



An Analysis of the Investment Climate and Prospects in Aden Governorate

2024

By: Dr. Mohammed Gamal Al-Shaibi, a Professor of Economics, University of Aden, and a Non-Resident Research Fellow at Studies and Economic Media Center (SEMC)



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Executive Summary

Aden stands as the inaugural commercial and industrial free zone within the country, exemplifying a paradigm for amalgamating economic vitality and a diverse productive framework. Its significance emanates from its renown as a port and a pivotal regional and international trade hub, attributed to its strategic geographical positioning and its pivotal location along global shipping routes.

Aligned with the primary aim of this Bulletin, which centers on investment prospects in Aden Governorate, our endeavor has been to meticulously investigate and pinpoint these opportunities. Our findings reveal a plethora of investment prospects spanning across all sectors within Aden. According to the General Investment Authority's guide, there are presently 100 discernible investment opportunities across various fields.

Aden boasts numerous investment avenues across economic, service, and production sectors, buoyed by its innate advantages that render it an alluring destination for investors. Notably, its strategic geographic centrality on the global stage, coupled with its ownership of one of the foremost international ports, Aden Port, nestled adjacent to key international shipping lines, further fortifies its appeal.

Aden, with its rich historical legacy and strategic positioning, has long been renowned in the oil industry. It gained international recognition with the establishment of the largest petroleum refinery in the Middle East during the early 1950s. This milestone further elevated the city's prominence alongside its historical eminence and vital geographic location. Known for its multifaceted economic landscape, Aden seamlessly integrates industrial, fishing, commercial, tourism, and service

sectors. Its significance lies in its pivotal role as a commercial port and a regional and international free trade zone.

The allure of Aden extends to its captivating tourist attractions, encompassing historical landmarks, pristine sandy beaches, picturesque islands, and vast expanses ideal for distinctive tourist amenities. Promising investment opportunities abound in the fisheries and marine fishing sector, with potential for establishing facilities dedicated to the preservation, freezing, packaging, and canning of fish and marine life. The surrounding seas and coastal areas teem with abundant marine resources, positioning Aden as one of the most fertile regions for such endeavors. Additionally, its geological wealth offers opportunities for mining ventures, further enhancing its investment appeal. Moreover, Aden boasts a thriving education sector, ripe for investment and growth.

Despite the current challenges facing Aden Governorate, it remains poised to reclaim its stature and economic prowess. The revitalization of its economy hinges upon the establishment of an enabling investment climate and the availability of essential components. Addressing deficiencies in basic infrastructure and undertaking measures to achieve sustainable urban management are imperative steps toward this goal.

Methods

The Bulletin aimed to uncover investment prospects within Aden Governorate. It commenced by contextualizing the Governorate and examining its geographical location, population demographics, topography, and administrative structure division. Subsequently, it synthesized the developments shaping investment prospects within the province, encompassing services, economic activities, and commercial ventures. Additionally, it scrutinized the challenges confronting investors and proposed solutions and recommendations, including strategies to bolster the investment climate in Aden.

To ensure the credibility and accuracy of the Bulletin, a diverse range of sources and references were consulted. These included secondary sources such as books, journals, scientific conferences, and periodicals. Furthermore, the Bulletin incorporated insights gleaned from interviews with representatives from executive offices and investment-related bodies, including the Head of the General Authority for Investment and the Head of the Central Bureau of Statistics. These interviews were instrumental in identifying promising opportunities and discerning obstacles hindering their optimal utilization which will in turn enhance production value, foster job creation, and augment the province's contribution to the Yemen's gross domestic product.

Local Outline of the Governorate

Aden Province, situated along the coastline of the Gulf of Aden, boasts a strategically advantageous location, directly overlooking the international maritime shipping routes connecting Europe and Asia. It serves as a pivotal gateway to the eastern African continent, positioned mere miles away from the international shipping lines. The city of Aden spans approximately 750 km², comprising coastal areas that command views of the Gulf of Aden, extending towards the Indian Ocean.

As of the latest statistics available in 2022, the population of Aden Governorate stood at around 1,083,000 individuals. The population witnessed a growth rate of 3.33% in 2023, representing an estimated increase of approximately 34,759 people compared to the previous year. Projections indicate that the population is expected to reach approximately 1,364,118 individuals by the year 2030.

Aden is renowned for its enchanting warm golden beaches, framed by a mountainous terrain that spans across much of its landscape. These beaches adorn the Gulf of Aden, with one of the longest stretches known as the Abyan Coast, connecting Aden to several southern and eastern provinces.

Aden Governorate consists of eight districts: Sira, Al-Ma'al, Al-Tawahj, Khor Maksar, Al-Mansoura, Sheikh Othman, Dar Saad, and Al-Burayqa.

