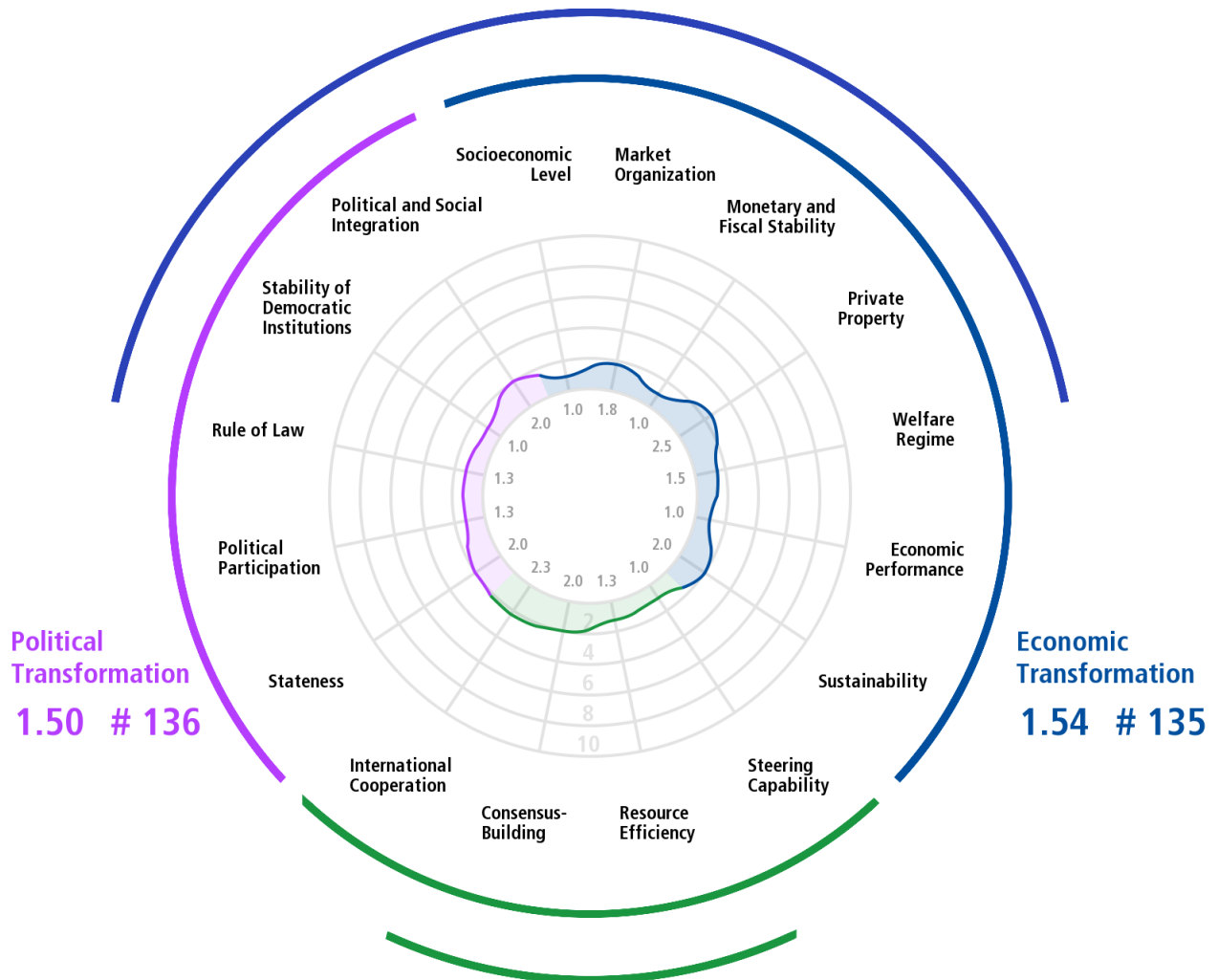


Yemen

Status Index

1.52 # 136

on 1-10 scale out of 137



Governance Index

1.63 # 132

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	28.5	HDI	0.463	GDP p.c., PPP \$	2571
Pop. growth ¹	% p.a.	2.4	HDI rank of 189	177	Gini Index	36.7
Life expectancy	years	66.1	UN Education Index	0.347	Poverty ³	% 52.2
Urban population	%	36.6	Gender inequality ²	0.834	Aid per capita \$	116.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Almost four years into the war, with none of the conflict parties gaining the upper hand, the humanitarian situation has deteriorated further. Out of a population of 28 million, 24 million Yemenis are in need of aid, while only one million out of more than three million internally displaced persons (IDPs) have been able to return home. In 2018 alone, more than 30,000 fatalities were registered. The number of civilians directly targeted by the conflict parties (mostly Saudi airstrikes) stood at more than 6,000 in late 2018. Public scrutiny in European countries and the United States concerning arms delivered to the member states of the Saudi-led coalition is increasing.

Between summer 2017 and late 2018, 1,236,028 suspected cholera cases were registered. However, only half of Yemen's health care facilities are functioning. Humanitarian organizations hold the Saudi-led coalition as well as the Houthi militia Ansar Allah ("Disciples of God") responsible for the shortage of food, medicine and energy.

In December 2017, former President Ali Abdallah Salih was killed by his former allies, Ansar Allah, after he seemed willing to negotiate a deal with the Saudi-led coalition. However, for the first time since 2016, Ansar Allah and representatives of the current president, Abdrabbuh Mansur Hadi, met for talks in Sweden in December 2018. They agreed on a prisoner exchange, a ceasefire for Hudaidah and the formation of a committee to discuss the situation in Taiz.

Assembly rights and the right to freedom of expression are severely violated. Civil society and independent media are under constant threat, while journalists and politicians (of the General People's Congress and the Islah party) have been arrested or killed. In 2017, the U.N. Human Rights Council set up the Group of Eminent International and Regional Experts on Yemen who came to the conclusion that all conflict parties have committed human rights violations that might amount to war crimes.

The central bank of Yemen has not yet recovered from its relocation to Aden in 2016 and is not in control of all its branches. The Yemeni riyal has lost about 150% of its value since the beginning

of the war, declining from YER 215 to \$1 before the war to an average of YER 585 to \$1 in 2018. Though Saudi Arabia deposited more than \$2 billion in the central bank of Yemen to stabilize the currency in 2018. The formal sector is shrinking (600,000 jobs have been lost), the black market flourishes and conflict parties continue to import weapons into the country.

Payment of public sector salaries has not fully resumed, which has a direct negative impact on millions of individual households, the national economy and the provision of public services. Oil and gas exports have resumed at a very low level. However, the government has not published details of any government budget since 2014. Though the government announced that it had begun preparations for a new budget in early 2018. Corruption is rampant, with security forces arresting citizens for ransom.

The international community has begun to take over the state's core functions in providing public services. While this brings relief to millions, it also lifts the responsibility from the conflict parties and leaves resources (e.g., taxes, fees, oil income and budget support) at their disposal. Given the conflict parties' reckless inability to address civilian needs, some observers opt for an internalization of the conflict. However, the international community has left the "Yemen file" to Yemen's neighbors for too long and does not have the capacity to take over now that the country is in shambles.

History and Characteristics of Transformation

In 1990, the Yemen Arab Republic (YAR, North Yemen) and the People's Democratic Republic of Yemen (PDRY, South Yemen) merged into the Republic of Yemen (RoY). In spite of economic and political differences, both systems had shared single party rule, the Yemeni Socialist Party (YSP) in the south and the General People's Congress (GPC) in the north. Until 1994, both parties tried to secure their own survival via political pluralism, characterized by a multiparty system, unprecedented levels of press freedom, a constitutional referendum in 1991 and multiparty parliamentary elections in 1993. These elections nullified the 50-50 power-sharing formula between GPC and YSP, and resulted instead in a coalition of three parties: GPC, YSP and the newly formed conservative-Islamist Yemeni Congregation for Reform (YCR, also known as Islah), led by Yemen's most influential tribal figure, the late Sheikh Abdullah al-Ahmar. However, integration of the two economies and legal systems, among other things, was slow. Economic blows exacerbated the situation. Yemen's opposition to the international military intervention liberating Kuwait (1990/1991) led the Gulf states to expel nearly one million Yemeni migrant workers. Tourism suffered from frequent hostage takings, and inflation and corruption became uncontrollable. The exploitation of oil reserves, especially on former PDRY territory, intensified distribution conflicts among the political elite. In May 1994, the two former state leaderships entered into open warfare. The northern leadership, employing its own military, some segments of the former PDRY army, and militias comprising tribesmen and militant Islamists emerged victorious in July 1994.

The 1994 disaster left the southern elite encouraging anti-northern sentiments and the northern political elite with the understanding that political pluralism could result in separatism. This

attitude continued to determine domestic policies. The post-war coalition government of GPC and YCR amended the constitution immediately, abolished the Presidential Council, and made Shariah the sole source of legislation, as had been the case in YAR. Press freedom was restricted, many NGOs and parties lost their funding, and the regime silenced critical voices by labeling them separatists. Mounting debts and high inflation were addressed by a structural adjustment program in 1995, which was practically abandoned due to noncompliance in 2002. However, the Yemeni riyal was floated in 1995 and Yemen reduced its debts with backing of the Paris Club creditors. The Yemeni government appeared to return to its path of political liberalization with parliamentary elections in 1997. However, YSP boycotted these elections and GPC won an absolute majority. YCR, a coalition partner in government since 1993, became the dominant opposition party, but never fulfilled the same counterbalancing function as had the YSP. Consequently, incumbent President Ali Abdullah Salih won 96.2% of the votes in the first direct presidential election in 1999. Further constitutional amendments in 2001, approved by referendum, extended the presidential and parliamentary terms and weakened the position of the parliament vis-à-vis the executive. When parliamentary elections were held for the third (and so far last) time in 2003, GPC gained 229 of 301 seats.

Shortly thereafter, in 2004, the government was faced with an on-and-off rebellion led by the Houthi family in northern Sa'dah, which could not be suppressed despite massive military deployments and human rights violations. As followers of the Zaidi branch of Shi'a Islam, the rebels were not in conflict with the Sunni-Shafi'i majority but rather felt economically and politically marginalized and increasingly threatened by Salafis coming to their area. Meanwhile, opposition to the government, further provoked by northern politicians' land grabs, became increasingly organized in the southern governorates. In 2005, the population launched massive protests in response to the partial lifting of subsidies.

