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Stability Through Investment: Reframing Yemen as a Regional Security Imperative

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Executive Summary

The Republic of Yemen today faces one of the most complex investment environments in the region. This reality is the result of structural weaknesses that predated the war and were then intensified by political and institutional fragmentation, security deterioration, and economic collapse. Even so, international experience in fragile and conflict-affected states suggests that Yemen can combine high levels of risk with promising investment opportunities in sectors that can operate before full peace is achieved - provided that reforms are clear, political will exists domestically, and regional support is active.

Over the past decade, the war has produced financial and monetary fragmentation, multiple decision-making centers, and divergent laws and procedures. This has created two distinct economic environments: one in government-controlled (liberated) areas and another in Houthi-controlled areas. The result has been a sharp decline in confidence, weaker institutions, severe deterioration in purchasing power, and a continuing fall in the Riyal's value, alongside rising operating, transport, and insurance costs. At the same time, many of these constraints predate the war: even before the conflict, Yemen was a difficult investment environment due to corruption, complex procedures, a weak judiciary, widespread illegal levies, and capture of state resources by influential power centers.

Despite this bleak picture, the regional and international context offers encouraging indicators that investment space can still be created, especially in government-controlled (liberated) governorates. Compared with Houthi-controlled areas, these governorates offer internationally recognized legal authority, open ports, limited but workable banking channels through official institutions, and stronger prospects for investor protection through international arbitration.

International experience in Iraq, Lebanon, Rwanda, and other conflict-affected countries shows that investment can begin gradually in sectors least affected by war, and that success in fragile environments depends on four pillars: understanding risks while limiting exposure, strong risk management, clear government reforms, and organized regional and international support. With current Gulf investment shifts toward Iraq, Lebanon, and Syria, Yemen - given its geostrategic location along major trade routes, its young population, and its strategic relevance to Gulf security - is a logical candidate to attract part of these investment flows.

There are also conflict-compatible sectors that can be entered today, such as:

- Solar energy and electricity distribution
- Telecommunications and digital transformation
- Transportation and logistics services and port development
- Agriculture, fisheries, and food industries
- Limited tourism projects
- Economic and industrial zones, supply chains, and related services

These sectors operate by their nature in unstable environments and do not require comprehensive national stability, and can be a starting point.

The paper emphasizes that investment in Yemen, at this stage, cannot be treated as an unrestricted open field. It must be governed by clear requirements, including a government commitment to supporting investment, legislative reform, procedure digitization, elimination of illegal levies, access to international arbitration, specialized government units for investor services, and the launch of a unified investment window in Aden. It also requires regional guarantees and practical enablers through direct partnerships with Saudi Arabia, the United Arab Emirates, and other Gulf countries.

Foreign investment also requires active participation by the Yemeni private sector through alliances, stronger governance standards, audited financial statements, and partnerships with Gulf investors through joint ventures (JVs) rather than stand-alone efforts. It also calls for a new donor role that goes beyond relief to support joint investment, improve the business environment, and provide financing guarantees and blended-finance tools.

Geographically, while the analysis covers Yemen as a whole, the practical application of opportunities focuses on government-controlled (liberated) governorates. This reflects the current impracticality of operating in the Houthi-controlled environment, which is marked by sanctions, extortion, capital flight, institutional destruction, tight control over companies, and the absence of minimum legal and institutional guarantees for local and foreign investors.

The paper concludes that Yemen, despite its fragility, possesses rare strength elements in the region, including:

- Strategic location on the most important maritime routes
- A large and young market exceeding 40 million people
- Low operating costs
- Diverse natural resources
- Growing Gulf and international interest in Red Sea and Bab al-Mandab security
- Sectors ready to operate within 12-24 months

The paper presents practical recommendations for the Yemeni government, the Yemeni and Gulf private sectors, and donors aimed at transforming Yemen's investment environment from a deterrent environment into an enabling one through short- and medium-term reforms, strategic partnerships, and a limited number of high-impact model projects that can build confidence and unlock larger investment flows later.

Based on this analysis, foreign investment in Yemen is difficult but not impossible. In the right regional context and with clear government reforms, it can become a major driver of economic stability, a lever for reconstruction, and a tool for integrating Yemen into the Gulf and wider regional economy. The most logical starting point is in government-controlled (liberated) governorates and in sectors compatible with the current conflict context, before moving to larger projects in a later political settlement phase.

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Introduction

Over the past decade, Yemen has faced one of the most severe political and economic crises in its modern history, with deep consequences for both domestic and foreign investment. Although discussing foreign investment in a country experiencing war and institutional fragmentation may seem unrealistic, international experience shows that fragile and conflict-affected economies can, under certain conditions, become promising high-return markets for investors who understand risk and know how to manage it - especially when government reform efforts are backed by regional and international partners.

Economic data shows that Yemen is experiencing one of the largest economic contractions in the region, with domestic output declining by more than 50% since 2014, the currency falling to levels exceeding 1,600 rials per US dollar, alongside rising inflation and declining purchasing power. World Bank estimates point to losses exceeding USD 90 billion in infrastructure, the exit of about 40% of companies from the market, and the retreat of bank credit to very low levels exceeding 95% of domestic output.