Aden, much like other governorates under the control of the internationally recognized Government, is grappling with a widespread economic downturn, exacerbating challenges in service provision, and living standards. The precipitous devaluation of the Yemeni currency Rial, with its exchange rate against the US Dollar surpassing 1,600 rials according to the Central Bank of Yemen, has plunged the economy into un-

precedented turmoil. Moreover, the recent reopening of the port of Hodeidah has diverted navigation and shipping traffic away from the port of Aden, depriving both Aden and the internationally recognized Yemeni government of crucial customs revenues—the second most significant revenue stream for financing the general budget, following the suspended oil revenues. This abrupt halt has precipitated severe economic repercussions, culminating in a dire and unparalleled financial crisis.

According to the Household Budget Survey of 2014, the poverty rate in Aden stood at 22.2% of the population. However, with the exacerbation of economic conditions due to the ongoing conflict, this percentage has soared in recent years, exacerbating the humanitarian crisis. Presently, nearly 900,000 individuals, comprising approximately two-thirds of the population, are in dire need of assistance, with 66% classified as severely deprived.

In the realm of healthcare services, Aden Governorate benefits from a network of hospitals and facilities supported by governmental bodies, local authorities, and dedicated donor organizations in the health sector. Despite their presence, these services may not always meet the desired standards.

Regarding education, the impact of the conflict is evident, with 21 schools damaged because of the war. Despite these challenges, efforts have been made to maintain the stability of the educational process, including almost regular disbursement of teachers' salaries, a notable contrast to governorates under the control of the Houthi group, where teachers have not received salaries since over seven years.

Water and sanitation services in Aden Governorate are generally available, with access to drinking water widespread across most areas. However, there are deficiencies in some neighborhoods. Statistics indicate that during the year

2016/2017, approximately 94% of families had access to potable water sources.

Economically, Aden Governorate boasts a diverse array of activities, encompassing industrial, fisheries, commercial, tourism, and service sectors. Its significance is further emphasized by its pivotal role as a vital commercial port and a regional and international free trade zone.

Between 2015 and 2023, the General Investment Authority in Aden sanctioned a total of 68 investment projects, amounting to an estimated investment cost of approximately 312 billion rials. These projects were diversified across various sectors, with 42 projects allocated to the industrial sector, 12 to the health sector, 11 to the tourism sector, 2 to the residential sector, and 1 to the fisheries sector.

The industrial sector in Aden Governorate draws its resources from a range of factories and production units, with the Aden Refinery being a key player. Additionally, the region is endowed with mineral resources such as scoria, brallite, volcanic glass, and clay minerals, utilized in the production of cement and refractory bricks.

Several existing factories in Aden contribute to the region's industrial landscape, including the medical oxygen factory in Al-Shaab City, the ice factory in the fish landing center in Al-Ma'alla District, the nets and agricultural equipment factory in Khor Maksar, and more than four ready-mix concrete factories. Moreover, prominent facilities like the Aden grain silo factory, Nad Food milk factory, Indomie factory, soft drinks factory, and plastic factory further enrich the manufacturing sector.

The establishment of a free zone stands as one of Yemen's paramount strategic projects, holding immense economic significance. It has the potential to foster an attractive investment climate conducive to sustainability.

Key Investment Prospects

The potential for investment in Aden is vast, with opportunities to transform the city into a key regional industrial hub tailored to its unique characteristics. This transformation not only leverages its geographical industrial potential but also enhances its capacity to attract investment projects, particularly in the industrial sector. Such investments not only spur the growth of the services sector but also offer substantial employment opportunities, in line with the burgeoning population size. To achieve optimal economic scale, emphasis should be placed on developing and operating the industrial zone, with a focus on activities such as fish production, processing, and marketing, alongside the provision of marine services and industrial endeavors related to oil production, refining, and manufacturing of derivatives.

In the education sector, there lies significant potential for investment in private schools, which serve as vital community assets and help alleviate the strain on public educational institutions, particularly given the escalating student population. Moreover, amidst the ongoing wave of displacement to the governorate, there is an opportunity to invest in the university education sector by establishing specialized private universities. This trend is already underway, evidenced by the increasing activity of private universities that traditionally had coordination offices in Aden, with their main campuses located in Sana'a.

In recent years, the real estate market in Aden has experienced a surge in demand for both residential and commercial properties. The city boasts numerous tourist attractions, including historical landmarks such as the Tawila cisterns, Sira Castle, forts, walls, and ancient mosques. Additionally, factors such as tourism and hospitality services, a vibrant so-

cial atmosphere, shopping centers, and service facilities contribute to its appeal. Aden is also surrounded by picturesque suburbs ideal for leisurely walks and summer retreats.