While the government struggled with these types of public protest, the opposition (YCR, YSP and some smaller parties) succeeded in building a common platform, thus limiting the regime's ability to play these groups against each other. In 2006, Ali Abdallah Salih actually had to compete with a candidate supported by a number of opposition parties (the Joint Meeting Parties, JMP). However, as institutions remained weak, voters preferred the incumbent. The elections were followed by government-opposition negotiations on core issues, in particular reform of the election law. Ultimately, it was agreed to postpone the next parliamentary elections until April 2011. By January 2011, this dialog had officially failed as GPC again submitted wide-ranging constitutional amendments to parliament.

These proposed amendments might have been the straw that broke the camel's back. When the Arab Spring reached Yemen in early 2011, Salih found that he had alienated too many former allies. The Yemeni Youth Revolution, which began in January 2011, provided the perfect setting to depose Salih. Slow economic development, rising discontent in the south against "northern domination," intensifying activities by Yemeni and Saudi militants, and the context of regional protests against long-serving Arab presidents put Salih under immense pressure. His heavy-handedness with protesters and his efforts to outwit his opponents as well as the international community backfired. After the UNSC had passed Resolution 2014, Salih accepted the Peace

Initiative of the Gulf Cooperation Council (GCC). After 33 years, Ali Abdallah Salih handed over presidential powers to Vice President Abdrabbuh Mansur Hadi on November 22, 2011. A coalition government was formed by members of GPC and Islah, which had joined and finally highjacked the popular protests. While the first phase (90 days) of the transition was instituted smoothly, though not completely, implementation of the second phase, supposed to end with elections in February 2014, faced delays. The 10-month long National Dialogue Conference (NDC), comprised of 565 members from most segments of society, produced 1,800 recommendations. However, it was boycotted by influential members of the southern Hirak movement, which also refused to accept the post-NDC decision to establish a federal system with six regions – rather than a separate southern state or a two-region federal system. Ansar Allah, which had become a major political force aligned with former President Salih, also rejected the six-region model because the regional borders would split the territory they controlled. In September 2014, they took over Sanaa without measurable resistance from the security forces.

A Peace and National Partnership Agreement intended to settle the conflicts between the major political actors failed. Ansar Allah reacted to Hadi's attempts to proceed with the constitution in January 2015 by taking over the presidential palace. President Hadi eventually escaped to Saudi Arabia, leaving behind a failed state and inviting the Saudi government to intervene militarily. On March 26, 2015, a Saudi-led coalition started operation "Decisive Storm," shortly thereafter renamed operation "Restoring Hope," with the aim of re-installing President Hadi. What looked like a complex set of problems in 2014, when Ansar Allah invaded the capital Sanaa, quickly developed into a humanitarian catastrophe.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

There is no state monopoly on the use of force and Yemen's borders are even more porous than in the past.

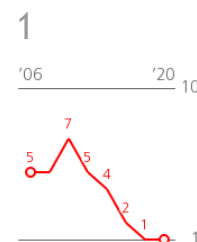
In the northwest, where most of the population lives, Ansar Allah have been occupying state institutions since 2014. However, even areas in the southeast, nominally under the control of the internationally recognized President Abdrabbuh Mansur Hadi, are contested by other actors, in particular political and military forces supported by the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA). This includes the “temporary capital” Aden as well as remote areas like al-Mahra or Soqatra. Other governorates, like Marib and Hadhramaut, are developing into independent statelets. Moreover, al-Qaeda in the Arab Peninsula (AQAP) and the Islamic State in Yemen (ISY) are still active and attract U.S.-supported military interventions and UAE support for local militias, which are meant to fight AQAP and ISY. To determine the extent to which “the state” or its remnants control territory or population is informed guessing, at best.

Arms have become a valuable commodity, changing hands across political divisions in large quantities. While most of them are smuggled in via the Red Sea and the Indian Ocean, some reportedly also come in via Oman. However, as the Saudi-led coalition is trying to justify military deployment and other interventions on the Yemeni side of the Yemen-Oman border, such reports should be taken with a grain of salt.

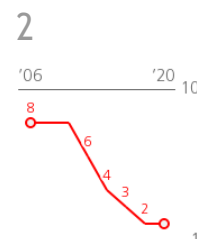
The legitimacy of the nation-state is widely challenged. Supported by the UAE, parts of the Southern Movement are pushing for a return to Yemen's status pre-unification (i.e., two separate Yemeni states). In 2017, the Southern Movement set up the Southern Transitional Council (TSP), which already extends into lower levels of local administration in some southern governorates. However, while the TSP is financially potent, very vocal and highly visible, it is unclear to what extent the TSP actually represents the population in the areas previously belonging to the People's

Question
Score

Monopoly on the
use of force



State identity



Democratic Republic of Yemen (PDRY). Not all Yemenis in former PDRY areas support the Southern Movement, not all parts of the Southern Movement demand complete separation from the Republic of Yemen, and not all regions in the south feel represented by the Southern Movement, especially when they belong to the few governorates rich in natural resources (oil and gas).

The governorate of Hadhramaut, for example, developed clear conditions for staying in a federal Yemen or becoming part of an independent southern state during the UAE-sponsored Hadhramaut Inclusive Conference in April 2017.

Religious dogmas have been part of the legal and political spheres for centuries, and the Shariah has officially remained the sole source of legislation except in the People's Democratic Republic of Yemen (1967 – 1990) and in the Republic of Yemen (1990 – 1994). The draft constitution of 2015 avoids the term “only source of legislation” but still makes Shariah “the source of legislation,” leaving interpretation to the legislative authority. In practice, religious, customary and state laws of varied origin regulate public and private life.

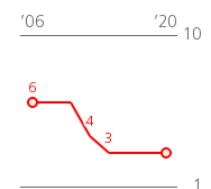
Islamic scholars have shaped public opinion in crucial questions such as women's rights, form of the state (federal/central) and the National Dialogue Conference (NDC) where many religious leaders were among the deputies. Preachers influenced by Saudi-type Wahhabism, like Abdelmajid al-Zindani, who was not invited to the NDC, claim that Koran and Sunna are above the constitution.

During the NDC, Ansar Allah, unlike Sunni Salafists, did not seem to have a problem with the concept of secularism or federalism per se. This seems to have changed after Ansar Allah gained control of most of northwest Yemen. Anecdotal evidence from various activists on the ground suggests that members of Ansar Allah are becoming more religiously erratic in their conduct and are persecuting religious minorities, especially the Bahai's in an Islamist Iranian style. Specifically, they fight everything they consider Saudi-Wahhabi influence, including political activists and specific content in school textbooks.

The new draft constitution, meant to be put to referendum in 2015, might have officially reduced the influence of religious dogmas on legal and political institutions. But even without the war, its enforcement would have been very limited. While the state could function as a secular order with modern institutions, the combination of Islamist radicalization (Zaidi or Sunni) and Saudi Arabia's political influence has strengthened the position of religious dogmas vis-à-vis a secular order. Sporadic anecdotal evidence indicates a rise in religious fundamentalism (in both Sunni and Zaydi forms) in a manner that impacts on the daily lives of people. As a result, religious dogmas carry different weights in different areas. AQAP even applies hudud (corporal punishment according to Islamic law), while gender segregation is increasingly enforced in regions under the control of Ansar Allah (northwest Yemen) or al-Islah (Marib). Several raids attacked coffee shops and musical festivals calling

No interference of religious dogmas

3



for peace. The attacks were ostensibly justified by the mixing between the sexes and the Tabaroug of women (women not following the strict fundamentalist dress code). It is not clear though, whether the attacks were in fact driven by association of young Yemenis/activists aligned to the Hadi government or independent civil society actors.

Almost four years of war have left their mark on the basic administrative structures of the state. Keeping the peace, and maintaining law and order is often left to non-state actors or to small administrative units (districts). Broad segments of the population are not covered.

That said, taxes are still being collected on the national as well as on the local level, though they do not necessarily reach the central bank of Yemen. For example, Ansar Allah divert taxes and fees (e.g., in Hudaidah) to their own coffers to finance the war, and various governors keep a percentage of taxes and fees for local use (e.g., in Marib, Hadhramaut, Shabwa).

Mobile phone and internet services still function on a basic level but the majority of the population cannot afford that kind of luxury anyway. Sewerage systems and electricity grids have broken down even in the capital Sanaa, while in Aden electricity shortages are common.

Clinics, hospitals and schools are either closed or function on a very low level due to import restrictions, logistical challenges, unpaid salaries, internal displacement, mines, airstrikes and targeted attacks. If they do provide services, they are often dependent on national and international NGOs and humanitarian organizations.

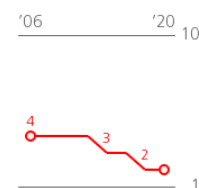
Remarkably, public institutions like ministries or local administration still function to some extent – in spite of war and irregular salaries for public servants and no matter who the government is (or who acts as such).

2 | Political Participation

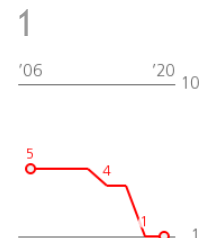
The only election held after 2006 was the February 2012 presidential election in which Abdrabbuh Mansur Hadi was the only candidate.

As voter registers were manipulated in the past and have not been updated for years, and the Supreme Commission for Elections and Referendum is now under the control of Ansar Allah, administrative infrastructure is about to dissolve and the country is increasingly fragmented, free and fair elections are unlikely to be held any time soon.

Basic administration



Free and fair elections



Elected bodies have no influence and their legitimacy is highly questionable. The terms of all institutions whose members had once been elected have run out. Parliamentary elections were last held in 2003, local council elections were last held in 2006 and the last presidential election was held in 2012.

Rather, non-elected bodies like the Supreme Political Council (Ansar Allah) and the Southern Transitional Council (the UAE-supported wing of the Southern Movement) are striving to fill the void.

Legally, there are few restrictions on parties or social organizations. The 2001 constitution allowed citizens to organize themselves along political, professional and union lines and to form associations (Art. 58). The draft constitution of January 2015 guarantees assembly rights and explicitly refers to them in several articles (e.g., 13, 71, 83, 110 and 111).

Prior to 2011, the political leadership constantly and systematically tried to disable opposition groups and violated assembly rights but lost control of the state during the Arab Spring. After a few years of almost unlimited freedom of association and assembly, since 2014, state and non-state actors in all parts of the country use violence against demonstrators, civil society organizations, and local and international media (lootings, beatings, kidnapping/arrests, enforced disappearance, torture). Making use of assembly rights has become more dangerous than ever.