Yemen's investment environment today presents a clear contradiction. On one side are negative indicators: currency deterioration, weak institutional infrastructure, financial fragmentation, multiple decision-making centers, weak purchasing power, and high levels of corruption and bureaucracy. On the other side are significant opportunities in sectors that can operate despite conflict (conflict-compatible sectors), supported by Gulf investment shifts in the region and growing recognition of Yemen's strategic importance as a trade corridor and security interest for neighboring countries.

This paper provides an analytical reading of the foreign investment landscape in Yemen and identifies the structural and operational obstacles that restrict capital flows, while highlighting sectors that can serve as early entry points for international investors. It focuses on opportunities that are realistic at the current stage under a defined set of assumptions and enablers, and it presents a framework for understanding investment opportunities in government-controlled (liberated) governorates, which offer wider margins of relative stability and access than Houthi-controlled areas.

This paper is based on discussions held during the thirteenth Development Champions Forum in Amman, Jordan, on November 30-December 2, 2025, as well as an analysis of available economic data and comparative experiences from countries that have faced similar conditions. It is intended for decision-makers in the Yemeni government, the private sector, donor countries, and Gulf and international investors, and aims to help define a practical path for reviving investment in Yemen and reintegrating the country into the regional and global economy.

Background

1- Political and Military Context: A Volatile and Unstable Environment

Since 2014, Yemen has witnessed deep fragmentation in state institutions and multiplicity in power centers, resulting in economic and financial division between liberated areas and Houthi-controlled areas that was reflected in restrictions on commodity and capital movement, fundamental differences in financial and monetary policies, and conflicts in laws and procedures, all of which raised uncertainty levels for investors. The security situation is characterized by a high degree of volatility, where some governorates may experience periods of relative stability that quickly change due to military escalation or tensions between local forces. Despite this fragile context, experiences of countries emerging from similar conflicts, such as Iraq, Lebanon, and Rwanda, indicate that investment can begin gradually in sectors least affected by conflict, before expanding with improvement in security and political conditions.

2- Economic Environment: Weak Indicators and Compound Pressures

General indicators of the Yemeni economy reflect an extremely difficult situation, manifested in a sharp contraction of domestic output and declining state capacity for financing, weak purchasing power due to falling wages and rising inflation, in addition to deterioration of Riyal value and multiple exchange rates, migration of banks and capital from Houthi-controlled areas, and expansion of the informal economy's size along with rising operating and transportation costs and insurance.

Despite this, limited positive indicators appear in liberated governorates, most notably relative improvement in banking services in main ports like Aden and Al-Mukalla, slight increase in commercial and import activities, which are indicators that do not reflect economic recovery but are signs that can be built upon to improve the investment environment.

3- Structural Challenges: Not Only a Product of War

Even before the outbreak of war, the investment environment in Yemen was hostile due to:

- Widespread corruption in licenses, levies, and public contracts.
- Weak rule of law and weak judiciary independence.
- Favoritism and capture of public resources.
- Extortion and unofficial fees on companies and investors.
- Complex government bureaucracy and slow procedures.

The war has intensified these challenges, but it did not create them from scratch, meaning that addressing the root problem requires deep economic reforms that go beyond merely stopping the conflict.

4- Available Opportunities: Why Investment Remains Possible Despite Everything?

Experiences of conflict countries show that fragile environments often open tempting opportunities for investors with high expertise in risk management, and among these opportunities:

A Political and Military Context: A Volatile and Unstable Environment

Examples in Yemen include:

- Gas and solar power stations and related equipment supply.
- Logistics services and supply chains.
- Maritime and port shipping and transportation.
- Telecommunications and digitization.
- Light industries not dependent on widespread stability.
- Construction, contracting, and building materials manufacturing.

B Opportunities Linked to Regional Transformations

Gulf capital is increasingly moving toward diversifying its investments in countries like Iraq, Lebanon, and Syria. Yemen is considered a natural geographical and strategic extension for these orientations. This is reinforced by the role Yemen plays as a security and strategic depth for Gulf countries, in addition to being a relatively large market in terms of population, and its pivotal location overlooking one of the most important global maritime routes, Bab al-Mandab, giving it special importance in trade and regional security equations.

C International Interest in Reconstruction

Talk of reconstruction will remain contingent on achieving political progress, but the 'relative stability' phase can witness a flow of small and medium projects funded by international organizations or private sector investors.

5- Paper's Focus on Liberated Governorates

The paper emphasizes that talking about the investment environment in Yemen covers the entire country in terms of theoretical framework, but practical application and current opportunities will be concentrated in liberated governorates for several reasons:

- Legal accessibility for investors.
- Absence of international sanctions.
- Presence of an internationally recognized legitimate government.
- Better ability to guarantee contracts.
- Possibility of investment protection through arbitration or international partnerships.

As for Houthi-controlled areas, they represent a hostile environment for investment due to:

- Direct military and security control over companies.
- Illegal taxes.
- Extortion and forcing companies to finance the war.
- Absence of judiciary and accountability.
- International sanctions and terrorism lists.

SWOT Analysis for Foreign Investment in Yemen

Strengths

- Geostrategic location at Bab al-Mandab and Gulf of Aden providing opportunities in ports and logistics.
- Large population market and young workforce with low operating costs.
- Diverse natural resources (oil, gas, fisheries, agriculture, solar energy).
- Potential regional interest and support, especially from Saudi Arabia and UAE.
- Sectors capable of operating despite conflict (solar energy, telecommunications, logistics).



