



Empowering Yemen's fisheries: A strategy for reform through public-private partnerships

Abdilahi Ali, H el ene Donnat, Saleh Fadhl, Amna Mahmood, Sanjana Srivastav, and Edward P. (Ned) White

- The fisheries sector in Yemen is in dire need of additional investment in its infrastructure and equipment in order to fulfil its strategic role as a source of food security and a leading export sector.
- The current lack of both private or public investment is due to the high uncertainty caused by the war, rising fuel prices curbing exports, the lack of access to data on fish stocks, poor implementation of existing regulations, financial constraints in the ministry, and the lack of maintenance of critical infrastructure such as fish landing sites.
- The government lacks both the financial and human resources necessary to invest at the scale required. Public-private partnerships (PPPs) are a potential avenue forward, bringing in much-needed private sector investment to deliver public services.
- This policy brief highlights key factors for ensuring the success of PPPs in Yemen's fisheries sector. These include restoring trust between the public and private sectors, building public sector capacity, ensuring efficient collaboration between stakeholders, and improving the enabling environment.
- Establishing a consultative council, supported by a technical secretariat, is an essential first step in fostering collaboration among public and private sector actors. This council brings together stakeholders to determine sector priorities and potential joint projects.

Background and current context

The fishing sector in Yemen has a key role to play in Yemen's economy. Located at the intersection of the Arabian and Red Seas, Yemen has access to a rich marine ecosystem, which has historically provided employment to a large fraction of the coastal population. In the current context, its strategic importance has been heightened: with 17 million Yemenis classified as food insecure by the Food and Agriculture Organisation (FAO), the fishing sector can provide a vital source of food to many.

The war has deeply affected the sector. Production levels have fallen, followed by a decline in exports. The reduced safety of fishermen hinders their ability to venture into some areas, with over 300 fishermen reported killed since the start of the war. Critical infrastructure and equipment have been hit, including fish landing sites and boats. The total cost of the damage has been estimated at USD 6.9 billion. The indirect cost of war also has a significant impact, with road closures and fuel prices increasing barriers to production and trade. The Ministry of Agriculture, Irrigation, and Fisheries suffers from lower capacity due to a lack of human and financial resources, making it difficult for it to apply existing regulations. The lack of monitoring has made it possible for foreign actors to illegally fish in Yemen's territorial waters, endangering the livelihood of traditional fisheries.

The sector also suffers from a chronic lack of investment in its infrastructure. Data on fish stocks is outdated. Fish landing sites are poorly maintained. Fishermen are crudely equipped, with a lack of ice onboard to preserve fish caught. This has negative repercussions across the supply chain, with the fish produced not achieving the international standards that exports need to meet.

Given the scale of investments needed, the government requires funding from other actors. To address this issue, the IGC (International Growth Centre) and the Executive Bureau (Executive Bureau for the Acceleration of Aid Absorption and Support for Policy Reforms – Yemen) were appointed to devise a report to facilitate public-private partnerships (PPPs) within the fisheries sector. PPPs are contractual agreements between the public and private sectors in which the private sector assumes the responsibility for delivering a public service while the public sector maintains its right to control quality and performance standards.

PPPs can offer several benefits:

- **Overcome budget constraints:** Since PPPs are financed using private sector funds, they can alleviate the budget constraint that the government faces. However, the private sector will only invest if

the revenue streams from the project are credible enough for it to recoup its investment despite a credit-constrained government. This is more likely to apply when the government's credit constraints are short-term.

- **Cost efficiencies from bundling and private scrutiny:** Bundling of construction and maintenance can save on cost by ensuring investments at all stages reduce the long-term cost of the project. Likewise, since private sector investment, there can be more scrutiny from financiers on how the money is spent. This scrutiny can lead the private sector to deliver projects in a timelier manner and at a cheaper rate.
- **More politically feasible to charge user fees:** Private companies may have an easier time charging user fees than the government. Governments may have political motivations to reduce fees, meaning that they may not cover the full cost of the infrastructure project. Additionally, tensions between fishers and governments in Yemen make it difficult for the government to raise revenue from them. Private sector companies that do not have this history with fishers may have an easier time raising money.