The natural canals and naturally sheltered port in Aden, coupled with the strategic location of Aden International Airport in close proximity to the port, position the city as a unique hub for both sea and air freight. Moreover, Aden offers ample land and space suitable for large-scale investment projects, facilitated by the expansive free industrial zone spanning 1,900 hectares.

Proposals for Short, Medium, and Long-term Investments

Investing in youth innovative ideas in Aden

Aden Governorate boasts a reservoir of talented and forward-thinking young individuals brimming with innovative ideas that hold the potential to drive both economic and social advancement within the city, particularly in the realms of technology and service provision.

The integration of new technologies stands as a cornerstone for Aden's development, offering avenues to enhance public services, boost productivity, and foster job creation, particularly through the utilization of artificial intelligence technologies. Moreover, entrepreneurship emerges as a pivotal catalyst for Aden's growth trajectory, serving as a vehicle for job creation and bolstering the local economy. Key initiatives to harness the entrepreneurial spirit of Aden's youth include the establishment of dedicated entrepreneurship support centers, the organization of entrepreneurship competitions, and the provision of comprehensive training and professional development opportunities. These efforts aim to equip young individuals with the necessary skills and resources to start their businesses.

The most notable investments proposed to harness youth ideas can be summarized as follows:

- Investments in technology and electronic applications aimed at enhancing services such as transportation, food delivery, and the distribution of various goods.
- Investments in electronic platforms dedicated to selling and marketing local products. These platforms serve to promote locally produced goods and create new sales opportunities.
- Investments in establishing business incubators designed to support emerging companies and startups. These incubators help develop youth ideas into successful business ventures.
- Investments in identifying markets and exhibitions that facilitate the marketing and selling of local products, both domestically and internationally.
- Investments in specific training and qualification centers according to the needs and requirements of development in Aden.

Proposals for medium and long -term investments in Aden

Medium- and long-term investment proposals for the city of Aden encompass a range of strategic and large-scale projects. These include enhancing the industrial landscape by developing an industrial zone and establishing the new Aden International Airport. Other initiatives involve expanding existing airport infrastructure, creating a domestic air transport enterprise, and establishing a passenger sea transport company. Additionally, plans include setting up a cargo and air freight village, forming a collaborative venture in sea transport, and constructing a comprehensive ship and tanker maintenance complex. The proposal also entails constructing a floating basin, developing railways, and embracing renewable energy sources such as solar photovoltaic, waste, and wind power generation. Furthermore, it includes establishing a gas and diesel power plant, a fishing port in the Buraiqa area (Faqm Port), and a tourist resort at Fqm - Amran. Investment in the industrial zone (Alam) and its infrastructure, along with establishing a seawater desalination plant and a modern communications company, are also part of the plan, alongside developing Aden's refineries.

Additional initiatives may encompass the rehabilitation and enhancement of port facilities, along with modernization endeavors aimed at boosting production capacity for the Aden Refineries Company. Furthermore, the plans entail restoring and expanding services at Aden International Airport, with an emphasis on increasing flight frequencies. The establishment of a comprehensive highway network linking Aden to neighboring cities and regions is also a key

priority. Additionally, there is a vision for creating a contemporary industrial zone in Aden, along with the development of new tourist facilities and fish farms in both fresh and salt-water environments. Innovatively, there's a focus on advancing renewable energy technologies, complemented by the establishment of a national park dedicated to conserving biodiversity in Aden. Investment in renewable energy sectors, coupled with the establishment of universities dedicated to higher technical education and technological innovation, remains a central objective. Lastly, efforts are dedicated to rehabilitating and training the workforce, employing modern methodologies to elevate Aden's industrial landscape and fortify its economic position.

Existing challenges

- **Weak Security Stability:** Aden continues to grapple with security instability due to the enduring repercussions of the Yemeni conflict since 2015. Efforts must be intensified to achieve security stability, a fundamental prerequisite for fostering an attractive and conducive investment climate.
- **Absence of Political Solution:** The lack of a comprehensive political solution to the ongoing crisis hinders investment focus and forces investors to commit to specific routine projects.
- **Ineffectiveness of Commercial Judiciary:** The commercial judiciary is ineffective in resolving commercial and investment disputes.
- **Inadequate Infrastructure and Basic Services:** Aden suffers from inadequate infrastructure and a low level of basic services such as electricity, communication networks, and water and sanitation facilities.
- **Economic Deterioration:** Economic conditions in Aden are deteriorating, marked by increasing inflation rates, rising prices of goods and services, and a decline in citizens' purchasing power, further discouraging investment.
- **Currency Exchange Rate Fluctuations:** Continuous fluctuations in the local currency exchange rates adversely impact the investment environment, complicating economic feasibility studies for new projects and instilling fear among investors of potential losses.
- **Aden Refinery Activity Disruption:** The cessation of activity at the Aden Refinery, which previously supplied 44% of the local market's fuel needs, has significantly impacted investment feasibility due to increased operational, transportation, and labor costs associated with fuel supply disruptions.