Weaknesses

- Political and institutional division and multiple decision-making centers.
- Security fragility and fluctuations in local stability.
- Weak economic indicators (currency, inflation, purchasing power).
- Corruption, weak governance, and difficulty in contract enforcement.
- Deteriorating infrastructure and high-risk reputation.



Opportunities

- Promising sectors with relatively low risk (solar energy, industrial zones, telecommunications, ports).
- Early entry opportunities in a pre-reconstruction phase.
- Gulf investment shifts in conflict countries opening a window for Yemen.
- Relative improvement in liberated governorates and possibility of special economic zones.
- Interest from specialized investors in high-risk markets for high returns.



Threats

- Continuation or renewal of war and change of field control.
- Currency and monetary policy instability.
- Continued Houthi control over major economic centers.
- Absence of effective judiciary for investment protection.
- Security and logistical risks (levies, local interventions, piracy).



Executive Summary of SWOT Analysis

- The core strength of Yemen lies in its strategic location, natural resources, and large market with low operating costs.
- The core weakness is political division, corruption, and deteriorating infrastructure and fragile economy.
- The core opportunity is the ability of some sectors to operate despite conflict, with growing Gulf interest in investment.
- The core threat is continued security and economic instability, and difficulty in protecting investment.

International Models and Previous Local Experiences

International Models for Investment in Conflict and Fragile Environments: Lessons Yemen Can Benefit From

Despite the severe complexities surrounding foreign investment in Yemen, international experience shows that countries emerging from armed conflict or political crisis can become significant investment destinations when risks are properly understood and managed and when minimum reforms and incentives are in place. The following section reviews comparable international cases and draws out the key lessons most relevant to Yemen.

1- Iraq After 2003: Investment Despite Security and Political Division

Situation Similar to Yemen

- Long war and collapse of state institutions.
- Emergence of competing local authorities and foreign interventions.
- Weak public services and infrastructure.

How Did Investment Succeed There?

- Investment flow began in oil, gas, and logistics sectors despite lack of security.
- Special economic zones were developed that contributed to reducing friction with bureaucracy.
- Foreign companies with expertise in risk environments played a key role.
- Relative stability in some governorates allowed growth of large projects despite continued violence in others.

Lessons Applicable to Yemen

- Possibility of investment in more stable governorates without waiting for complete national solution.
- Importance of clear government agreements to protect investors.
- Necessity of having a strong local partner to facilitate operations.

2- Rwanda After the Genocide (1994): Transformation from World's Most Dangerous Countries to an Attractive Environment

Situation Similar to Yemen

- State collapse and severe social division.
- High level of corruption before and after the war.

How Did Rwanda Change?

- Radical government reforms focused on:
 1. Simplifying investment procedures.
 2. Strengthening the judiciary.
 3. Fighting corruption through centralized decision-making.
- Focus on sectors capable of rapid growth such as tourism, modern agriculture, and services.

Lessons for Yemen

- Investment cannot be attracted without administrative reform committed to by political leadership.
- Investment may move quickly when the international business community sees the state's seriousness even if natural resources are limited.
- Priority should be building investor confidence, not just providing financial incentives.

3- Lebanon After the Civil War (1990-2005): Investment Led by Regional Capital

Similarity to Yemen

- Divided political environment and intermittent security risks.
- Weak state institutions and entrenched corruption.

What Happened?

- Gulf investments played a decisive role in reconstructing Beirut and banking and real estate sectors.
- The public-private partnership (PPP) model was used to build large projects.
- Success of many projects depended on regional political guarantees rather than just local institutions.

Lessons in Yemen's Context

- Gulf capital is capable of playing a similar role in Aden, Al-Mukalla, Seiyun, and Al-Mahrah.
- Projects require partnership between government and private sector to ensure their success.

Scope

Technical, Temporal, and Geographical Scope for Strategic Investment Projects in Yemen (According to Yemeni National Priorities and Gulf Investment Determinants)

Technical Scope

This paper focuses on large transformational investment projects with national or regional impact that can drive structural change in Yemen's economy and support stability. These projects are technically and financially complex and require institutional partnerships between the Yemeni government and the regional private sector - especially Gulf investors - along with special governance frameworks, sovereign guarantees, and political and economic arrangements that private actors cannot secure on their own. The paper prioritizes projects aligned with Gulf strategic interests in energy, food security, logistics, and maritime security, while giving precedence to investments that can proceed under current political conditions without waiting for a comprehensive settlement. It does not cover small or medium projects that can be implemented without government support or special strategic arrangements.

Temporal Framework for Implementation

Investment implementation is presented as a gradual process that builds investor confidence while the institutional and legal environment is prepared. In the short term, the focus is on identifying projects ready for negotiation, completing preliminary studies, and preparing a reform roadmap for the investment environment. In the medium term, the priority shifts to signing agreements and launching phased implementation of major projects with the necessary guarantees. In the long term, the objective is to complete strategic projects and establish a stable governance system that enables Yemen's gradual integration into Gulf and regional value chains.