There are different models of PPPs that can be adopted to finance the delivery of critical infrastructure and services in the fisheries sector:

- **Improvement of fish landing sites through an operating contract:** The Ministry of Agriculture, Irrigation, and Fisheries (MoAIF) and donors can finance the initial capital investment to restore fish landing sites. The right to operate and maintain the sites can then be transmitted to the private sector. The ownership of the site remains in the hands of the ministry. The government can either pay a fee to the private sector to maintain the site, or the private sector can collect fees directly from cooperative members.
- **Investment in a cold chain storage network for exports using a concession contract:** To be able to export, businesses need to meet a minimum quality standard. This requires a cold chain network to be set up from production to the moment fish are exported. Given the uncertainty surrounding the demand for such a service, the private sector may require limited monopoly rights for a period of 5-10 years. The private sector would collect fees from end-users, while the MoAIF would ensure that prices remain affordable.
- **Invest in a port terminal or a fish processing factory through a lease or affermage:** Port terminals and fish processing factories built and financed by the government can be leased out to the

private sector for typically 5-15 years. Under this model, the private sector pays a regular fee to the government but retains all profits it makes. The private sector is responsible for maintaining the asset, as well as attracting customers.

- **Create a fish stock database using a Build-Operate-Transfer or similar contracts:** Under this type of contract, the private sector builds up an asset. It is then allowed to charge for the use of this asset for several years before transferring it back to the government at the end of the contract. This could be used to build a new fish stock database and associated IT system. The private sector could build such a database and be paid monthly fees from the government to ensure it is maintained well.

However, PPPs are not without risks. They are long-term, complex contracts. If they are not properly managed, they can end up costing the government a lot in the long run. Risks associated with PPPs:

- **Cost minimisation instead of welfare maximisation:** Private firms generally decide what investment to do based on cost minimisation. This can be at the detriment of consumer welfare, especially when those aspects are not easily contracted. This is a concern for fisheries, as many fishermen have low income and are unlikely to pay high fees for the use of infrastructure.
- **Complexity of contracts:** PPPs are complex contracts that require time and a large amount of public capacity to be designed, negotiated, and monitored properly. The current MoAIF is unlikely to have the capacity to manage these projects alone without a large amount of external technical assistance.
- **Private sector premium:** Unless the private sector is much more efficient than the public sector, investing using private sector financing can raise the cost of the investment. This is because the private sector often borrows at a higher cost than governments. Additionally, the private sector needs to be more compensated to take on the same amount of risk. Breakdowns in the relationship between the public and private sectors can also lead to costly litigation between the two parties.

Moreover, the lack of trust between the two sectors severely hinders potential collaboration. The private sector estimates that the ministry does not have the capacity to deliver services such as a fish stock study or the monitoring of its territorial waters. Likewise, the public sector doubts the capacity of the private sector to invest at the scale needed.

Model design considerations

A policy on PPPs in the fisheries sector needs to take into account the following constraints:

Government capacity

Any PPP policy needs to recognise the limited capacity of the MoAIF. The ministry was created in December 2020 through a merger of the Ministry of Agriculture and Irrigation and the Ministry of Fish Wealth. The relocation of the Government of Yemen from Sana'a to Aden meant that much of its property, staff, and records are no longer available. This constrains the ministry both in terms of financial and human resources. The low pay within the ministry workforce poses a significant challenge for talent retention, leading to a high turnover rate. This is particularly concerning because PPPs are long-term contracts that demand consistency.

Access to finance

The ministry currently lacks access to the resources necessary to invest at the scale the sector needs. Central government expenditures have greatly exceeded revenues, leading to large amounts of debt. Debt is now over 80% of GDP. With oil the main revenue of the government, the current embargo on oil exports by the dissenting factions severely constrains the sustainability of the government's finances.

Meanwhile, the private sector is reluctant to invest due to the large perceived risk of investing. Without clearer reassurance from the government on regulations, taxes, and a better application of existing monitoring of the fishing sector, as well as better data on existing fish stocks, the private sector is reluctant to invest. To incentivise the private sector to invest, the MoAIF should implement several complementary projects, starting with a fish stock study.