The Saudi-led coalition repeatedly bombed larger gatherings, including markets, weddings and funeral halls. UAE-supported forces arrested and tortured Yemeni citizens in “secret prisons.” Demonstrations by the detainees’ female relatives have been dispersed forcefully, mostly by female security.

Ansar Allah killed and arrested members of GPC and al-Islah, and tries to control civil society, forcing NGOs to ask for permission when conducting activities or to host members of the security apparatus at their events. Demonstrators, including women, are arrested and defamed as “mercenaries” unless the demonstration is organized in support of Ansar Allah.

Ansar Allah also set up a female militia, inspired by the Women’s Basij organization in Iran, exerting social control over and violence against female protesters.

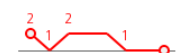
Labor unions – already weak before 2014 – have lost further ground due to the breakdown of the formal economy.

As in the Salih era, the red line is not clearly defined. This method has been described as the “power of discretion” and keeps civil society in a constant state of alert. To a large extent, civil society is increasingly restricted to providing services on behalf of international humanitarian organizations, stepping in where the government has failed.

Effective power to govern

1

'06 _____ '20 10



Association / assembly rights

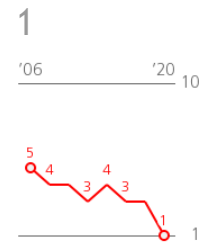
2

'06 _____ '20 10



Freedom of expression is denied, media is controlled either by Ansar Allah or the Hadi government and its Saudi-led coalition allies, in particular the UAE. Access to many websites is blocked. Thousands of citizens have been arrested, sometimes released for ransom. Local journalists and human rights activists are detained arbitrarily, kidnapped, beaten or killed. Radio stations and media offices have been plundered and bombed. International media is almost entirely locked out (no visa) or not allowed to report (e.g., the Hadi government as well as Ansar Allah has banned al-Jazeera from reporting). In 2017, the Saudi-led coalition even prevented the United Nations from bringing journalists into the country. According to Amnesty International, the Saudi-led coalition is “effectively imposing a media blackout. This ban was also extended to human rights organizations.”

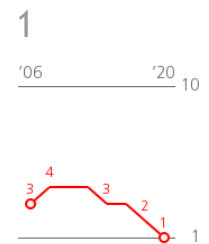
Freedom of expression



3 | Rule of Law

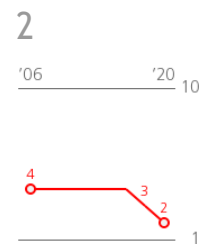
There has always been a huge gap between the separation of powers enshrined in the constitution and the situation on the ground. When the GCC Implementation Agreement of 2011 by-passed the constitution, separation of powers was de facto abolished. Four years into the war, there are no more state powers that could be subjected to the law.

Separation of powers



The sheer amount of human rights violations indicates that in many regions the judiciary cannot fulfill its role. The few recent reports about the judiciary in Yemen suggest that like other state institutions it has fallen prey to the conflict parties. Courts cannot function independently from whatever group holds power in the respective area and sometimes militias assume the role of the judiciary. Courts and judges are by-passed, replaced or even targeted.

Independent judiciary



While at least some courts in the capital and provincial capitals still function, to what extent the trials are fair or fulfill a minimum standard is a completely different matter.

Specialized courts issue an increasing number of death sentences, though they do not always seem to follow up on the implementation of their rulings.

In areas where some form of law and order is upheld, it might depend on traditional institutions rather than state institutions.

The only case of an officeholder who was dismissed after he had been widely accused of corruption was Prime Minister Ahmed bin Daghr. However, he did not have to fear legal consequences as Hadi dismissed him in October 2018 officially due to “neglect” and “inability” in a move that was likely meant to appease the Southern Transitional Council and the UAE.

On a lower level, public office has been “privatized,” as the Hadi government irregularly pays or has altogether stopped paying the salaries of public sector employees, since it relocated the central bank of Yemen to Aden in summer 2016.

In some areas, office abuse has taken extreme forms. Human Rights Watch noted in September 2018: “Some Houthi officials are exploiting their power to turn a profit through detention, torture, and murder.” A similar assessment was reached by the January 2019 report of the Panel of Experts on Yemen who reported to the UNSC that it “investigated 25 cases of violations of international humanitarian law and international human rights law in association with deprivation of liberty committed by the Houthi forces, including arbitrary arrest and deprivation of liberty, torture, ill-treatment, enforced disappearance and lack of due legal process...” It also noted that “individuals who were held captive by Houthi forces for the purpose of being exchanged for Houthi fighters detained by the government of Yemen or its associated forces. ... The Panel also continued to document cases in which the detaining authorities were profiting from detentions.”

Civil rights are codified by the constitution and laws but are systematically violated. A recent example from areas nominally under the control of the Hadi government are the UAE-run detention facilities. In areas controlled by Ansar Allah as well as under the control of the Saudi-led coalition, there are numerous cases of arbitrary detention of perceived opposition members or members of the tiny Baha’is minority.

As Amnesty International observed, mechanisms to protect civilians are not up to the task: “Since its inception in September 2015, the National Commission to Investigate Alleged Violations of Human Rights, established by the Yemeni government, failed to conduct prompt, impartial and effective investigations consistent with international standards into alleged human rights violations committed by all parties to the conflict in Yemen. Similarly, the Saudi-led coalition investigative mechanism (i.e., the Joint Incidents Assessment Team JIAT) continued to appear to lack the necessary impartiality and independence to carry out its work credibly.” In 2018, the Group of Independent Experts reporting to the U.N. High Commissioner for Human Rights had “serious concerns about JIAT’s independence and its ability to carry out impartial investigations.” The experts also came to the conclusion that the violations committed by the various conflict parties may amount to war crimes.

Prosecution of office abuse

1

Year	Score
'06	1
'10	1



Civil rights

1

Year	Score
'06	1
'10	1



4 | Stability of Democratic Institutions

Remnants of institutions elected in the 2000s (e.g., the parliament, and local councils on the governorate and district levels) still exist. However, they are subject to (sometimes extensive) intervention and manipulation, and have a number of shortcomings, including expired terms, inadequate funding and lack of qualified personnel. On the national level, democratic institutions have degenerated to mere tools of the conflict parties.

Parliament was last elected in 2003 for six years (elections were postponed to 2011 but never held). Its performance was always limited by subnational interests and clientelism but with the GCC initiative it was rendered completely powerless because unless parliament (and cabinet) reach a consensus, the decision rests with the president. Hadi did not even try to secure a vote of confidence for his last cabinets.

Since 2016, parliament has only convened at the demand of the Supreme Political Council set up by the Ansar Allah-Salih alliance. As the General People's Congress, dubbed Salih's party, holds a two-thirds majority since the last elections, parliament was still able to reach a quorum even though the majority of southern parliamentarians has boycotted the sessions for years. With the GPC split again after Salih was killed by Ansar Allah in December 2017, and with many GPC leaders having fled abroad or been arrested, parliament is unlikely to reach a quorum, which would make its votes valid.

In late January 2017, President Hadi decreed to transfer the parliament from Sanaa to Aden – but parliament continued to convene in Sanaa under the supervision of Ansar Allah. In early 2019, a new attempt was made, among other things, to replace the speaker, Yahya al-Ra'i (GPC), who is “under the control of the Iran-supported Houthi militia,” according to al-Khaleej Online.

On the local level, administration seems to still function to some extent, depending on the location.

While democratic institutions are accepted in principle, military and tribal figures have handled political office as a personal fiefdom that can be passed on to their offspring – and this includes parliamentarians and presidents – for decades. The current civil war has rendered these institutions irrelevant.

Until early 2015, with parliamentary elections scheduled to take place after the constitutional referendum, the executive was the only power that could claim democratic legitimacy to some extent. Since then, acceptance of the executive's democratic legitimacy has further declined and is openly challenged in almost all parts of the country.

On the national level, civil society has no chance of prevailing against local, regional and international armed forces' and militias' contempt for democratic institutions.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

As the political process is dominated by violent conflict, there is no forum for political parties anymore and the party system is unable to articulate and aggregate societal interests. Party membership often depends on clientelistic networks and party programs have not been reformed or even been discussed for years.

The People's General Congress (PGC) has dissolved into several factions since 2014. It split when Ali Abdullah Salih sided with Ansar Allah against Hadi, and then again when some GPC leaders stayed loyal to Ansar Allah even after the death of Salih and other PGC leaders. Members of the Yemeni Congregation for Reform (al-Islah) are being persecuted by Ansar Allah and UAE mercenaries alike, and the Yemeni Socialist Party had to give way to the Southern Movement (in particular the Southern Transitional Council).

Despite some positive developments prior to the war, the topography of interest groups is limited and important social interests are underrepresented. NGOs, in particular those concerned with human rights and anti-corruption, flourished and were increasingly organized and differentiated until 2014 to 2015. Since then, many of them have shifted their focus from governance to humanitarian aid, often on behalf of international donors. There are very few human rights organizations that have been able to move beyond their ties to the conflict parties. Those that have are subject to harassment, most notably this includes prominent U.N.-supported initiatives such as those supporting Yemen women representing civil society and political parties.

Unions are generally weak, mainly as a result of successful co-optation under the Salih regime, the small and decreasing size of the formal sector and political polarization within organizations in recent years.

The Southern Movement (al-Hirak) is fragmented in terms of objectives, leadership and means. Objectives range from demands for a two-region federal system to separation from the north. While most of al-Hirak's activities are peaceful, there have been violent attacks against security personnel, thus providing an opportunity for opponents to blur the line between al-Hirak and AQAP and their affiliates to outside observers.

Initiatives like the Tihama Movement, which originally attempted to draw attention to local grievances, joined anti-Ansar Allah forces when Ansar Allah invaded the Tihama in 2014.

Party system

2

'06 _____ '20 10



Interest groups

2

'06 _____ '20 10



Recent survey data on Yemenis' approval of democracy is not available.

Approval of
democracy

n/a

'06 _____ '20 10

The fault line between north and south continues to deepen. That the number of attacks on “northerners” living in the south, which were first reported in 2010, seems to have decreased is likely to be the result of many of people of northern descent having left the south.