Geographical Scope

Project site selection is based on national impact, economic feasibility, and alignment with Gulf interests, with an initial focus on coastal areas with the highest readiness, such as Aden, Al-Mukalla, Al-Makha, and Al-Mahrah. Expansion can later extend to selected inland areas including Marib, Shabwa, the Hadhramaut Valley, and key agricultural governorates, based on criteria such as implementation speed, logistics infrastructure, and institutional and security stability.

Scope Summary

The vision is limited to large transformational projects with national impact that require direct government intervention and political and strategic arrangements with Gulf countries. It does not include small projects, projects that can be implemented without government support, or projects that the Yemeni or foreign private sector can undertake independently.

Assumptions

Key Political and Economic Assumptions

- Continued political and financial fragmentation, with competing authorities.
- Heavy reliance on external support to bridge budget and currency gaps.
- Continued sanctions and terrorist designations on some actors, restricting financial transactions through the global banking system.
- Existence of cooperation windows with regional and international partners willing to bear part of risks, especially in energy, infrastructure, and basic services sectors.
- No outbreak of comprehensive war in Yemen.
- The presence of areas or governorates with relative calm and stability.
- Availability of Gulf private sector desire to invest in Yemen.
- Political willingness within the Yemeni government to absorb and encourage foreign investment.

Challenges

Current Challenges Facing Foreign Investment in Yemen

Despite the abundance of potential investment opportunities in Yemen, especially in government-controlled (liberated) governorates, the current environment faces a complex mix of structural, financial, institutional, and security challenges. These challenges do not make investment impossible, but they significantly raise risk and limit Yemen's ability to attract Gulf and international capital at scale.

Political and Institutional Challenges

Political division and multiple decision-making centers: This has led to dual legal frameworks and overlapping powers among government bodies, complicating the protection of investors' legal rights at the national level.

Weak governance and institutional capacity: This includes outdated investment frameworks, limited digitization, the absence of an effective one-stop investment window, and weak institutional capacity to manage contracts and protect investors.

Corruption and illegal levies: The spread of unofficial fees and extortion, along with weak transparency and accountability mechanisms, raises investment costs and undermines confidence.

Security Challenges

Security instability and geographic variation: Liberated governorates suffer from intermittent security incidents and limited local conflicts and uncontrolled armed presence in some areas.

Logistical and maritime risks: These include insecurity on some roads, high insurance costs for transport and shipping, and tensions affecting Red Sea maritime routes.

Economic and Financial Challenges

Currency volatility and monetary system disruption: Riyal deterioration and multiple exchange rates complicate financial transfers and increase working capital risks.

Weak infrastructure and fragile banking sector: Unstable electricity, ports and airports needing development, and limited logistics capabilities, alongside banking system division and transfer and compliance restrictions.

Legal Challenges

Weak dispute resolution system and investment protection: Long litigation duration, limited judicial competencies, ambiguity of foreign ownership rights, and absence of modern framework for public-private partnerships.

Conflict Economy Challenges

Parallel economy and unfair competition: Expansion of informal activities and smuggling, and control of armed actors or influencers over some sectors, limiting equal opportunities and distorting the business environment.

Requirements and Enablers for Investment

Current Enablers and Requirements for Improving Investment Environment

Despite the complexity of Yemen's investment environment, a number of realistic enablers can be built upon, especially in government-controlled (liberated) governorates. Most importantly, Yemen sits on one of the world's most strategic maritime corridors at Bab al-Mandab, creating opportunities in maritime transport and regional trade logistics, supported by operating ports such as Aden, Al-Mukalla, and Al-Mahrah that can be developed into regional logistics hubs. Yemen's population - more than 40 million people, most of them young - is another advantage, providing a labor base and relatively low operating costs compared with other countries in the region.

This aligns with growing Gulf interest in investing in conflict-affected countries, making Yemen a logical strategic extension for these trends - especially in conflict-compatible sectors such as solar energy, telecommunications and digital transformation, logistics and transport services, and food industries and supply chains. International and regional institutions also offer financing opportunities to support private investment in Yemen, particularly through blended-finance instruments that lower risk and improve project viability.

However, turning these enablers into actual investments requires a clear package of practical measures. These include core legislative and institutional reforms - especially updating the investment law, activating international arbitration mechanisms, and launching an effective unified investment window in Aden - along with improvements in the business environment through digitized procedures, control of illegal levies, and a transparent investment-land registry. The same phase also requires supportive financial and monetary policies, including the ability to transfer profits abroad and use foreign currencies, together with risk-guarantee tools backed by regional and international partners.

The security and governance dimension is equally important. Investment needs practical protection arrangements, stronger transparency through publication of contracts and key reports, and strict anti-corruption policies in strategic projects. In this context, a Gulf-Yemeni investment partnership is a decisive enabler, especially through long-term agreements and joint strategic projects in energy, ports, and logistics that can build confidence and improve the prospects for sustainable investment success.

Executive Summary of Two Chapters

- Challenges are large and complex, but treatable through clear and specific reforms.
- Enablers are many and available, giving Yemen real ability to attract Gulf and international capital.
- Requirements represent the practical 'roadmap' to make investment possible in liberated governorates within 12-36 months.

