

# An Initiative to Address Commercial Transportation Challenges in Yemen

Economic Reform Team  
Studies and Economic Media Center

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# The Private Sector's Initiative to Address Transportation Challenges in Yemen

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The Yemeni Economic Reform Team (ERT) and its secretariat the Studies and Economic Media Center (SEMC) would like to thank the Center for International Private Enterprise (CIPE) for its support in developing this initiative.




## Introduction:

Frequent and random checkpoints from local authorities and barriers that physically halt the flow of people and goods contribute to the battles of Yemen's "Yemen conflict." Hardly a day goes by without shipments of goods being looted or intercepted by rogue forces, injury or even death to transport workers. As a result of the poor infrastructure on main highways, many truckers use less travelled and less monitored routes. Armed groups regularly extort truckers traveling on less-travelled, alternate routes because these routes have less security forces on them and drivers are less familiar with the roads. The Ministry of Foreign Affairs, supported by the coalition, imposes restrictions and limits on the transportation of goods and commodities to Yemen such as the inspection process that prolongs the amount of time for imports to clear Yemeni ports , presenting an additional layer of challenges. These restrictions have been in place since the beginning of the war in 2015.

The rising cost of human and material losses is worsening the humanitarian and economic crises within Yemen. In general, the cost of commodities, food, and essential items are rising as a result of external global factors such as the Ukrainian war. Yemen's existing transportation challenges are accelerating these price hikes faster than elsewhere and are a significant factor in Yemen's overall rising costs. Transportation costs in Yemen today are five times more expensive than their pre-war rates.

The international coalition is upholding tough importing restrictions with a protracted inspection process that prolongs the amount of time for imports to clear Yemeni ports. Transport ships carrying imports headed to Yemen must pass through foreign ports to be inspected by coalition officials. Companies and exporters are forced to ship their goods to ports in Saudi Arabia, Djibouti, and Oman, undergo a lengthy inspection process, and then from there they are allowed to ship the goods to Yemeni ports. The combined cost of the extra leg of the trip to the inspection ports, and the long wait times for goods to be inspected, add undue costs to the goods. Yemeni



importers and consumers are ultimately bearing the burden of these costs. Even with a lengthy inspection process, many goods considered dual use are completely prohibited from entering Yemen.

The Economic Reform Team (ERT) has identified transportation policies that will enable legitimate commercial activity as a top priority for alleviating many of the economic and humanitarian consequences of the conflict. Obstacles to transporting goods to market are among the most prominent challenges faced by Yemeni businesses, and in turn their consumers and the public at large. It is increasingly difficult for the private sector to maintain a consistent supply of goods and essential items under these conditions as the war rages on.

This initiative seeks to analyze Yemen's transportation challenges and propose solutions to address their root causes. The ERT aims to facilitate the consistent delivery of goods and products to the Yemeni people and reduce costs. In a country where 80% of the population currently lives below the poverty line, the ERT advocates for measures and solutions that help alleviate the rising costs of transportation. Many of the causes are entirely avoidable, and in this initiative, the ERT will provide insights on how to remedy the ongoing problems.




## Consequences of Transportation Challenges:

The transportation industry is closely linked to almost every other sector of the economy. The food, security, energy, and agriculture sectors, as well as humanitarian aid delivery, trade, and the movement of people are all dependent on a functioning, efficient, and safe transportation system. The challenges in the transportation sector such as damaged roads and infrastructure, roadblocks, and arbitrary checkpoints, decrease the ability for Yemen's economy to function at a level sufficient to ensure that all people have access to needed food products and other essential items. Food insecurity has increased for the majority of the Yemeni population because food grown in faraway regions or imported foods cannot make it to from ports or farms with regularity. Many imports are held up at offshore ports and then sent to deteriorating Yemeni ports that don't have enough employees or equipment to unpack the products and get them set for delivery. Items that do make it out for shipment are at risk of extortion as they are enroute to their destination. The items that do make it to market are marked up at exorbitant rates to offset the increased costs of shipping and domestic transportation.

The direct consequences of these challenges are significant. Fewer goods are entering the country, decreasing the supply and availability of products in the marketplace and driving up prices. This in turn is contributing to the decline in the standard of living across Yemen. Consider the following:

- Increased domestic transportation costs: The closure of main roads leads to the use of longer and less travelled alternative routes for human and cargo transportation. These alternative routes have dilapidated infrastructure and are less regulated and monitored by security forces. Because of these longer and more dangerous routes, transportation costs are higher as goods move from the ports to the cities and governates. For example, in 2013 the delivery of a 40-foot container by land from Aden to Sana'a cost about 350,000 Yemeni riyals. Today that same load may cost 3-4 million riyals, ten times higher.