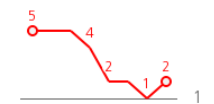
While trust in politicians (of north and south, and members of different political parties) on the national level might have reached an all-time low, this is not necessarily true for the majority of the population. In the past, there was a heterogeneous and fragmented set of autonomous, self-organized groups, associations and organizations. However, self-organization is rarely formalized and usually restricted to members of the same family, village, tribe or region. Charities and other NGOs are still active, most of all in the humanitarian sector. In addition, many Yemenis, including those of tribal origin, have migrated within the country. Over the course of two generations, many people have moved from Aden, Taiz, Marib or other governorates to Sanaa, for example. And more recently, thousands of internally displaced persons (IDPs) have settled in the governorate of Marib. In any case, most IDPs have found refuge with their relatives or friends in other regions, which can be taken as an indicator for solidarity at least on the level of the extended family.

n/a _____ 1

Social capital

2

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Recent data is rare. However, results of the 2017 Yemen Polling Center Barometer survey on Perceptions of the Yemeni public regarding living conditions and security-related issues indicate that neither state authorities, tribal sheiks, neighborhood Aqils nor Ansar Allah were considered to be conducive to security. Hence, citizens' self-reliance has become a necessity and future governments will find it extremely difficult to be accepted. More worrying, however, is the rising political polarization and the increasing tendency to frame political antagonisms in religious terminology.

II. Economic Transformation

6 | Level of Socioeconomic Development

Yemen ratified the international Covenant on Economic, Social and Cultural Rights in 1987 and guarantees equal access to public services by law. While the state has never been able to sufficiently provide those services, in some areas public services are no longer available at all. After rising to rank 154 (of 187 countries) in the Human Development Index (HDI) in 2014, Yemen dropped back to rank 160 (of 188) in 2015 and to 178 (of 189) in 2018.

Even prior to the war, social exclusion was quantitatively and qualitatively extensive and structurally ingrained, mainly due to poverty, a general lack of education, gender-related income inequality and social barriers, for example, for the Muhammashin (the Gini coefficient for Yemen was 36.7 in 2014).

And while the majority of the population was excluded from market-based socioeconomic development in the past, no positive development can be expected when the formal economy is in freefall.

More than two million Yemenis were internally displaced as of early 2019 (out of 3.34 million in total), at least 80% of the population was in need of humanitarian aid, 240,000 people faced famine (IPC Phase 5). Due to the Saudi-led coalition's air, land and maritime blockade, the country could only import half the food needed to feed the population (Yemen imports 100% of its medicine, 90% of its wheat and rice, and 70% of its fuel). Still, the private sector provides clean water, food, education, health service and energy – to those who can afford it.

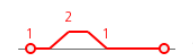
Economic indicators		2015	2016	2017	2018
GDP	\$ M	42628.3	30968.2	26818.7	26914.4
GDP growth	%	-16.7	-13.6	-5.9	-2.7
Inflation (CPI)	%	-	-	-	-
Unemployment	%	14.0	13.5	13.2	12.9

Question
Score

Socioeconomic
barriers

1

'06 '20 10



Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	0.0	-1.8	-1.0	-1.0
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-3026.0	-2419.0	-	-
Public debt	% of GDP	65.5	79.6	84.3	64.8
External debt	\$ M	7298.9	7062.9	7193.1	7036.6
Total debt service	\$ M	358.0	139.3	99.0	111.3
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.6	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

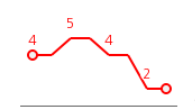
7 | Organization of the Market and Competition

While large parts of the public sector are paralyzed by the war and the private sector is suffering – already by late 2015 half of the private sector companies had laid off staff or reduced salaries – the regulatory framework in place before the war is still there. Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception. In theory, private companies can operate freely and have shown remarkable resilience, thus qualifying as partner organizations for some international donors. Due to the Saudi-led coalition’s air and naval blockade, smuggling goods – including weapons – into the country has become more profitable than ever, and the informal sector is likely to have grown. Also, there are rumors that import and export licenses are only granted to those who are “loyal” to the respective power holders, providing some companies with the chance to dominate the market. Given all these circumstances, it has become ever more difficult to establish a business, according to the World Bank’s 2019 Doing Business report. It takes six

Market
organization

2

'06 '20 10



procedures and 40 days, and costs 118.8% of the average income per capita, placing Yemen at rank 175 out of 190 in the sub-index “starting a business.”

Both, Ansar Allah as well as the Hadi government, took measures to limit the prices of food and other essential commodities after the value of the Yemeni riyal became extremely volatile in the second half of 2018.

Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception, and calls for the formation of the Competition Protection and Monopoly Prevention Organization (CPMPO) to assure compliance. CPMPO was attached to the Ministry of Industry and Trade and chaired by the minister. Yet, Salih’s patronage-based regime led to a situation where loyalty was systematically rewarded. Monopolistic structures existed in basic food industries, such as in wheat, flour and especially in sugar, where five large companies had an import and sale oligopoly. Since the war started, the priority is to get goods into the country – no matter the legality of how it is done.

A new law on monopolistic and anti-competitive behavior has been under preparation at least since 2013, according to Yemen’s 2013 report on its accession to the World Trade Organization. The same report states that monopolies had been established for fixed-line telephone services (the Public Telecommunication Corporation), international telecommunication services (TeleYemen), electricity production and distribution (the Public Electricity Corporation), and water and sewage (the Public Corporation of Water and Sanitation). It says that Yemen had no plans to break up the existing monopolies, but would allow private sector participation gradually to ensure universal access to essential services.

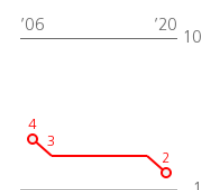
International and national telecommunication services via satellite were provided by TeleYemen and the Public Telecommunications Corporation, respectively. However, mobile telecommunications services, including international mobile personal telecommunications services via satellite (GMPCS), were open to foreign participation. That said, the WTO report stated that all market access limitations on telecommunications would be lifted by January 1, 2015. There is no indication that this actually happened.

It is the Saudi-led coalition rather than the Yemeni state that controls foreign trade and isolates the Yemeni economy from the world market. With the Saudi-led coalition blocking commercial flights to Sanaa airport and controlling and sometimes preventing imports via air, sea or land, foreign trade has been severely hampered since March 2015.

Prior to the war, foreign trade had been liberalized to a large extent. Yemen applied for WTO membership in April 2000 and the government liberalized foreign trade and reduced tariffs. After almost a decade and a half of negotiations, Yemen became the 160th WTO member in June 2014. However, the country still boycotts goods and

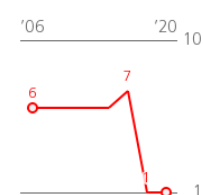
Competition policy

2



Liberalization of foreign trade

1



services coming from Israel, and at least until 2013, the right to import goods was reserved to Yemeni nationals. Import of alcohol, explosives, hazardous waste (Yemen became signatory to the Basel Convention in 1996) and certain types of food such as pork is still banned.

Regionally, Yemen became a member of the Greater Arab Free Trade Area (GAFTA) in 2002. Negotiations over membership in the Gulf Cooperation Council (GCC) as a dominant regional free trade area started in 2005 but went nowhere.

Yemen's simple average MFN tariff was 7.6% in 2017 (latest data) compared to 8.9% (world). However, the government's capacity to further liberalize foreign trade is hampered by the war, and other priorities dominate the agenda. The de facto government in Sanaa is attempting to mitigate the shortage of food imports by seeking ways to enhance self-reliance.

The financial sector is generally underdeveloped and the banking sector was already burdened with non-performing loans before the war (almost 25% in 2014). Accordingly, getting credit in Yemen is very difficult (rank 186 of 190 states) as reflected in the Doing Business Index 2019 of the World Bank.

According to the Yemen Socioeconomic Update, the banking sector comprised 17 banks (incl. Yemeni banks, branches of foreign banks, Islamic banks and joint venture banks) in 2015. In 2018, the Yemeni NGO Economic Media reported 1,350 exchange offices, most of them operating without a central bank license. Importers increasingly turn to the informal currency market to get the hard currency needed especially for fuel imports. According to the World Bank's first Yemen Economic Brief 2019, currency circulating outside banks has "increased by more than 100% since 2014."

According to a 2013 World Bank report, the regulatory system is very weak and the credit risk management is not sufficient. Nevertheless, the sector is regulated by a number of laws and regulations, for example published on the website of the central bank of Yemen. In 2007, the first microfinance bank was established, and a leasing law was introduced. Though under discussion for some years, a stock exchange has not been established.

As the summer 2016 liquidity crisis and the rising level of currency in circulation outside banks indicate, trust in the banking sector is low. According to the World Development Indicators, only 64 out of every 1,000 Yemenis above the age of 14 held an account with a commercial bank in 2014 (more recent data is not available).

Already in 2015, Yemeni banks temporarily suspended withdrawals of foreign currency deposits. Nevertheless, until President Hadi decided its relocation to Aden and replaced its governor in September 2016, the central bank of Yemen was perceived as relatively independent in political, economic and financial terms, especially when compared to regional standards. It was also perceived as one of the

Banking system

2

'06 '20 10



few national institutions that – in spite of the war – managed to fulfill its tasks, including payment of salaries to public sector employees, debt service, issuing letters of credit and keeping the Yemeni riyal rather stable.

Although the United States released frozen assets, Saudi Arabia deposited \$2 billion in January 2018 and a further \$200 million in October 2018 and announced it would transfer an additional \$3 billion to the central bank of Yemen in December 2018. Meanwhile, Hadi’s replacement of the governor of the central bank of Yemen in early 2018 and the central bank in Aden’s erratic decision-making contributed to further currency instability and import restrictions in 2018. Several new decrees, issued in September 2018, are intended to bring monetary policy back under the control of the central bank of Yemen in 2019.

8 | Monetary and fiscal stability

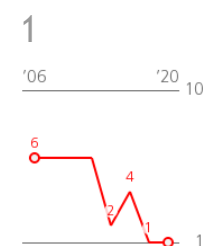
There is no monetary stabilization policy, and the government is neither willing nor able to pursue monetary stabilization. Hadi’s “relocation” of the central bank of Yemen to Aden de facto led to a split in the central bank, with one part moving to Aden and another to Sanaa. Neither part of the central bank is independent of the respective power holders in Aden or Sanaa. What is worse, this move contributed to establishing two separate political entities on the territory of the Republic of Yemen.

There is a severe shortage of foreign currency, with currency speculation emerging as a profitable business. The central bank of Yemen in Aden tried to get a handle on the exchange rate by banning the transfer of amounts larger than \$10,000 to other countries without a permit from the Aden central bank. In addition, the central bank of Yemen is trying to gain access to accounts frozen abroad (and has succeeded in releasing funds previously frozen in the United States).