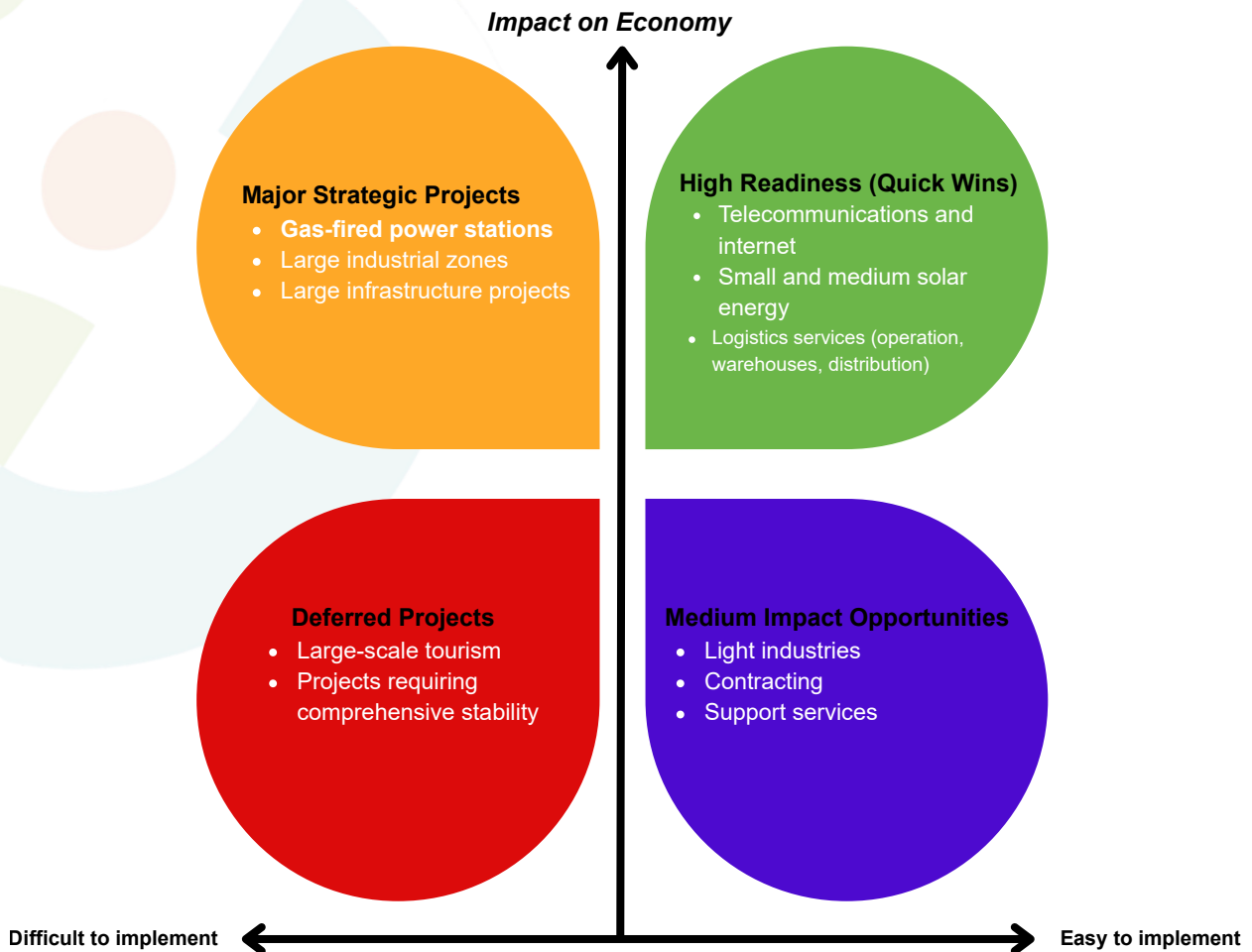
Promising Sectors and List of Potential Projects

Available Sectors:

- | | |
|---|--|
| <ul style="list-style-type: none">• Energy and Electricity• Industry• Transport and Ports | <ul style="list-style-type: none">• Agriculture and Fisheries Sector• Telecommunications and Information Technology• Tourism and Hospitality |
|---|--|

Priority Investment Sectors and Potential Projects in Liberated Governorates

Identifying priority sectors is a foundational step in developing a credible strategy to attract foreign investment to Yemen, especially in government-controlled (liberated) governorates that retain important geographic, human, and strategic advantages despite current challenges. This chapter outlines the sectors most ready for investment and presents proposed projects in a way that aligns with international practice in fragile and conflict-affected contexts.



The figure illustrates that investment priorities at the current stage should focus on sectors with high readiness and high economic impact, considering them practical entry points for building confidence before expanding into more complex projects in later stages.

First Energy and Electricity Sector

The energy sector is the backbone of any economic recovery. Yemen faces a major gap between electricity supply and demand, which makes energy one of the most attractive sectors for investment - especially given the availability of quickly deployable options such as solar and gas-based power solutions.

1- Drivers for Investment in Energy Sector

- High reliance of citizens and companies on solar energy, confirming existence of a ready market.
- Instability of government networks and high transportation losses.
- Existence of gas fields in Shabwa and Marib that can feed modern power stations.
- Availability of successful partnership models in post-conflict countries (Iraq, Rwanda, Lebanon).

2- Proposed Investment Projects

A. Establishing Gas-Fired Power Stations

Brief Description:

Establishing a station with capacity of 100-200 megawatts operating on local or imported gas, operated by a private company under BOT or IPP system.