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- **Increased international shipping costs:** The inspection procedures accompanying the entry of ships and containers into Yemen, enforced by the international coalition, have caused food prices to double since 2015. The required inspection process and clearance mechanisms have increased the cost of shipping containers to Yemen compared to other countries. For instance, the cost of shipping a container to Yemen is double the cost of shipping the same container to neighboring Djibouti or Salalah. This in turn increases the price of food and other imported products for Yemeni consumers.
  - **Higher commodities prices:** which is exacerbated by multiple issues of high inflation, currency depreciation, and high transportation cost.
  - **The direct loss of life and property:** because of unsafe road conditions: reports indicate that the number of traffic accidents during the period January to December 2021, in Taiz, reached 224 accidents, causing the death of 51, and the injury of 290 person, while the property's losses reached 46 million YR.

## Proposed solutions:

The ERT is eager to work together with Yemeni decisionmakers and the international community to address these commercial transportation challenges. The ERT proposes the following solutions, categorized into three levels according to their urgency (ST, MT, LT).

Short-Term	Medium- Term	Long-term
<p>1. Open the main roads between the Yemeni governorates, «Karsh-Al Rahda», «Al-Dhalea-Damt» road, and the “Maṛib-Sanaʿa” road, as permanent or temporary trade corridors for transporting goods between Yemeni cities, while ensuring that none of the warring parties use these corridors for military purposes.</p> <p>2. Exempt ships carrying basic foodstuffs (wheat and others) from any UN or other conflict-specific customs procedures.</p> <p>3. Mobilize civil socie-</p>	<p>1. Empower the government to open all the seaports, airports, and land ports, and abolish all inspection restrictions placed on the movement of goods and travelers by the international coalition. This step may be used as a confidence-building measure prior to peace negotiations.</p> <p>2. End the separation of the state’s institutions. Clear mechanisms and a schedule to address the separa-</p>	<p>1. Prepare a national transportation strategy that contributes to the development of the transportation sector in accordance with sustainability and governance standards, with a focus on:</p> <p>a. Restoring security and confidence of international shipping companies, especially concerning the ports of Aden and Hodeidah. This should be achieved through provisions within any peace agreement and</p>



ty and private sector-based efforts, together with the United Nations and the UN Special Envoy to Yemen (OSES-GY), to provide support for reopening and maintaining the Hodeidah port and the Sana'a airport to increase Yemen's trade capacity.

4. Lift the restrictions imposed on the Haradh border crossing to increase the movement of passengers and the volume of humanitarian aid entering Yemen.

5. Invite local communities and the private sector to contribute to the maintenance of local roads within the scope of their capabilities.

6. Resume the normal tasks and functions of the Ministry of

tion of state's institutions must be agreed upon by each administration, especially those playing a pivotal role in managing the economy. Following such an agreement, there must be mechanism in place to hold each party accountable and ensure commitment to working together.

3. Deposit legal revenues into a shared and transparent account. This means establishing a mechanism that enables the different provincial authorities to directly deposit all legal revenues collected from taxes and customs duties into the government's account in the Central Bank,

complying with the International Ship and Port Facility Security Code (ISPS).

b. Strengthening partnerships with the private sector in the management and development of the various transportation sectors.

c. Utilizing sustainable resources for the transportation sector and strengthening the governance standards of provincial authorities especially border governorates, to contribute to the development, rehabilitation, and maintenance of the transportation sector.

d. Strengthening the internal network of roads that link the different cities of Yemen in a way

Public Works and Roads to assume responsibilities of road maintenance including the management of funds allocated for road maintenance and rehabilitation.

in accordance with transparency and accountability standards.

4. Mobilize financing mechanisms from various sources, including donor contributions.

5. Rebuild transportation sector facilities including ports and airports that have been destroyed, decimated, or outdated. For instance, repairing the physical infrastructure of the Aden, Hodeidah, Taiz, and Sana'a airports and the ports within Aden, Mocha, Hodeidah, and Mukalla.

that contributes to facilitating easier transportation processes of passengers and goods between the various governorates of Yemen.

e. Utilizing Yemen's strategic geographical location by building a sea bridge to link the continent of Africa and the Arabian Peninsula through Mayon Island.

f. Developing sea ports to provide services to shipping vessels, since all the coasts of Yemen are parallel to the international shipping lines.

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



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The Studies & Economic Media Center is one of the most important Yemeni civil society organizations working in economic affairs, raising awareness of economic issues, promoting transparency, good governance, citizen engagement in decision-making, and creating professional media.

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