The exchange and inflation rates are extremely volatile. This resulted in the multiday closure of several larger businesses in late 2018 because they could no longer determine the sale price of their commodities. A combination of domestic (e.g., wrong decisions by Aden-based central bank of Yemen and money printing) and international (e.g., rise in the global oil price and failure of peace talks) factors led the Yemeni riyal to increase from YER 600 to \$1 to YER 800 to \$1 over two weeks in September 2018. (The riyal’s value in January 2015 had been YER 215 to \$1). A Saudi donation to the central bank of Yemen brought exchange rate down to YER 500 to \$1 in October 2018. Raising the interest rate to 27% on deposit certificates has not had any measurable effect.

Another round of decrees in the last quarter of 2018 is yet to produce results.

Monetary stability



The government does not have a budgetary policy, and did not prepare a budget in 2015, 2016 and 2017.

Details of the budget announced in early 2018 have not been made available, as such it is unclear if the budget for 2018 was ever finalized. Insiders report that the draft budget covered salaries and half the operational costs of the local councils, among other things. However, although calculations were based on an exchange rate of YER 380 to \$1 (the value of the YER was about half of this in late 2018), then Prime Minister bin Daghr expected a deficit of about \$1.3 billion, with government revenue of \$2.22 billion and government spending of \$3.32 billion. Bin Daghr told Reuters: “It’s an austerity budget. It includes salaries for the military and civilians in 12 provinces ... Salaries in Houthi-dominated areas will be limited to the education and health sectors.”

As the IMF stated in December 2018: “Strengthening the transparency of the government’s fiscal operations, including by publishing regular reports on budgetary developments, could help catalyze more donor support.” According to prime minister decree number 165 of 2018, the government is currently preparing a budget for 2019.

9 | Private Property

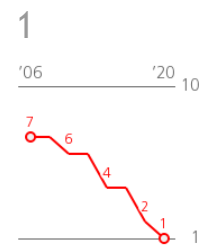
The government cannot protect private property. Ansar Allah, for example, have confiscated private property, imposed a war-tax on salaries to fund their operations and took hostages to be released for ransom. There are no policies detailing how citizens will be compensated for homes, farms, shops or factories destroyed by shelling or air strikes.

Prior to the war, the system was already deficient even though the law formally defines property rights and regulates the acquisition of property. The investment law, issued in 2010, allows all investors 100% ownership of an investment project, including any real estate associated with it, as well as free transfer of foreign currency and employment of foreign nationals (in principle).

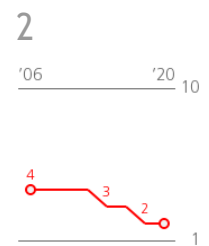
Registering property in Yemen used to be comparatively easy. However, lack of documentation, fraud, and the constant and sometimes violent struggles over landownership indicate severe problems and have negative repercussions on the country’s investment climate. One of the issues that led to the rise of the southern al-Hirak movement was the arbitrary confiscation of land by the Salih regime, which was then given to regime loyalists. This happened mainly in the south, but there are cases for example in Sanaa or Hudaidah, that receive less attention.

The problem is reinforced by judicial corruption, which very often renders efforts to settle disputes over property rights futile. However, Yemen has signed several

Fiscal stability



Property rights



international and bilateral agreements on settlement of commercial and investment disputes that – in peace time – might substitute for the shortages of the judiciary.

The concept of intellectual property rights (as guaranteed by the Investment Law No. 15/2010 as well as by the Intellectual Property Rights Law No. 19/1994) is virtually unknown to the population.

De jure, private companies can act freely in principle, yet some special regulations for international companies exist (such as a ban on engaging in the weapons and explosives industry, or specific rules in vital sectors). Law 1 of 2008 abolished the legal requirement for a foreign business to have a Yemeni partner as well as other legal constraints. However, economic, political and social barriers to business development remain. Key issues include deficiencies in infrastructure (90% of the population had no access to public electricity in 2018), corruption and a shortage in qualified workers. International companies once dominated the hydrocarbon sector, but contracts are managed by the Yemen General Corporation for Oil & Minerals, which reports to the Ministry of Oil and Mineral Resources. As of late 2018, the Austrian OMV was the only international oil company active in Yemen.

The latest version of the investment law (Law 15 of 2010) still allows a 100% ownership stake in companies to foreign investors and guarantees intellectual property rights. Investment capital and profits can be transferred without limitations on amount or currency – if the banks can provide it.

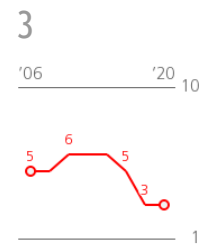
Enterprises within the public and mixed sector (e.g., the Yemeni Economic Corporation) are estimated to make up about one-fourth of the country's larger companies. They sometimes have played an opaque role, especially those that were controlled by relatives or in-laws of former President Salih.

Accordingly, doing business in Yemen is very difficult. The World Bank's Doing Business Index 2019 ranked Yemen 187 out of 190 countries. Starting a business also became more difficult (rank 175 out of 190 countries).

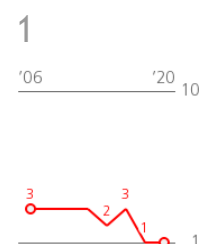
10 | Welfare Regime

Support for the elderly, the ill, the unemployed and the internally displaced is generally provided by family, tribe and village structures or private welfare organizations – if and where they exist. Such structures have often played an important role in providing social safety, but the severe hardship the population is enduring since 2015 reflects on people's ability to provide for themselves, let alone for others. Also, social structures have become weaker in certain areas due to a process of internal displacement and migration, or as in Aden, due to historical factors.

Private enterprise



Social safety nets



The Social Welfare Fund, mainly financed by international donors, already ran out of money by the end of 2014. In 2016, 1.2 million Yemenis employed in the public sector did not receive their salaries, which meant at least six million people (who were dependent on these salaries) were left without any compensation. In 2017, the General Authority for Insurance and Pensions (GAIP) was unable to pay pensions to about one-third of its benefit recipients. In early 2018, the Hadi government announced that it would withhold payments for public sector employees in areas under the control of Ansar Allah (about 70% of the population), except for those working in health care and education.

One of the few public institutions, which has continued to provide at least a minimum level of welfare throughout the war, has been the largely donor-funded Social Fund for Development, established in 1997. Hence, international donor organizations played a major role in avoiding the worst consequences of the war for the civilian population. Moreover, local private sector companies often provide food, among other things, for free or even run their own charities. Nevertheless, by late 2018, an estimated 20 million Yemenis faced severe food insecurity.

Already before the war there were few institutions to compensate for gross social differences based on poverty, gender and social status. The Muhammashin as a disenfranchised group are still mostly employed in doing menial tasks and very often have no access to basic public services. According to the criminal law, homosexuals face flogging or the death penalty under specific circumstances, though no such cases have been reported.

Apart from young people – half of Yemen’s population aged between 15 and 24 are not in education, employment or training – the group most in-need of improved access to opportunities are women. According to HDR 2018, 18.7% of Yemeni women have had at least some secondary education (compared to about 34.8% of Yemeni men). In addition, the estimated GNI per woman was \$149, while it was \$2.308 per man.

Until 2015, overall development was positive, though. Girls’ school enrollment was on the rise as government, donors and Yemeni NGOs were working to improve the situation. These achievements are challenged by internal displacement and rampant poverty which prevents many parents from paying for school supplies for all their children, given that the fertility rate is declining only slowly. As they are seen as future breadwinners, boys are more likely to be sent to school. However, boys’ school enrollment is not sufficient either, a fact that must not be ignored.

In addition to the challenges that existed prior to 2015, access to education has been further reduced by the current conflicts. According to UNICEF the number of children who cannot attend school had risen to two million by March 2018 because

Equal opportunity

2

'06 '20 10



about 2,500 schools were damaged, occupied by displaced persons or combatants, or simply had no teachers.

Women are underrepresented in the private and public sectors, especially in high government offices. One of the constitutional amendments submitted to parliament in early January 2011 contained a quota for women in parliament (an additional 44 seats) but the amendment was never accepted. The situation seemed to improve when a women quota was applied to the National Dialogue Conference, four women were among the 17 members of the Constitutional Drafting Committee and – in principle – a women quota was anchored in the draft constitution of 2015. However, of the delegates that participated in the 2015 to 2016 peace negotiations only about 10% were female. In late 2018, when consultations were held in Stockholm, the U.N. special envoy employed an eight-member Yemeni Women’s Technical Advisory Group. However, with one woman among the representatives of the conflict parties, the delegations were almost exclusively male.

Overall, informal decision-making in combination with gender segregation often leads to the exclusion of women from decision-making on all levels and this is unlikely to be changed by articles 76 and 128 of the 2015 draft constitution.

11 | Economic Performance

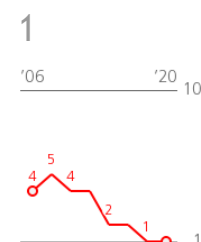
Economic performance is extremely weak. Already by 2016 (latest available data), GDP per capita growth was negative (-35.9%), while GDP per capita in PPP had declined to \$1,595.

Ansar Allah, which had used the cutting of subsidies to mobilize protests in 2014, abolished the fuel subsidies that consumed around 30% of the national budget. Public debt services, salaries and wages had consumed the remaining reserves held by the central bank of Yemen by summer 2016, and there was nothing left for much-needed capital investment.

While recent data is often based on estimates, experts agree that GDP has been shrinking by as much as 35% each year since 2015, while inflation fluctuated between 20% and 40% in 2018. Public debt has doubled since the start of the war and youth unemployment stands at about 25%.

According to central bank of Yemen data, income from oil exports fell from \$2.6 billion in 2013 to \$1.6 billion already in 2014 due to maturing of oil fields, sabotage and falling oil prices. Since 2015, exporting oil has become almost impossible due to the security situation, with harbors often blocked or damaged by the Saudi-led-coalition. Only in July 2018, Yemen resumed oil exports, at the low level of 500,000 barrels in the first month, from Shabwa.