Regulatory environment

The Fishing Law No.2 of 2006 is still the main law governing the fisheries sector. It prescribes requirements on fishing boats, the powers and competencies of the now-defunct Ministry of Fish Wealth, taxes that are owed to the government, how fishing should be done, and who has the right to fish within Yemen's territorial waters. Any PPP should be done in conformity with those laws.

Of additional relevant concern are PPP laws, which were drafted in 2014 but prevented from being adopted because of the start of the war. Scaling up PPPs requires a specific regulation. However, this is likely to take time. Current

strategies should find ways to kick-start PPP projects without the need for extensive legislation.

Lack of trust and coordination between the private and public sectors

There is a pervasive lack of trust between the private and the public sectors. Fishermen stopped paying the 3% tax owed to the state as they do not perceive the state to be effectively enforcing fishing regulations. Similarly, the private sector believes that the government does not have the capacity to be an effective investment partner.

Meanwhile, there are several projects being carried out in the fishing sector by international actors. However, they lack coordination between different projects, constraining their abilities to benefit from synergies. The sector would benefit from greater coordination between actors, ensuring that all partners are heard to build back trust between parties.

Complexity of stakeholders

The fisheries value chain includes a lot of potential stakeholders. There are often several suppliers and buyers. This differs from typical PPPs that are used in the electricity sector, for example, and that often only entail one generator and buyer. Due to the multiplicity of actors, there is a need for active coordination and collaboration between all parties.

It is also important to involve all stakeholders, especially fishermen and cooperatives, and to ensure that they support PPP projects. For example, cooperatives currently manage fish landing sites. It is important for the government to ensure their collaboration if the management is to be transferred to private sector actors.

Recommended models

The priority of the MoAIF should be twofold: to develop the capacity within the ministry to select and manage PPP projects and to restore trust between the two sectors. The first step recommended in the report is to create a Consultative Council (CC) within the Ministry to steer investment in the sector towards priority projects. This Consultative Council would be composed of both private and public sector actors. Its aim would be to collectively decide the main priorities of the sector and create a pipeline of projects in which both sectors can collaborate. To support the projects, we advise that the CC be seconded by an active technical secretariat.

The role of the CC would be to:

- **Improve coordination between actors:** Create a space where stakeholders from both sectors can meet to discuss the priorities for the sector. It should ensure that both public and private actors feel heard in developing a long-term vision for the sector.
- **Develop a pipeline of projects:** These priorities will then create a pipeline of projects that the two sectors can collaborate on. These projects should reflect the priority of both sectors.
- **Build a network:** The role of the CC is to partner with different actors, including donors and international organisations. It is to become a hub of knowledge on PPPs in fisheries. It should conduct awareness campaigns on the benefits of PPPs to a wider audience. By fostering dialogue, it will ensure broad support for PPP projects.
- **Advocate for wider reforms:** It should advocate for wider reforms in the sector to help foster PPPs. These can be reforms in the fisheries sector, on procurement, the creation of PPP legislation, or regulation of private investment.

The CC needs to represent the views of the many stakeholders involved in the sector. It should start small, including 5-6 members as a start, to ensure that it remains manageable. Several considerations need to be considered to ensure that the consultative council is efficient:

- **Legal status:** The CC can be established as a legal entity, such as an advisory body within the MoAIF. One of the key challenges of this structure is that, given that it is to be within the structure of the ministry, the private sector's voice may not be heard effectively. The key is ensuring that the dialogue between both sectors is transparent and that decisions reflect both their priorities. The leadership of the CC should be chosen such that it manages potential disagreements between members in a fair and transparent manner.
- **Governance:** The CC will need to comply with the PPP ministerial decree as well as any other bylaws, operating rules, and regulations.
- **Funding:** The funding for the CC can come from a combination of sources, including donors, government grants, private sector partners, international organisations, and potentially user fees. One of the key difficulties will be to ensure that the funding will cover the cost and is sustainable even when the interest of international donors wanes.
- **Selecting members:** Who is included within the CC is of foremost importance, as it will ensure the buy-in of the wider sector. Members should be effective champions of PPPs who can mobilise

other actors in the sector and collaborate on projects. The process of selecting the members is itself important. It should also be fair and transparent, to ensure that both sectors feel adequately represented by the members of the council.

