



An Analysis of the Investment Climate and Prospects in Taiz Governorate

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Executive Summary

This Bulletin aims to provide focused and important information about Taiz Governorate, highlighting investment opportunities by introducing key productive sectors, the composition of the Governorate in terms of demographics and geography, and the economic and political context of the it and its spatial significance. It also covers the main indicators of its productive sectors and the competitive advantages of the governorate, including its strategic location overlooking the Red Sea and Bab al-Mandab Strait, one of the world's most important waterways, and the economic assets that investors can base their decisions on.

It also addressed the key opportunities that can be invested in over different timeframes. It then concluded with the challenges and proposed solutions for some obstacles, detailing what the local authorities can do to attract investments, increase the pace of commercial activity, and drive economic development in the Governorate.

Methodology

In preparing this Bulletin, we relied on desk sources such as studies and documents published on the internet, as well as primary sources from interviews with some officials and employees of local authority offices, investment, and some experts and specialists in the economic field. Secondary sources included reports from official bodies and some reliable websites.

The local Outline of the Governorate

Taiz Governorate is located in the southwestern part of the Republic of Yemen, approximately 256 kilometers away from Sana'a. It borders the governorates of Ibb and Al Hudaydah to the north, parts of the governorates of Lahij, Al Dhale'e, and Ibb to the east, Lahij to the south, and overlooks the Red Sea to the west.

The population of Taiz is 3.55 million according to population projections by the National Population Council for the years 2005-2025, with a population growth rate of 2.47%. This represents about 11% of the total population of Yemen. However, the war that has afflicted Taiz since 2015 has altered the demographic landscape, including average birth and death rates, in addition to the movement of displaced people in and out of the city. The number of displaced people from the Governorate has reached 415,000, making up 14% of the total displaced population, ranking Taiz as the second highest after Marib in terms of displaced people.

The age group of 15-64, which constitutes the working-age population, represents 55.2% of the total population of Taiz. This is a competitive advantage for the Governorate, as this labor force enhances the opportunities for creating a developmental environment based on the innovations and creativity of the youth, especially in technology and innovation-driven projects. Additionally, this demographic provides a workforce that can be trained and qualified to meet the demands of the labor market.

These facts necessitate that local authorities reconsider the distribution of development and population from the city of Taiz to the secondary cities such as 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). This strategy focuses on developing new areas by utilizing their natural resources. It aims to identify and exploit untapped resources to create economic opportunities and promote regional development.
- 2- New Cities Strategy (selecting new poles and accommodating new industrial investments): This strategy involves identifying strategic locations for the establishment of new cities or urban centers. These new poles will be designed to attract industrial investments, alleviate congestion in existing urban areas, and stimulate economic growth.
- 3- Growth Poles Strategy (spatial redistribution of development benefits across districts): This strategy aims to redistribute the benefits of development more evenly across various districts. By focusing on specific areas as growth poles, the strategy seeks to ensure that the positive impacts of economic development are felt throughout the governorate.
- 4- Rural Development Strategy (selecting key villages as rural development poles): This strategy focuses on rural development by selecting key villages and designating them as hubs for rural growth. 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): This strategy involves directing industrial activities to specific, targeted areas. By planning and promoting industrial zones in these areas, the strategy aims to optimize resource use, reduce environmental impact, and stimulate local economies through industrial growth.

At the macroeconomic level, Taiz contributes significantly, approximately 9.7%, to Yemen's gross domestic product (GDP) in 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 Taiz Governorate are diverse, including agriculture, industry, and livestock. 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 and food industries, quarries, and minerals 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.

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 riyals. This is after a decline in revenues during the years 2015-2018, which then gradually improved with an average annual increase of 43%.

The Governorate have 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 undiscovered natural resources, but this diversity has not been fully exploited yet. 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, owned by

the private sector. These complexes produce a wide range of products, including food items such as biscuits, margarine, and 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 indicate a continued interest in investment, reflected through new registrations or the renewal of existing trade names and trademarks.

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. 21% of the total workforce in the Governorate is employed in agriculture sector. Taiz produce 22% of Yemen's total vegetable production. The cultivated area reached 86,997 hectares, with 73% of this area, totaling 63,508 hectares, relying on non-irrigated farming.