Output strength



12 | Sustainability

Yemen issued its first environmental protection law in 1995, signed the U.N. Framework Convention on Climate Change (UNFCCC) in 1996 and ratified the Kyoto protocol in 2004. The National Adaptation Program of Action (NAPA) was issued in 2009. Several government institutions are concerned with environmental issues (one of Yemen's four sites registered on UNESCO's World Heritage list is Soqatra Archipelago). In late 2012, the government renewed its efforts to at least provide the framework for environmental protections. Laws 21 and 22 ratified the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC) and the OPRC-Hazardous and Noxious Substances (HNS) Protocol. Yemen has an environmental protection strategy as well as an Environmental Protection Agency.

On the ground, environmental concerns may have played a role at the local level, but not the national. Awareness of the fundamental problem of water scarcity has been pushed aside by the need to ensure the provision of clean drinking water to as many people as possible. According to OCHA, 16 million Yemenis had no access to clean drinking water in 2018. At times, diesel and spare parts for water pumps were in short supply, while the Saudi-led coalition targeted a desalination plant and other relevant infrastructure. Nevertheless, khat (a leaf with stimulant effects, typically chewed by people in the afternoon) still seems to be produced and distributed, which further depletes water resources.

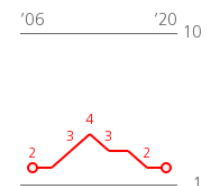
Since the 1970s, modern institutions for education and training have been established (earlier in the People's Democratic Republic of Yemen/PDRY), but enrollment ratios only rose slowly because schools were not easily accessible to parts of the population, especially those in rural areas.

Only one-third of Yemeni children are registered at birth. Therefore, enrollment ratios have to be taken with a grain of salt. Nevertheless, according to World Bank data, by 2013, primary school enrollment rates had reached 97.5%. However, due to internal displacement, and damage to and occupation of schools, the enrollment rate had fallen to 92.5% in 2016 (more recent data is not available). According to UNICEF, only 63% of Yemeni students complete primary school.

Enrollment rates for secondary education reached 51% in 2016. The most recent data for enrollment in tertiary education (almost 10%) is from 2011. Enrollment ratios show sharply lower enrollment rates for women compared to men (female-male ratio: 0.9 primary, 0.7 secondary schools, 0.4 tertiary education). The literacy rate among adults (15 and older) is only 66.4%, although it is higher among 15- to 24-year-olds (77.8% female and 96.7% male). A decline is to be expected as, according to UNICEF, in late 2018 two million children were out of school, half a million of them

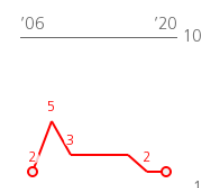
Environmental policy

2



Education policy / R&D

2



as a result of the war. In the U.N. Education Index, Yemen scored 0.349 in 2017 (unchanged since 2012).

According to the Human Development Report 2015, only 4.6% of GDP was spent on education, less than the previous year. It can be safely assumed that expenditures have further declined since 2015 (more recent data is not available). Moreover, expenditures on education are no indication of the quality of the services provided. Salaries for teachers are low or not paid at all, many teachers need a second job to support their families, and on average, there is one teacher per 30 students. Surprisingly, most schools and universities are still open and many teachers still show up to teach in spite of not having been paid for months. In Ansar Allah-controlled areas public sector employees are even forced to go to work but absenteeism is increasing.

The number of private education institutions is increasing. In 2016, 899 out of a total of 16,730 primary and secondary schools were private. In 2014, there were 101 private universities and colleges, with 83,177 out of a total of 310,340 tertiary-level students enrolled in private institutions. Nevertheless, research and development facilities are still almost nonexistent. In the face of Yemen's high population growth, educational institutions at all levels – despite substantial investment in the past – are hopelessly overburdened. Due to the war, school years have been shortened. Schools have been used to accommodate internally displaced persons, soldiers or militias. In addition, the Saudi-led coalition has repeatedly bombed schools and school buses. In August 2018, 40 children were killed in a Saudi-led coalition bombing mission.

The few vocational training centers are not able to meet demand. As a result, and in spite of an improvements, the quality of education in Yemen remains low and does not meet the market demands of skilled labor.

Data on public research and technology expenditure is not available.

Governance

I. Level of Difficulty

The structural constraints on governance are very high. The violent conflicts that have plagued the country for years have exacerbated the various structural constraints.

Suffering from a shortage of water and energy – and already the poorest Arab country before the war – Yemen's population has been pushed into extreme poverty. By late 2018, more than 20 million people needed some kind of humanitarian assistance. Air raids and landmines further damaged the country's rather poor infrastructure (airports, harbors, roads, hospitals, schools, factories). 90% of the population had no access to electricity, two million people were internally displaced and two million children were out of school. Leadership struggles, the lack of strategy and a shortage of funds (including funds for salaries) have bled the public sector dry.

Many well-educated middle-class Yemenis have left Yemen for neighboring countries, while the migration of Africans through Yemen to the rich Arab Gulf states continues unabatedly.

Arms seem to be the only commodity that is more widely available than before the war, with local militias having received weapons from Saudi Arabia, the United Arab Emirates and Iran. As in the past, weapons are widely available on the black market.

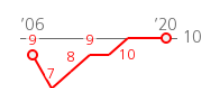
The state has always been more or less absent in many areas of Yemen. Therefore, a large proportion of the population are quite capable of organizing their lives without a functioning government.

Yemen has moderate civil society traditions that have been expressed via avenues such as labor migrants' self-help organizations in the 1940s or a 1970s cooperative movement that was absorbed into the local administration and the GPC in the early 1980s. Still, tribal councils come together on occasion, usually at times of high political tension.

Most of the several thousand NGOs currently registered are charities with a limited geographical scope but there are also several hundred, mainly urban, NGOs that had focused on issues such as combating corruption and educating the public about human rights, women's rights and press freedom. Many NGOs have very limited or no appeal to the general public and are dependent on international donor organizations. The Social Fund for Development and some donor organizations ran

Structural
constraints

10



1

Civil society
traditions

7



1

training programs for NGOs, though many NGOs generally lack a broad funding base.

Some NGOs should be considered enterprises or are subject to manipulation by powerful individuals and political parties. However, many civil society activists are highly committed, and several NGOs have been among the groups of protesters who finally ousted Ali Abdallah Salih in 2011. Unlike other forms of civil engagement, NGOs are characterized by a strong representation of women among leaders and activists.

The war has further exposed the weakness of civil society. Caught between Scylla and Charybdis, very few NGOs were in a position to maintain independence and stay operational without the presence of donors in the country. Under the current circumstances, many NGOs have either become dormant or shifted their activities toward distributing humanitarian aid on behalf of the donor community, or NGO leaders have emigrated to escape persecution by the various political authorities.

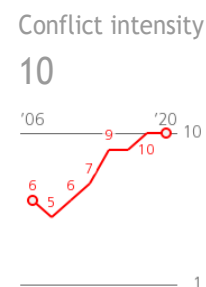
Nevertheless, civil society has the potential to promote political and economic development, if the political situation allows it.

The civil war is based on social and political differences and is framed as a religious or sectarian conflict by some conflict parties (in particular AQAP). In any case, untangling the different conflict lines seems almost impossible.

Conflict intensity reached a peak in the first half of 2011 when hundreds of protesters were killed and assailants tried to assassinate then President Salih. After 2011, fights between tribes and clashes between security forces and various militant groups continued.

Conflict intensity reached a further peak in 2014, when Ansar Allah started an offensive against those who they held responsible for spreading Saudi-sponsored Salafism, and the six wars in Sa'dah between 2004 and 2010. They directly attacked AQAP and its affiliates in several governorates, invaded areas close to the capital, and finally took control of the capital Sanaa in summer 2014. Ansar Allah looted or destroyed property belonging to the al-Ahmar family of the late sheikh, General Ali Muhsin (who was appointed vice president in 2016) and radicals like Abdelmajid al-Zindani, and persecuted other members of al-Islah.

Ansar Allah's temporary occupation of Aden in 2015 was followed by years of fighting between Ansar Allah militias and forces fighting in the name of the "legitimate government" (without necessarily supporting it), particularly in and around Taiz and Hudaidah.



There have been hundreds of assassinations and attempted assassinations of members of the security forces, high-ranking politicians, political activists, journalists and intellectuals.

The Southern Movement has gained strength, but is split between UAE-supported groups demanding independence and activists who refuse external intervention and/or would settle with a “southern state in Yemen.” UAE-trained militias fighting AQAP and Ansar Allah might turn out to be the military arm of the Southern Transitional Council.

Meanwhile, AQAP has bombed civilian and military targets, even controlled villages and cities in the south, and has tried to create a base among southern tribes.

Saudi-led coalition air raids since March 2015 and fighting between the various military units and militias have killed more than 60,000 people and displaced nearly two million people.

II. Governance Performance

14 | Steering Capability

Even though the country’s technocrats have developed plans and strategies, at the top level there are no strategic priorities beyond raising funds for buying loyalty and financing military operations.

Hadi stated that he plans to form an army of about 3.7 million men aged between 15 and 28 in an interview with the Saudi Gazette in May 2016.

The last development plan concluded in 2014, as no official budget were prepared between 2015 and 2017. The 2014 plan served as a basis for the central bank of Yemen until late 2016, when President Hadi decided to relocate the central bank to Aden, a move that affected the central bank’s performance to the extent that it became a subject of the Stockholm consultations in December 2018.

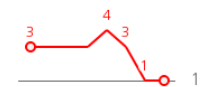
The Recovery and Reconstruction Plan that President Hadi’s government circulated among the donor community in summer 2016 was clearly beyond the capacities of domestic and international institutions. In January 2017, the de facto government in Sanaa presented its own plan, although again it isn’t clear how the necessary funds will be raised. Taken together, the plans might serve as a starting point for reconstruction, as they include vital input from Yemeni technocrats.

Question
Score

Prioritization

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The government is not able to implement its policies on the national level to a measurable degree. Indeed, it is debatable if there are any policies other than those related to military victory or simply hanging on to regional allies and their financial resources. Although the United Nations assigned the highest level (3) to the humanitarian situation in Yemen as early as July 2015, the conflict parties have been unable and/or unwilling to sacrifice their political ambitions for the sake of the Yemeni population.

Governance in Yemen mostly relies on commitments between individuals and on agreements between social and political actors, rather than governments. While this has contributed to the current crisis, it also makes Yemeni society more resilient than other societies at times when government is absent. However, after almost four years of war, half the population was facing near-famine conditions by the end of 2018.

Until December 2018, there were no indications that the government is willing or able to learn. In fact, given its dependence on Saudi Arabia (and other Gulf states to a lesser degree) the internationally recognized government is not even in a position to articulate independence in its affairs. Hence, a general possibility of policy learning does not exist.