- **Accountability:** The CC should ensure that it has a reporting structure that facilitates coordination with relevant ministries and agencies. It should design transparent procedures for project selection, procurement, and contracting to build trust and ensure buy-in from all stakeholders. Finally, it should establish a mechanism for accountability and oversight to ensure integrity in the PPP process.

Preparing and managing PPPs requires a high degree of technical skills. To carry the projects out, the Consultative Council is to be supported by a technical secretariat. Its task will be to:

- **Develop, implement, and monitor projects:** It provides support to the CC to implement the projects highlighted by the CC. It will conduct feasibility studies, financial modelling, and risk assessment as the project is developed. It will also establish the mechanisms necessary to monitor and evaluate the performance of fisheries PPPs.
- **Build capacity within its teams and within the ministry:** The secretariat should become a hub of knowledge on PPPs that can be drawn on by other ministries. It can build its own capacity and then organise training programs, workshops, and seminars to build understanding of PPPs within the public and private sectors.
- **Coordinate with other actors:** The secretariat can build relationships with other ministries, international organisations, and donors to facilitate the creation and implementation of PPP projects.

The report identifies the Executive Bureau as the best existing unit to take on the role of providing technical support to establish the secretariat. It has an existing relationship with donors, so it can easily collaborate on projects. It is also embedded in other ministries, facilitating the management of projects by providing necessary technical inputs and advice. Finally, it has the most capacity in terms of skills and agility to start supporting PPPs.

Building the secretariat in a way that has the skills to prepare and monitor PPPs will be challenging. In particular:

- **Finding experts in a variety of skills:** Successfully implementing PPP projects requires a diverse set of skills, including project management, financial, and legal expertise. This will require PPP

consultants willing to spend time working in Yemen. This should be appropriately budgeted for in the cost of the Secretariat.

- **Reducing the turnover of staff:** Staff turnover should be reduced to keep the projects going and to build the expertise needed. Wages will need to be adjusted to ensure that there is an incentive for staff to remain. The secretariat should ensure that there is an appropriate career path for its employees.
- **Selecting a director for the Secretariat:** Choosing the leadership of the Secretariat will be challenging. The candidate needs to elicit confidence from both the public and private sectors. They should also have the business skills to drive the PPP investment programme. A key challenge will be to attract such an individual, including finding the resources to make this position competitive.
- **Financing the Secretariat:** Given the levels of skills required, there will need to be an appropriate budget set up. Like the CC, the Secretariat can be financed through a blend of sources. However, some consideration should be given to how funding can be guaranteed for the longer term to ensure that the staff are incentivised to remain within the Secretariat.
- **Ensuring there is no conflict of interest between the commissioning and the monitoring of projects:** The Secretariat will oversee both commissioning and monitoring PPP projects. This can create conflicts of interest. The Secretariat should be structured in a way that minimises these conflicts of interest.

In summary, as outlined in the report, it is essential to begin by setting out and agreeing on the purpose and objectives of the CC, identifying its key stakeholders both internally and externally and establishing its decision-making processes. Furthermore, outlining specific roles and responsibilities, capacity building and financing needs, and the necessary governance framework is vital. Key strategies, as well as monitoring and evaluation procedures, should also be clearly defined.

Implementation plan

Step 1: Create a pipeline of a few priority projects

- **Review past national strategy** to define a list of 3-4 priority projects that the Consultative Council can start with. Starting with a list of defined projects will allow the MoAIF to have a better sense of the skills needed in its secretariat to carry out PPP projects. The most appropriate model of PPP should be defined for each project.

This can be done in collaboration with the EB and technical assistance from PPP experts.

- **Conduct complementary research:** Review existing regulations in the fisheries sector, on PPPs, and on procurement to establish what is legally feasible for the projects highlighted above. Additionally, a list of assets and services provided by the government should be established to highlight where and how the government can collaborate with the private sector.
- **Start building trust by conducting a fish stock study:** MoAIF can start building trust with the private sector by collaborating with international organisations to conduct a fish stock study. Better data on existing stocks would reduce the uncertainty the private sector faces when entering the sector.