Enablers:

- Gas availability in Shabwa and Marib.
- Proximity of Al-Mukalla and Aden ports to facilitate import if necessary.

Concept Development:

Establishing a small gas turbine plant (Mini-Gas Turbine Plant) in Shabwa or Hadhramaut with capacities ranging from 30-60 megawatts as a quick solution.

B. Solar Power Stations with Distribution Networks

Description:

Establishing solar stations (10-50 megawatts) with local distribution networks managed by private companies.

Implementation Model:

- IPP
- Or partnership with local authorities (PPP)
- Designing Micro-Grids in rural areas (Modia, Lodar, Al-Tirba, Al-Khokha, Al-Dhalea), reducing reliance on public grid.

C. Electricity Distribution and Collection Companies

Description:

Granting concessions to private companies to manage distribution in Aden, Al-Mukalla, and Taiz.

Benefits:

- Improving collection.
- Reducing losses.
- Providing stable service to consumers.
- Linking meters to unified electronic payment system (Mobile Payment).

Second International Interest in Reconstruction

Yemen possesses one of the richest coastlines in the region, in addition to vast unused agricultural lands. This sector can become a locomotive for rural development and economic transformation.

1- Investment Opportunities in Fisheries

- 2,200 km of coastline rich in species with high export value.
- Large shortage in processing, refrigeration, and cold storage plants.
- Possibility of export to Gulf and Africa with development of cold chain.

2- Proposed Projects and Their Development

A. Fisheries Industrial Zones Near Ports

- Establishing complexes including: packaging plants, freezing, deep cooling, quality labs.
- Implementation through Yemeni-Gulf partnership system.
- Signing long-term purchase contracts with Gulf companies.

B. Modern Contract Farming

- Gulf company financing for local farmers in exchange for commitment to purchase specific products (sesame, coffee, lemon, onion).
- Establishing modern sorting and packaging units.

Third Transport Sector

The transport sector is a strategic pillar for reconnecting Yemen to regional and international markets, especially given Aden's exceptional location along one of the world's most important maritime trade routes.

1- Development and Operation of Aden International Airport

A. Airport Tender for Development and Operation

Description:

Handing over operation to a private company under BOT system for 20-30 years.

Benefits:

- Raising airport efficiency.
- Increasing flights and air cargo.
- Strengthening Aden as an economic capital.

Additional Development:

Adding a free logistics trade zone around the airport.

2- Maritime Transport and Ship Maintenance

A. Establishing Dry Dock for Ship Maintenance in Aden

Description:

Partnership project between Yemeni government and international operators.

Opportunities:

- Transforming Aden into a regional center for maintenance of ships coming from Red Sea.
- Attracting commercial traffic from Djibouti and Somalia ports.
- Establishing maritime technical training college in cooperation with international companies.

3- Land Transport

- Developing main logistics corridors: Aden-Abyan-Shabwa-Hadhramaut, Aden-Taiz-Al-Makha.
- Establishing dry shipping centers (Dry Ports) near Aden, Al-Mukalla, Al-Wadia, and Shahn.

Fourth Telecommunications and Information Technology Sector

One of the sectors most capable of rapid growth, least affected by war, and most attractive to Gulf capital.

1- Establishing 5G Telecommunications Company

A. Description

Launching a new licensed company in Aden operating with fifth generation technologies. Modern networks covering main cities in the first phase.

B. Feasibility

- Very high local demand for internet.
- Weakness of existing companies opens room for strong new competitor.

C. Concept Development

- Partnership with Ooredoo, STC, or Etisalat to accelerate launch.
- Using the network to support government digital transformation.

2- Establishing Digitization and Information Technology Company

A. Proposed Services

- Electronic payment and financial inclusion.
- Government systems (ID, customs, taxes, licenses).

- Business management solutions (ERP, CRM).
- Citizen services applications.
- Establishing Data Center in Aden or Al-Mukalla to link government and private sector.
- Attracting investments in cloud computing services.

Fifth Tourism and Hospitality Sector

Despite the war, relatively ready areas exist such as: Aden, Socotra, Hadhramaut. The sector represents one of the fastest recovering sectors after conflict in comparable countries (Lebanon, Rwanda).

1- Rehabilitation and Development of Aden Hotels

A. The Project

- Rehabilitating damaged hotels through partnerships with Gulf investors.
- PPP or BOT model.

B. Feasibility

- Increased movement of international delegations, missions, and organizations.
- Rising demand for business hospitality (Business Hospitality).

C. Additional Development

Establishing coastal walkway and accompanying tourism services on the Corniche.

Sixth Border Industrial Zones Project

One of the most important long-term strategic ideas.

1- Description

Establishing an industrial zone in Shabwa, Hadhramaut, Marib, or Al-Mahrah, close to Saudi Arabia or Oman.

2- Proposed Activities

- Food factories.
- Cold storage warehouses.
- Solar panel assembly or equipment.
- Light industries oriented for export.

3- Additional Development

- Linking the zone with independent solar power stations.
- Linking it to a free trade zone and dry port.

Additional Projects

1- 'Gulf-Yemeni Logistics Center' Project in Aden

- Managed by Yemeni-Gulf investment partnership through concession contract.
- Shipping, storage, cooling, redistribution services.