Over the last four years, the Hadi government has failed to understand that it will not regain Sanaa by simply insisting on the initiative of the GCC's Agreement on the Implementation Mechanism for the Transition Process in Yemen, the National Dialogue Conference outcomes or U.N. Security Council resolution 2216, especially given the Saudi-led coalition's bombing of northern Yemen where the majority of Yemen's population lives.

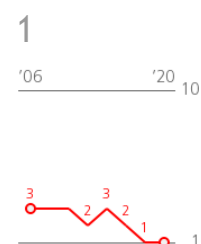
In contrast, Ansar Allah has learned a lot. Having emerged from a protest movement in one of the remotest parts of the poorest country in the Arab world, Ansar Allah has developed into a militia that is yet to be defeated by a coalition of the richest Arab states armed with the most advanced weapons. This, however, does not correspond to "striving for democracy and a market economy."

15 | Resource Efficiency

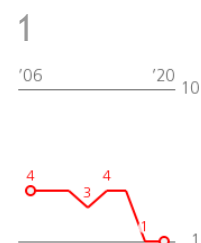
There is no efficient use of budget resources. Even prior to the war, 30% of the budget was spent on public sector salaries. Meanwhile, conflict parties have added more personnel to the public payroll. Thousands of soldiers and militia groups were added to the regular forces.

Yemen's GDP is shrinking and there is no manageable state budget. Though, in 2018, both the Hadi government and the de facto government in Sanaa prepared budgets. Seen from a macroeconomic perspective, the only positive development over the last

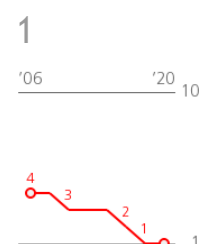
Implementation



Policy learning



Efficient use of assets



few years has been the de facto abolishment of fuel subsidies when the central bank of Yemen ran out of money in 2016.

Public administration, traditionally not very efficient, was further hampered by air raids and fighting in many areas, as well as by unpaid salaries, lack of electricity and fuel. The capital Sanaa, for example, has been out of electricity since 2015. Some essential institutions like the central bank of Yemen were damaged by short-sighted political decision-making. It is therefore remarkable that ministries and local councils have shown resilience and are still functioning to some extent.

As the Sanaa Center for Strategic Studies stated in 2016: “Neither the internationally recognized government, nor the Houthi-allied rebels, have anywhere near the institutional capacity or resources necessary to address this crisis, and indeed have shown little intention of even attempting to utilize the resources they do have.”

The international community (via U.N. organizations, and bi- and multilateral agreements) has taken over some essential governmental service functions, such as providing clean water, food, medicine and shelter. International organizations have begun to compensate for the irregular payment of public sector salaries. In 2018, UNICEF started paying regular stipends to teachers, for example. The amount needed for the Yemen Humanitarian Response Plan 2018 was almost \$3 billion of which approximately 85% has been funded.

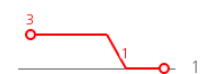
The two parallel governments follow no nationwide policy coordination, and even within their apparatuses horizontal and vertical cooperation is lacking. No clearly defined mandates exist between the different state institutions (ministries and others), and different political interest groups as well as external actors intermingle in national policy-making. The Southern Transitional Council is forming a third government, with statelets emerging in the governorates of Marib and potentially also Hadhramaut.

After making substantial progress prior to 2012, the anti-corruption regime has almost ceased to exist. The National Anti-Corruption Strategy (NACS) expired in 2014 without renewal or revision. One of the main players, the Supreme National Authority for Combating Corruption (SNACC), was already handicapped by (illegal) presidential decisions concerning its board in 2013. Nevertheless, at least until March 2015 the revision of Yemen’s anti-corruption legislation was underway and the National Salvation government in Sanaa invited SNACC to process the financial disclosure files for cabinet members in January 2017.

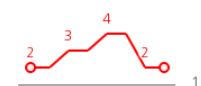
Civil society organizations have very limited space for action, several of them have been raided by militias, especially in areas under Ansar Allah control.

Other relevant public institutions, like the Central Authority for Control and Auditing (COCA) and the High Authority for Tender Control (HATC), managed to continue

Policy coordination



Anti-corruption policy



working at a reduced capacity in spite of war damage and lack of electricity. Such organizations can, however, also be used as political weapons against political opponents. The last COCA president, appointed by Hadi in 2012, fled to Aden in early 2018, reportedly taking several sensitive files with him.

Ansar Allah is aware of the corruption problem and reports about COCA activities are regularly presented in the national media. Nevertheless, what happens to fees and taxes collected by the National Salvation Government is not at all transparent, while Ansar Allah militias often confiscate food and medicine supplies, and blackmail citizens and even detain citizens for ransom.

In the so-called liberated parts of the country, not even symbolic measures to fight corruption have been taken. No budget has been published since 2014.

The Panel of Experts noted in January 2019 that it “has found that significant war economies have emerged, as the legitimate government, local authorities, the Houthis and other militias all collect revenues within their respective areas. They all claim either to provide governance or to be linked to providers of governance, but there is scant evidence that that is the case.”

The World Bank’s “control of corruption” indicator scored Yemen 1.44 (out of 100) in 2017. Moreover, there has been no discussion about recovering the money (estimated to be \$30 – \$60 billion) that former President Salih diverted (Yemen is a signatory to the UNCAC).

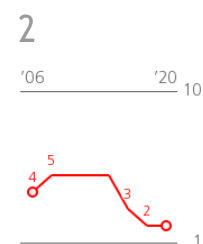
16 | Consensus-Building

Prior to 2015, there was some consensus on the formal level – between government parties and NGOs – as to the value of a market economy and democracy. The final documents of the National Dialogue Conference, especially of the working groups on state-building, good governance, independent institutions, rights and freedoms as well as transitional justice and sustainable development clearly reflect the ambitions of the 565 National Dialogue Conference (NDC) delegates.

While the Hadi government keeps referring to the NDC recommendations as one of the three core documents (the others being U.N. Security Council resolution 2216 and the initiative off the GCC’s Agreement on the Implementation Mechanism for the Transition Process in Yemen), the de facto authorities in Sanaa refer to them to a much lesser degree.

However, the trajectory of the major political actors does not indicate that establishing democracy is among their priorities. Some observers have even come to the conclusion that while civil society and part of the opposition parties do agree on the importance of democracy and market economy, the warring parties may agree on

Consensus on goals



the importance of establishing a clientelistic market economy, but not necessarily a democracy.

According to the draft constitution, “the national economy is a free social economy.” Other available documents suggest that the Hadi government aims to diversify the economy, strengthen the role of the private sector and improve the business environment, while, at the same time, ensuring justice, employment, sustainability and social welfare.

The programmatic documents of the National Salvation Government in Sanaa address similar issues but are more focused on creating revenues and reducing dependence on external funds and imports.

Reformers – whether among the de facto authorities or in Hadi’s cabinet – have no control over anti-democratic actors.

Unless supported by the international community, reformers, including ministers and parliamentarians, have no clout compared to actors with veto powers who are backed by influential military or tribal figures and leaders with assets abroad and good relations to regional powers, most obviously Saudi Arabia, the UAE and Iran. The biggest challenge Yemeni democrats have to cope with is political interventions by powerful undemocratic neighbor states competing for regional hegemony.

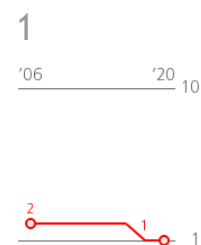
If international attention on Yemen remains at the high level that it had reached in late 2018, chances for reformers might improve.

Political parties can no longer bridge regional cleavages, civil society has very limited scope for action, and political leaders contribute to deepening regional and political cleavages.

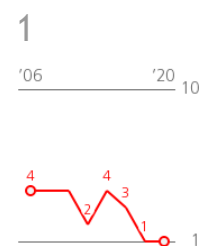
Even prior to the war, the country’s political leaders were clearly not able to depolarize the cleavage-based conflicts that emerged during the Salih era when the government was frequently party to violent tribal clashes or supported pro-government tribesmen. Salih’s apparent effort to set his son, Ahmad, up as his successor had alienated long-term tribal allies, and members of the president’s own family and tribe, who occupied senior positions in the Yemeni military. Among them was the former commander of the Northwest Military Region, General Ali Muhsin Salih al-Ahmar (who is not related to the al-Ahmar family of the late sheikh, but – like the former president – is from the al-Ahmar village of the Sanhan tribe). Hence, Ali Muhsin, then leader of the First Armored Division, declared his support for the protesters after the “Friday of Dignity” in March 2011.

President Hadi missed the opportunity to implement substantial points from the lists of measures to appease the south that were prepared in the wake of and during the NDC. The war between the north and south in 1994 as well as the heavy-handed government policy thereafter had left parts of the southern population with the

Anti-democratic actors



Cleavage / conflict management



impression of being “colonized by the north.” Hence, segments of the Hirak calling for southern independence boycotted the National Dialogue Conference in 2013-2014. When Ansar Allah attacked the Salafi center in Dammaj (Sa’dah) in 2013 and finally shuttered it, dislodging hundreds of students in the process, no decisive government intervention was observed. Some observers argued that Hadi was trying to imitate his predecessor by using Ansar Allah to weaken the Islah party and thus refrained from intervention.

Ali Muhsin allegedly maintains close contacts with radical Sunni Islamists and was in charge of fighting Ansar Allah until an agreement was reached in 2010. Hadi’s decision to make him vice-president in April 2016 was a clear provocation of Ali Abdallah Salih and Ansar Allah. It also made clear that Hadi would follow the Saudi government to foster their networks, rather than the Emirates, who had supported Ali Muhsin’s predecessor Khalid Bahah.

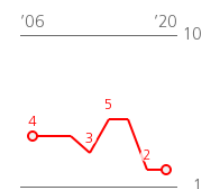
Allegations that Hadi favors his home region Abyan raise further questions about his ability to bridge existing cleavages. Among the candidates competing for the (not really vacant) position of speaker of parliament in early 2019, Hadi’s favorite is said to be from Abyan as well.

Under the GCC Implementation Mechanism the government is bound to take the input of civil society actors into consideration. NGOs were represented in the National Dialogue Conference (40 out of 565 seats) and influential civil society actors have played a significant role before, during and after the NDC.