Step 2: Build up the technical secretariat

- **Increase financing for the secretariat:** The Secretariat should start recruiting individuals who can prepare and monitor PPP projects. Funding should be increased to attract sufficient talent to start building the team. A draft budget should be drawn up by the EB based on the estimated costs of setting up and operating the technical secretariat before being reviewed by the government.
- **Hire a small team:** The priority in the short term should be to staff the secretariat with a director, PPP advisor, a fisheries liaison, and a project planning manager. These individuals can initially only work part-time as part of the secretariat as skills are built up and financing stabilises.
- **Use external technical assistance to build up skills within the secretariat:** Technical experts can be hired temporarily to provide help to the new hires in the secretariat to help build their ability to prepare PPP projects. Budgets should include training courses to be attended by members of the secretariat. Relationships with international organisations can be leveraged to provide contacts to other governments that have had experience building PPP expertise.

Step 3: Create the consultative council on fisheries PPP

- **Design the CC:** Develop the necessary legal framework in the form of an Executive Order, which should define the authority, scope and functions of the CC and its relationship with other government entities, stakeholders and partners. The institutional structure, including the organisation plan and bylaws, needs to be drafted,

reviewed and adopted. This should be coordinated by the MoAIF and reviewed by government.

- **Decide who should be represented within the CC:** The MoAIF should then select members for the CC. This should be done after consultations with the private sector to ensure that all stakeholders feel appropriately represented within the CC. It would be important to have clearly defined roles, selection criteria, nomination process, tenure, and rotation policies. These would need to be aligned with resource considerations as well as priorities.
- **Find a funding mechanism:** A draft budget should be drawn up by the MoAIF and approved by government. The government and donors can be approached to finance the CC.
- **Provide training to members:** The CC members will decide which PPP project they should take forward. As such, they will need to develop the skills necessary to select which project should go forward and under what model of PPP. A proper training course should be designed, and the needs of existing members assessed.
- **Establish governance and operational frameworks:** Clearly identify the council's mission, vision, and strategic objectives. It is crucial to develop operational guidelines, a code of conduct, and conflict of interest policies. Additionally, both operational guidelines and financial management strategies must be carefully considered.

Step 4: Choose a first project

- **Start small:** The CC could start with a smaller pilot project to trial this PPP approach. The choice of pilot projects needs to be based on feasibility studies, analytical work, and extensive stakeholder consultations to gather input on the most feasible small project. This will allow both the private and public sectors to become more familiar with the process of setting up and managing PPPs. It would also allow the two partners to build trust before moving on to larger projects.
- **Choose a project with lower complexity:** Some PPP projects are more complex than others, involving more stakeholders and for longer durations of time. To build its expertise, the CC should select a project with lower complexity. Regular feedback should be solicited from stakeholders and experts to identify areas for improvement and to refine processes to enhance future outcomes.

Alternative operationalisation approach

If the ambitious plans for establishing the Consultative Council, as detailed in the report, cannot be fully implemented in the short to medium term, a more practical, incremental approach should be adopted due to capacity constraints and challenges in Yemen's fisheries sector. This pragmatic strategy involves several key steps: starting with stakeholder mapping and engagement to understand needs and secure buy-in; defining the objectives, scope, and roles of the Council in collaboration with stakeholders; conducting consultations to develop a legal and institutional framework; securing budget and resources for operationalisation, including recruitment and capacity-building; establishing subcommittees to enhance efficiency; setting up governance and operational frameworks; and initiating small-scale pilot projects with PPPs to test effectiveness. This approach aims to address immediate needs while laying a foundation for long-term development.

Monitoring and evaluation

The performance of the Consultative Council and its Secretariat should be periodically reviewed. There should be checks to ensure that disagreements between members of the CC are handled in such a way that every stakeholder feels heard and no grievances arise. Based on the lessons learnt from past experiences, the CC can adjust its strategies. The CC should also periodically reach out to other actors within the sector to ensure that there is buy-in and to hear their views on how the CC should best be utilised. To facilitate the above, it would be important for the council to establish at the outset some realistic key performance indicators. The monitoring and evaluation must be undertaken by a competent third party which is competent in financial and performance audits.

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