Solutions and Recommendations

- Proposing the entirety of the Aden Governorate as a free zone, accompanied by the establishment of legislative and administrative frameworks aligned with this designation.
- Implementing a single window system to streamline procedures for investment project establishment within the General Authority for Investment, while simplifying related processes.
- Creating a centralized database to provide investors with comprehensive data and information and updating websites to facilitate connections between investors and relevant investment bodies.
- Enhancing essential infrastructure to attract both local and foreign investments and engaging the private sector in infrastructure project investment.
- Providing financial and tax incentives, including customs duty exemptions on industrial production inputs, to incentivize companies and investors.
- Investing in human capital development and workforce training to meet the demands of investment opportunities and Aden's development agenda.
- Strengthening collaboration with international and regional organizations to attract foreign investments through participation in exhibitions and forums and signing agreements to facilitate investment inflows.
- Implementing a real development mechanism for the legislative and administrative aspects, by establishing the Aden Development Fund, and activating the laws prohibiting the establishment of industrial facilities and activities close to urban areas.

- Facilitating procedures for establishing SMEs and incentivizing innovative projects.
- Providing access to private lands with supportive facilities and exemptions for various economic activities - industrial, commercial, real estate, and tourism to accelerate development.
- Establishing genuine partnerships with the private sector to formulate strategic development plans for the Governorate and oversee their implementation.
- Harnessing modern technology and management practices and fostering an environment conducive to innovation and creativity to drive development.
- Prioritizing development in industrial, service, and technological sectors, aligning industrial production with local resources.
- Developing investment legislation conducive to attracting and guaranteeing investments, particularly aimed at establishing large-scale export-oriented industrial projects leveraging local production factors.
- Establishing infrastructure projects to support agricultural industries reliant on raw materials from nearby agricultural areas, particularly the Abyan Delta and Tuban Delta.
- Introducing legislation to incentivize investment in the industrial sector, including tax exemptions and import fee waivers for machinery and equipment, as well as offering land at reduced prices by the local administration to foster industrial sector growth of the city and the state in general.
- Restoring the port of Aden to its former economic prominence to bolster commercial activity and reinforce its status as a significant commercial and financial hub.
- Developing tourism as a key revenue generator and employment source in Aden's economy by promoting connectivity

with neighboring cities, preserving historical landmarks, and granting legal and economic status to enhance the city's appeal.

- Rehabilitating water wells, expanding sewage networks, and undertaking comprehensive repairs across Aden to ensure access to clean water and efficient sanitation services.
- Offering additional incentives to regions and sectors facing limited investment and directing the State Real Estate and Lands Office to identify land for large-scale strategic projects.
- Leveraging the role of civil society organizations in development and investment activities, focusing their efforts on promoting growth and investment.
- Launching reconstruction projects and compensating owners of projects damaged in the war.
- Eliminating the phenomenon of random construction, which affected the establishment of investment projects and harmed the urban appearance of the city of Aden.
- Enhancing the role of the General Investment Authority in formulating investment policies and providing support to steer investment toward projects aligned with Aden's needs.
- Building the capacity of government agencies, strengthening their financial resources, and improving access to capital markets to undertake economic projects that elevate Aden's economy.
- Establishing joint development initiatives involving the private sector and various stakeholders to drive administrative and executive matters and stimulate population mobility by providing strong attractive points that improve performance and the efficiency and abundance of returns.
- Establishing the Supreme Council for Investment in Aden

with the aim of coordinating between investment agencies and drawing up appropriate plans to attract and receive various investments.

- Identifying special areas for residential and tourism investment, providing them with the necessary services, and ensuring that these areas have sufficient powers to grant licenses and facilities to foreign investors in cooperation with the local authorities in Aden.
- Exploiting maritime and air traffic potential to boost tourism by developing and restoring the port and airport of Aden, reinstating their pivotal roles in facilitating maritime and air navigation due to the city's strategic location.
- Formulating a holistic strategy for tourism development comprising various strategies for sectors directly and indirectly linked to achieving tourism growth.
- Eliminating pervasive corruption across government agencies by implementing procedures that ensure transparency and accountability in governmental transactions.
- Enhancing the security situation and consolidating multiple security agencies into a unified, efficient security apparatus characterized by integrity and effectiveness. Collaboration with businessmen and investors is crucial to overcoming challenges.
- Simplifying investment procedures within the banking sector to facilitate financing for investment projects and provision of loans to project owners, with a particular focus on small and medium enterprises.

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Center for International Private Enterprise
1211 Connecticut Ave NW Suite 700
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USA

Ph: (202) 721- 9200

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