It was estimated, in 2022, that 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.

The Governorate 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,

the Governorate produces cash crops such as coffee, sesame, and cotton, as well as large quantities of animal fodder.

The fisheries sector is one of the important productive sectors in Yemen, with Taiz Governorate contributing 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 Bab al-Mandab Strait in the south to the city of Al-Khawkhah in the north. Before the war, the Governorate had weak infrastructure, which was subsequently destroyed due to the conflict. This destruction included the loss of many fishing boats and the devastation of fish landing areas, as well as significant impacts from naval mine 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 contribute to the economic development of Taiz Governorate at varying levels, including the education, health, commercial, and service sectors. Key indicator for education sector is services sector as one of the most critical sectors in terms of activity density 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 density and contribution to increasing the gross domestic product (GDP). Key indicators in the health sector include hos-

pitals, schools, private universities. And in the banking sector, there are approximately 30 bank branches of local banks, 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 a fertile ground for various investments and opportunities.

The Governorate still needs investment in mining and the exploitation 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 in this area. Additionally, modern methods, technologies, and technical expertise are needed to fully realize these opportunities.

Based on agricultural sector indicators, the Governorate still holds promising opportunities. Farmers currently work with weak self-sufficient capabilities, 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. 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-Masrah 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 with high quality to make it exportable, especially from Maqbona district, which is well-known for its local market production.

Investment opportunities in the tourism sector lie in establishing tourist resorts along the Red Sea coast in the medium to long term. This includes providing hotel services and attracting visitors from within the Governorate 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 necessary services. These stations could be established in the Mocha and Dhubab districts, which boast beautiful sandy beaches.

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. As they are well-suited for major investment projects. Beside its historical and commercial significance, Mocha city is promising for investment. As the geographic area of it is large, covering approximately 1.6 thousand square kilometers, with most of this land being flat, extending from the coast to the foothills 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 ships and tankers and approximately 12 million containers pass annually.
- Linked by 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.

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. And this can be done either through operating contracts with the private sector, Yemen's government support, or IN-GOs' support. Also, they should implement urban planning, pave main and secondary roads, and establish a sewage network in and near the designated industrial areas.

Moreover, there is a good opportunity for investment in the fishing sector through large companies that 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 centers 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 a refrigeration storage). These centers will enhance fishermen's productivity and returns for investors.

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.

Also, the 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).

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 the Moch'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.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Services Sector</p>	<ul style="list-style-type: none"> ● Establishing technical institutes that rely on modern technology, such as: <ul style="list-style-type: none"> ○ Agricultural institutes or specializations, including animal and plant production, environment, and climate. ○ Fisheries institutes or specializations, including fish production, aquaculture, and supply chains. ○ 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.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Other Sectors</p>	<ul style="list-style-type: none"> ● Tourism Sector: There are numerous opportunities in this 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 is also viable, alongside the creation of public and private gardens and the utilization of hot springs for therapeutic tourism. ● Real Estate Sector: Real estate development companies can invest in residential towers and housing cities in open areas. ● Education Sector: Establishing private universities and institutes focusing on new specializations that keep pace with both virtual and real job markets. ● Electricity Sector: Investment in renewable and clean energy sectors is crucial given the high cost of traditional energy.

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

Firstly: 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 their 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's cut, which is one of the most crucial steps that need to be tackled swiftly. Given the limited resources of the local authority, the best opportunity lies in 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 in these areas through partnerships with the private sector or through supporting international organi-

zations.

- Improving the level of public services and adopt a participatory policy with the private sector to help cover the shortfall in public resources and invest in productive 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. And to 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 Governo-

rate by developing other qualified cities and areas based on criteria such as location, area, and available resources, such as coastal districts, the city of Al-Turbah, and other secondary cities.

- Working in the medium term 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 that includes the private sector, civil society organizations, and representatives from the government sector to contribute to the formulation of general policies related to development and investment.

Secondly: Recommendations to the Private Sector:

- Conduct exploratory 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 and current complexities of imported products.
- 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, entrepreneurs, and private projects, especially those requiring a large workforce.
- The local economy needs public 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.

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