style="list-style-type: none"> Establishment of a black sand (silica) factory, given its availability on the beaches of Broom and Mifah areas. Establishment of a glass factory, utilizing the sand available in the Empty Quarter Desert. 	Local and International investors

sector	Investment Prospect	The suggested entity for implementing
	<ul style="list-style-type: none">● Establishment of a ceramics, granite, and gypsum factory, as Hadhramout is rich in construction materials and sedimentary rocks.● Establishment of pharmaceutical factories, taking advantage of the aromatic plants and medicinal herbs found in the valleys.	

3- Long-term Investments:

Given urban expansion, population boom, and the vast geographic area of Hadhramout, which constitutes a third of Yemen's total landmass, the most important investment projects are as follows:

sector	Investment Prospect	The suggested entity for implementing
Infrastructure	<ul style="list-style-type: none"> ● Establish railways connecting Hadhramout 's coast and valley districts for transporting raw materials and people. 	The Yemeni Government
	<ul style="list-style-type: none"> ● Generating wind energy in the Abdullah Gharib mountains and the Nabh coast to provide clean and sustainable electricity. 	The Yemeni Government in partnership with the private sector.
Heavy Industries	<ul style="list-style-type: none"> ● Manufacturing fishing equipment and its spare parts, and production of agricultural equipment. 	The private sector and foreign companies
	<ul style="list-style-type: none"> ● Establishment of a factory for car spare parts and vehicle body manufacturing, given the availability of scrap iron that is currently exported in its raw form. 	The private sector and foreign companies

sector	Investment Prospect	The suggested entity for implementing
Electronics Industry	<ul style="list-style-type: none"> ● Establishment of an electronic industrial complex focusing on producing goods that require high-level skills. 	The Yemeni Government
Metal Industry	<ul style="list-style-type: none"> ● Refining of soil containing precious metals like gold mines in Medan valley. 	The Yemeni Government

Investing in these projects in Hadramawt is important because it will create numerous and diverse job opportunities and help reduce unemployment. Additionally, it will contribute to economic development in the Governorate and increase its revenues through taxes and the export of goods abroad. This will also help increase individual income and achieve a decent standard of living.

The implementation of the recommendations in this bulletin depends on establishing a strategy based on discussions between the local authority and the private sector both within and outside the Governorate. This is crucial as the private sector is the main driver of the Governorate's economy. Many residents of the Governorate are expatriates who hold capital abroad, and their involvement in developing the strategy is important as they will contribute to economic development in the Governorate.

Moreover, the Governorate's local authority should provide support to the private sector, such as tax exemptions on production inputs. This will reduce production costs and help establish industries based on the raw materials available in Hadramawt. It is also important to update and develop labor laws to regulate the relationship between employers and employees and to set a minimum wage, aiming to increase productivity considering the economic changes the country is experiencing.

challenges

- 1- The departure of investments from Hadramawt is due to weak infrastructure, including electricity, water, sewage, and poor telecommunications, which are currently a priority especially with the shift towards a digital economy. Additionally, land ownership disputes are a significant problem in the Governorate, making it difficult for investors to get land for their projects due to lands set-aside since 1990.
- 2- The continued partial operation of Riyan Airport in Hadhramout for flights is an obstacle to completing business deals, as it is limited to local domestic and international flights.
- 3- There is no strategic plan for Hadramawt to distribute projects according to the qualified areas, and so far, there are no areas prepared for investors in the Governorate. This poses a problem for new investors, in addition to the high cost of local products due to the high costs of essential production inputs such as electricity and the expenses associated with industrial facilities.
- 4- The continued devaluation of the national currency, the persistent rise in inflation, and the country's ongoing conflict are the primary reasons for instability and lack of development in the investment environment. This has created a non-conducive environment for local investment and has also failed to attract foreign investments, as there is a strong link between economic performance and security.
- 5- The current investment laws issued by the Investment Authority do not keep pace with the changes occurring in the region and the world. Additionally, administrative

complexities and land disputes have caused investors to shy away from establishing projects in Hadramawt, where the courts are overwhelmed with land files.

- 6- The weakness of the legislative framework, illegal levies, and the centralization of transactions related to issuing licenses for some projects and importing certain goods have caused most investments to shift abroad. Consequently, this has led to reduced revenues for the local authority and increased unemployment rates in the Governorate.
- 7- The absence of legal guarantees and the weak legal protection for local and foreign investors have also played a negative role in failing to create a conducive investment environment.
- 8- Due to the weak or non-existent internet network in rural areas, there is a significant deficiency in innovation programs, despite the presence of the Hadramawt Innovation Foundation. Additionally, the shift to digital transformation is challenging because the telecommunications system has not been updated since the outbreak of the war in 2015, as some equipment is prohibited from being imported into the country. This has posed an obstacle to any development in infrastructure related to communications, transportation, as well as roads that need rehabilitation, expansion, and connection of rural areas to the main cities.

Recommendations and Solutions

- 1- Rehabilitating the road infrastructure that connects production sites with product distribution areas, whether agricultural or fisheries, and finding solutions for the significant electricity shortages through renewable energy sources, such as solar and wind power, in addition to developing the telecommunications network.
- 2- Constructing wastewater treatment plants and rehabilitating existing ones, as sewage causes soil pollution, contaminates seawater, and increases carbon dioxide levels, leading to the extinction of marine life in coastal areas.
- 3- Given the current situation in the country, local authorities should be given the power to establish temporary local investment regulations.
- 4- Reclaiming land that has not been invested in and developing the security system to reassure investors.
- 5- Reactivating the courts, ensuring the fairness and promptness of rulings from commercial and judicial courts, and updating investment-related legislation and laws.
- 6- There must be a Master Plan for Hadramawt to map out the investment distribution of projects, identifying suitable locations for each investment based on the areas and the availability of raw materials for the planned industries.
- 7- Efforts should be made to combat administrative corruption in all its forms, particularly bribery in government institutions.
- 8- Establishing partnerships with the private sector to stimulate investments in various aspects of healthcare and education.

- 9- Implementing a single-window system for processing transactions and creating an online portal for completing them.
- 10- Allowing financial institutions to finance small and medium-sized enterprises.
- 11- Leveraging regional and international experiences for how to attract investments.
- 12- Implementing policies to encourage local production, such as tax exemptions and exceptions for imported production inputs, providing incentives in electricity and water tariffs, and exempting licenses from renewal taxes for specified years.
- 13- Integrating and unifying the efforts of the three sectors involved in development (public, private, and civil sectors) according to a predefined mechanism.
- 14- Working to protect local products by restricting imports of competing goods, increasing tariffs on them as a precautionary measure, or providing compensatory protection for local industries.

Recommendations to the Local Authority in Hadhrāmūt:

- 1- Creating a partnership with the private sector, which will contribute to generating new investment opportunities.
- 2- Ensuring a robust security system and functioning courts as a fundamental pillar for investment.
- 3- Adopting an open skies policy at Riyan and Seiyun International Airports to encourage the arrival of trade delegations and expand trade exchanges with regional and international partners.
- 4- Establishing the Hadramawt Local Economic Council in partnership with the commercial sector and civil society organizations, tasked with formulating economic policies for the Governorate and setting strategies.
- 5- Developing industrial zones based on different sectors, whether industrial, agricultural, fisheries, or free zones.
- 6- Promoting media awareness to improve and develop investment and highlight its importance in the local economy.

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