However, in many public institutions resistance to involving too many stakeholders in decision-making survived. The understanding that civil society has a role in governance is still limited, even among otherwise rather reform-minded high-ranking officials. With a number of civil society activists appointed as ministers into the 2014 government, civil society was likely to gain a stronger position when it came to agenda setting as well as monitoring NDC outcomes. This cannot be said about the current government. Although the weakness of the government(s) and the risk of total breakdown of public services could enhance the role of civil society, the political and security situation combined with repression limit its potentials. Many civil society actors have aligned with the conflict parties, while others have limited their activity to humanitarian aid or activities tolerated by the respective authorities and their external patrons in an attempt to avoid arrest or assassination. Nevertheless, many NGOs and civil society activists are still working on subjects related to peacebuilding or conflict management.

Civil society participation

2



The last four years have produced scores of victims of injustice, thus adding another layer to a complicated issue. In the period under review, the government has not addressed any acts of injustice, historic or recent.

Before the war, many political and social forces claimed that they have been victims of past injustice and most of them demand compensation or at least recognition. These include Ansar Allah (“Sa’dah issue”), the Southern Movement Hirak (“southern issue”), the victims of 2011 and their families, as well as a large number of former elites who spent the last decades in exile.

The government, as bound by the GCC Implementation Mechanism, at least officially recognized the need to deal with historical events perceived as acts of injustice. And while the Sa’dah issue and the southern issue as well as the victims of 2011 have been officially acknowledged, the transitional justice law recommended by the NDC has not been issued because there is no consensus about the period to be covered and hence the victims who are eligible for compensation. The immunity granted to former President Salih in 2011 turned out to be yet another stumbling block. The transitional justice and the looted funds draft laws were presented to the cabinet in June/July 2014 but were never issued. In 2013, a fund was to be set up with Qatar allegedly promising \$350 million of the required \$1.2 billion. The Commission on the Forcibly Retired in the Southern Governorates and the Commission on Land-Related Disputes, set up with UNDP support in 2014, suspended their work in 2015. According to a report by the Center for Applied Research in Partnership with the Orient, about \$1 billion would be required to compensate only those who lost their job in the public sector or their property in the southern part of the country between 1994 and 2011. If the issue is addressed again, the overall situation requires careful consideration as attempts to compensate for historic injustices could lead to further conflict and more corruption.

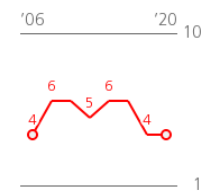
17 | International Cooperation

The Hadi government as well as Ansar Allah seek international support to finance immediate needs (e.g., public sector salaries or military assistance), but neither party follows any noticeable development strategy. Nor did either party show much desire to seek international assistance to end the conflict until late 2018. Only after Ansar Allah had cut itself from former President Salih’s funds and the Saudi-led coalition advanced on Hudaidah, and international pressure increased against Hadi’s main sponsor, Saudi Crown Prince Muhammad bin Salman, in the aftermath of the killing of prominent Saudi journalist and U.S. resident Jamal Khashoggi were the two main conflict parties ready to accept suggestions by the new U.N. special envoy, Martin Griffith.

According to the U.N. Panel of Experts, both parties are trying to divert international aid and to use existing structures to strengthen their position vis-à-vis their opponents: “The Panel found an increase in the number of forged and counterfeit commercial

Reconciliation

4



Effective use of support

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documents. Although not new to Yemen, such traffic poses a significant challenge to due diligence for international financial institutions, donors and implementing humanitarian agencies involved in assisting the Yemeni people.”

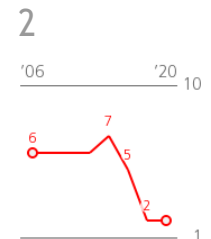
Prior to 2018, the conflict parties showed little engagement in and even undermined some international cooperation efforts. As such, the conflict parties could not be considered credible by any means. Although Ansar Allah is at least politically supported by Iran, and most likely also by Iranian military experts and hardware, analysts consider Iranian influence on Ansar Allah to be limited. Hadi, on the other hand, is fully dependent on his regional allies, in particular Saudi Arabia. Hence, U.N. efforts to set up an independent commission to investigate possible war crimes were blocked by Hadi and the government of Saudi Arabia. The Republic of Yemen government commission, which was set up instead, was deemed insufficient by the Group of Independent Eminent International and Regional Experts, which has been reporting to the U.N. high commissioner since December 2017. In 2018, the group of independent experts also noted: “The coalition continued to impede the work of international media and human rights organizations by preventing their personnel from using United Nations flights since at least early 2017 ... Given the inherent insecurity, this measure by the coalition impedes independent and credible coverage of the situation in Yemen, and contributes to global neglect of the conflict.”

Since the new special envoy, Martin Griffith, has taken over, the main conflict parties have shown a more cooperative attitude toward the United Nations. Though they remain far from being credible and reliable. Given the circumstances, investors shy away from engaging in Yemen. Moreover, the Yemeni government stopped serving its international debts, except debts owed to the IMF and the International Development Association in 2016.

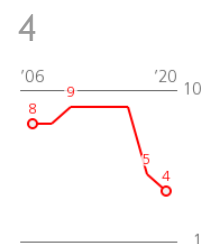
Knowing perfectly well that Yemen’s future is dependent on the financial support of the members of the Gulf Cooperation Council (GCC), and on the political development of states in the Horn of Africa and the Middle East, the country’s past and current political leaderships try to promote regional and international integration. However, currently there is no coherent approach on cooperation with neighboring countries and each conflict party criticizes the other for its connection with regional actors, calling it “undesired political interference.”

Yemen’s long-term efforts to gain admittance to the GCC have produced very limited results but the topic is still on the agenda of the Hadi government. The Hadi government’s relations with other countries within the Saudi-led coalition (e.g., the UAE, the second major actor within the Saudi-led coalition; Oman, the only GCC member that chose not to join the Saudi-led coalition; and Qatar, no longer a member of the Saudi-led coalition since Bahrain, Egypt, Saudi Arabia and the UAE blockaded Qatar) reflect the relations between these other countries and Saudi Arabia.

Credibility



Regional cooperation



For Saudi Arabia, Yemen is primarily a security issue. In the past, security cooperation between Yemen and Saudi Arabia seemed generally good. For example, both states signed an extradition agreement in July 2014. However, the decisions of the Saudi government, which significantly affect Yemen's political and economic development, are not consistent. This lack of consistency could either reflect a strategy to keep Yemen in a fragile state between failure and stability on the one hand, and the conflicting strategies within the Saudi government on the other hand. After years characterized by a mix of providing and withholding financial and in-kind support to the Yemeni government, the Saudi government started Operation Decisive Storm. It thus not only further destabilized Yemen but also provoked retaliation in the form of border skirmishes and rocket attacks on Saudi territory.

Yemen is a signatory to the Djibouti Code of Conduct (amended in Riyadh in 2017), a regional initiative to tackle piracy around the Horn of Africa. In the absence of a comprehensive arrangement concerning the legal entry of Yemeni labor migrants to GCC states, illegal migration (especially to Saudi Arabia) continues to cause problems for both sides.

In 2013, Saudi Arabia tightened the visa regulations for migrant workers and deported up to 200,000 Yemeni workers, increasing pressure on the Yemeni government and tainting the Saudi government's own reputation because many of the returnees reported human rights violations. Deportations continued in 2018.

Relations with Iran, although occasionally strained in the past, have reached an all-time low since 2014 to 2015, reflecting strained Saudi-Iranian relations. Various Yemeni governments accused Iran of supporting Ansar Allah as well as southern separatism. That said, Ansar Allah's activities (e.g., attacking U.S., UAE and Saudi naval ships, and Saudi territory) might be harmful for Iran's international relations, especially with the United States under President Trump.

Strategic Outlook

The “Yemen file” cannot be left to Yemen’s neighbors, in particular Saudi Arabia and the UAE. This has been apparent since 2011/2012, when the new Yemeni government excluded the opposition groups who had brought about the change, and especially since 2015, with Saudi Arabia and its allies launching a devastating military campaign, which was only meant to last a few weeks, on a country of almost 30 million inhabitants.

Yemen has been torn apart by an increasing number of local and international conflict parties. Unless the Yemeni conflict parties are deprived of external support, violence will continue.

Governments (in particular the U.S. and UK governments) that continue to deliver large quantities of arms to the conflict parties should reconsider their policies and develop measures if agreements, in particular end-user-agreements, are violated. The Iranian government, on the other hand, needs to understand that providing arms to Ansar Allah works against Iran’s regional and international interests.

There is a risk that more countries, in particular Oman, will be affected by the conflict. The international community should take precautions to protect against Saudi Arabian and the UAE violations of Omani sovereignty.

Ansar Allah might be slowly realizing that they will not be able to end Saudi influence in Yemen and, in fact, they have brought about what they feared most. However, this does not necessarily mean that the movement’s leaders are ready to withdraw from the areas that they have held since 2014 and to sign a peace agreement. Rather, they might fall prey to their own propaganda and increase pressure on the population under their control, thus holding millions of Yemenis hostage in order to force their will on the international community.

While Ansar Allah and various militias create havoc on the ground, the Saudi-led coalition strangles Yemen’s population and economy. Overall, 28 million Yemenis face poverty, food insecurity, epidemic, displacement and violence. When the international community takes over essential service provision (a state function) to prevent the worst, it will have to cooperate with existing structures and address the problems that caused the Yemeni state to fail. The Hadi government, therefore, needs to lay open its sources of revenue and deliver a transparent budget, which would put pressure on Ansar Allah to do the same.

There is a long list of challenges, which need to be addressed in parallel with covering the immediate humanitarian needs of the Yemeni population. These challenges date back to before the 2015 war, with the war providing the perfect breeding ground for corruption, nepotism, inefficiency, inequality, (arms) smuggling, a huge informal sector, gender-based violence, and human rights violations by state and non-state actors.

The grievances of particular groups, especially in the south, are legitimate and the fragmentation of the country is increasing. But letting Yemen fall to pieces bears the risk that the fragments will go to war with one another – as the two Yemeni states did before unification. Ignoring these grievances is not an option, either. However, there is the risk that – like after 2011 – human rights violations and other abuses of public office committed since 2014 will not be prosecuted in order to ensure the cooperation of powerful elites in the political process.

Amazingly, parts of the public sector still function, and the private sector provides clean water, food, education, health care and energy – to those who can afford it. Strengthening existing structures, rather than replacing or by-passing them, is therefore mandatory.