2- Launching 'Yemen Digital 2030' Initiative

- Includes:
 1. Digital identity card.
 2. National electronic payment system.
 3. Electronic government services.

3- Developing Technical Education Sector to Serve Investors

- Developing and supporting technical institutes and community colleges in several governorates with Gulf support.
- Graduating cadres in energy, telecommunications, and logistics.

The mentioned sectors are not only compatible with the conflict environment but also capable of creating economic momentum and restoring confidence, if implemented through:

- Partnerships with Gulf private sector.
- Using blended financing tools (Blended Finance).
- Strict governance and transparency in licensing and operation.

Recommendations

Recommendations for the Yemeni Government

1- Adopting a Clear National Strategy for Foreign Investment

- Adopting an official document specifying: priority sectors, targeted governorates, types of partnerships (PPP, JV), and protection tools for foreign investors.
- Linking this strategy to a broader vision for economic recovery and reconstruction.

2-

Activating and Restructuring the General Investment Authority in the Interim Capital Aden

- Issuing a sovereign decision with clear mandate and preventing interference in its work.
- Restructuring the Authority to be the sole entity authorized to regulate, promote, and protect investments.
- Linking it directly to the Presidency of the Council of Ministers to ensure institutional enforcement.
- Providing the Authority with qualified staff and unified window system.
- Transparent database for projects and investment opportunities.
- Establishing a unit in the Authority operating as One-Stop Shop: registration, licensing, land, taxes, customs, all through one outlet.
- Digitizing procedures completely and reducing time and legal/administrative costs for obtaining licenses.

3-

Compiling and Reviewing Previous Studies

Reviewing and updating feasibility studies and building on them, especially previous studies in:

- General Investment Authority
- Ministry of Planning and International Cooperation
- Yemeni Private Sector

4-

Activating 'Special Environment' in Liberated Governorates as Pilot Zones

- Adopting relatively stable areas as initial models for investment zones with simplified procedures and higher legal protection.
- Granting these areas clear and announced tax and customs incentive packages, with full transparency in treatment.

5-

Reforming Investment Laws and Legislation and Property Protection

- Reviewing and updating the investment law to align with international practices and best models of fragile states (Iraq, Rwanda).
- Including explicit provisions guaranteeing:
 1. Recourse to international arbitration (ICSID or UNCITRAL rules).
 2. Protecting investor from arbitrary confiscation, extortion, and illegal levies.

6-

Adopting Legal and Executive Framework for Public-Private Partnership

- Necessity of completing and adopting a PPP framework based on genuine partnership ensuring clear roles, powers, and risk distribution, transforming private sector from secondary executor or contractor to an active investment partner.

7- Urgent Measures to Reduce Currency and Transfer Risks

- Coordinating clear policies with Central Bank in Aden regarding:
- Opening foreign currency accounts for investors.
- Guaranteeing ability to transfer profits abroad according to transparent mechanism.
- Studying establishment of 'Hedging Facility' in cooperation with donors to mitigate Riyal volatility risks.

8- Combating Corruption and Protecting Investors from Extortion

- Creating a special track in prosecution/judiciary for extortion and illegal levy cases against investors.
- Adopting 'zero tolerance' policy with officials proven to be involved in investor extortion.
- Publishing important judgments to reinforce deterrence.

9- Activating Partnership with Gulf Countries in Investment Files Not Just Aid

- Signing framework agreements with Saudi Arabia, UAE, and Gulf countries regarding:
 1. Encouraging investment in specific sectors (energy, ports, logistics, telecommunications, fisheries, agriculture).
 2. Using part of Gulf support as investment guarantees and not just grants.

Recommendations for the Yemeni Private Sector

1- Building Strong Sectoral Entities and Coalitions

- Unifying efforts through sectoral unions or coalitions (chambers of commerce/business councils) capable of:
 1. Negotiating on behalf of the sector with government and donors.
 2. Presenting a pipeline of ready-for-investment projects (Bankable Projects) to Gulf and foreign investors.

2- Improving Governance and Transparency Within Yemeni Companies

- Adopting clear governance structures (boards of directors, internal regulations, accounting audit).
- Issuing audited financial statements from recognized firms, to build confidence before foreign investors and international banks.

3- Entering Strategic Partnerships with Gulf and International Capital

- Focusing on Joint Ventures model in the following sectors:
 1. Solar energy.
 2. Logistics services, warehouses, and dry ports.
 3. Food industries and fisheries.
 4. Telecommunications and digitization.

4- Investing in Building Capacities and Compliance with International Standards

- Training Yemeni cadres on project management, risk management, and ESG standards (environmental, social, and governance).
- Using international legal consultations when designing large partnerships with foreign investors.

5- Playing Organized Advocacy Role for Business Environment Reform

- Preparing joint policy memoranda with research centers (such as:
 1. Development Champions Forum
 2. Economic Team
 3. Sanaa Center for Strategic Studies
 4. DeepRoot Consulting... etc.) to submit to government and donors.
- Active participation in national and regional economic dialogues to push toward practical reforms.

Recommendations for Gulf Countries' Governments

1- Gulf-Yemeni Strategic Framework for Investment as Part of Regional Security System

- Considering support for economic stability in liberated governorates as part of Red Sea and Bab al-Mandab security.
- Formulating a clear Gulf initiative: 'Investment for Stability in Yemen Initiative'.

2- Establishing Gulf-Yemeni Fund for Investment in Infrastructure and Productive Sectors

- Joint capital (Gulf-Yemeni) to launch projects in:
 1. Energy (gas/solar).
 2. Ports and logistics.
 3. Agriculture and fisheries.
- Independent management of the fund with high governance standards to avoid politicization of projects.

3- Providing Sovereign Guarantees and Risk Mitigation Tools for Gulf Investors

- Through Gulf development funds or sovereign investment funds, providing:
 1. Guarantees against political risks.
 2. Facilitated credit lines for projects in Yemen.

4- Linking Any Financial Support to Yemeni Government with Specific Reforms in Business Environment

- Conditionality:
 1. Activating unified investment window.
 2. Combating illegal levies.
 3. Publishing laws and regulations in clear and updated format.

5- Using Yemen as Extension for New Gulf Economic Corridors

- Linking Saudi/Omani port projects with Aden/Al-Mukalla/Al-Mahrah ports as alternative corridors supporting food and energy security in the region.

Recommendations for the Gulf Private Sector

1- Adopting Gradual Approach Based on 'Conflict-Compatible Sectors'

- Starting with small and medium projects in: solar energy, logistics services, telecommunications, warehouses, port support services.
- Avoiding asset-intensive projects in most fragile areas in the first phase.

2- Investing Only Through Internationally Recognized Legal Channels

- Contracting exclusively with internationally recognized government or partners with clear legal status.
- Avoiding any contracts or investments in areas subject to sanctions or with armed groups (even if returns are tempting).

3- Partnering with Trusted Yemeni Companies Instead of Working Alone

- Selecting partners who have:
 1. Clear commercial record.
 2. Implementation capabilities on the ground.
 3. Good reputation in dealing with labor and local environment.

4- Activating Risk Management Tools

- Using Political Risk Insurance through institutions like MIGA or national funds.
- Dividing projects into phases (Phased Investment) with periodic risk assessment.

5- Focusing on Projects with Dual Impact (Profitability + Social Stability)

- Examples:
- Fisheries projects that create jobs.
- Contract farming with farmers.
- Vocational training and linking it to Gulf value chains (exporting Yemeni products to Gulf markets).

Recommendations for Donors and International Development Agencies

1- Transitioning from 'Relief Only' Model to Hybrid: Relief + Recovery + Investment

- Allocating part of funding to support private sector and investment environment, not just short-term humanitarian operations.

2- Creating Blended Finance Tools to Encourage Foreign Investment

- Providing guarantees, concessional loans, or complementary grants that make projects in Yemen bankable by banks and investors.

3- Supporting Business Environment Reform as Core Component in Donor Programs

- Funding digitization of government procedures, strengthening commercial courts, building capacities of regulatory bodies.
- Supporting establishment of unified investment window in Aden.

4- Investing in Data and Information as Prerequisite for Attracting Investment

- Funding preparation of 'investment maps' for liberated governorates (Sectors, Sites, Incentives).
- Developing databases on available investment lands, infrastructure status, costs, and labor.

5- Encouraging Partnerships Between Local and Foreign Private Sector

- Designing Matching programs or Platforms linking Yemeni companies with Gulf and international investors.
- Supporting business incubators and accelerators for emerging companies in digital and service sectors.

6- Linking Government Financial Support to Transparency and Governance Indicators in Investment File

- Examples:
- Publishing Investment Authority annual reports.
- Announcing major contracts and their components.
- Government commitment to anti-corruption standards. .

General Recommendations and Additional Proposals

1- Creating Joint 'Investment Promotion Platform for Yemen'

- Bringing together: Yemeni government, Yemeni private sector, Gulf investors, and donors.
- Its functions:
 1. Presenting opportunities.
 2. Sharing information.
 3. Building gradual confidence through small scalable success stories.

2- Adopting 'Quick Wins' Approach of Small Rapid Successes

- Focusing initially on a limited number of model projects in selected governorates, managing them with highest governance and transparency standards to serve as practical evidence of investment feasibility in Yemen.

3- Separating Investment Pathways from Political Conflict as Much as Possible

- Funding digitization of government procedures, strengthening commercial courts, building capacities of regulatory bodies.
- Supporting establishment of unified investment window in Aden.

4- Highlighting Regional Dimension in Investment Discourse

- Emphasizing that investment in Yemen is not just charitable work, but part of reshaping economic corridors in the Red Sea, Arabian Gulf, and African Horn.
- Changing the narrative from 'Yemen needs grants and support' to 'Yemen and Yemenis can find investment opportunities and are capable of creating worthy partnerships with interest and building a genuine vision for the future of strategic investments in the region.'

For more information and previous publications: <https://DCFYemen.org>



About the Author

Remal Advisory for Studies & Consultations is an independent research and consulting firm specializing in policy and strategic analysis and in delivering evidence-based solutions to complex challenges in emerging markets and development contexts. Remal relies on multidisciplinary expertise and rigorous analytical methodologies to provide actionable insights that link policy to practice. The firm works with governments, international organizations, and private-sector stakeholders on key issues in governance, economics, and sustainable development. For more information, please visit www.remaladvisory.com

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