

BTI 2014 | Yemen Country Report

Status Index	1-10	3.08	# 119 of 129	
Political Transformation	1-10	3.27	# 116 of 129	➔
Economic Transformation	1-10	2.89	# 121 of 129	⬇
Management Index	1-10	4.50	# 82 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Yemen Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

Population	M	23.9	HDI	0.458	GDP p.c.	\$	2488.9
Pop. growth ¹	% p.a.	2.3	HDI rank of 187	160	Gini Index		37.7
Life expectancy	years	62.7	UN Education Index	0.311	Poverty ³	%	46.6
Urban population	%	32.9	Gender inequality ²	0.747	Aid per capita	\$	15.7

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The events of the Arab Spring during the review period removed some of the obstacles on Yemen's reform path. However, when peaceful protesters and international pressure forced Ali Abdallah Salih – after 33 years – to hand over presidential powers to Vice President Abdu Rabbu Mansur Hadi in November 2011, Salih left behind a number of unresolved problems. His resistance to the initiative brokered by the states of the Gulf Cooperation Council (GCC) – an agreement he refused to sign several times – has cost the country dearly in terms of lives as well as in terms of economic development.

Yemen has struggled with many structural problems, issues that have only been aggravated by political violence. These include challenges to the state's monopoly on the use of force; local unrest plus separatist calls from the southern part of the country; persistent issues of legal pluralism, nepotism, patronage and corruption; the burdens of high population growth and a weak infrastructure; poverty combined with a poorly skilled labor force; food insecurity issues; intensified activities by Sunni militants (and the government's inadequate response); rising numbers of African refugees; and the economic threat of Somali pirates. As to be expected, popular discontent with Yemen's economic and political development is still growing. Poverty and malnutrition during the review period have reached alarming levels.

Expectations are high, but Yemen's future prospects are rather mixed. On the one hand, the new president and a coalition government are working to follow the implementation mechanism of the GCC Initiative, while donor money is pouring into the country. On the other, power struggles among former political allies and the country's insufficiently qualified and bloated bureaucracy, combined with insufficient GDP growth, a low enrollment ratio, a low absorption capacity, the general depletion of oil and water resources and unstable oil prices, does not bode well for the country's economic future.

When evaluating Yemen's economic indicators, it is important to remember that despite the country's growing non-oil sector, its key source of revenue is hydrocarbon exports. Yemen has developed into a rentier state, albeit one of the poorest of its kind. Most likely, Yemen will not be able to meet even one of the Millennium Development Goals (MDGs) in 2015.

However, the conflict in the northwest seems to have abated, and underlying causes might even be addressed during the upcoming National Dialogue Conference. Donors have a free hand in supporting Yemeni NGOs and governmental organizations that are working to fight corruption; the population growth rate has declined; school enrollment is on the rise; the non-oil sector is growing; and surprisingly, Yemeni oil and gas exports, as well as the Yemeni rial, were kept stable during the political turmoil of 2011.

History and Characteristics of Transformation

In 1990, the leaderships of the Yemen Arab Republic (YAR, North Yemen) and the People's Democratic Republic of Yemen (PDRY, South Yemen) merged the two states into the Republic of Yemen (RoY). The Yemeni Socialist Party (YSP), which had ruled the PDRY since the withdrawal of British colonial power in 1967, had literally gone bankrupt after the collapse of the Soviet Union. Meanwhile, YAR's nationalist leadership, organized in the General People's Congress (GPC), was faced with a growing Islamist current and saw itself in need of a more secularly oriented ally. The two groups agreed on a 50-50 power-sharing formula, each hoping to outmaneuver one another after unification. YAR had a liberal economic system and was governed by a conservative and autocratic, though on the whole weak, presidential system. Influential tribes in the north and northeast of YAR had retained a certain degree of autonomy. By contrast, PDRY was a socialist country whose leaders had ousted the traditional elites, tried to destroy traditional social structures and espoused the principles of a centralized and planned economy. However, both systems were ruled by a single party (YSP) or its equivalent (GPC).

From 1990 to 1994, the YSP and GPC tried to secure their own survival via political pluralism. The government introduced democratic elements such as a multiparty system, unprecedented levels of press freedom, a constitutional referendum in 1991 and multiparty parliamentary elections in 1993. The 1993 elections nullified the 50-50 power-sharing formula between the GPC and YSP and resulted instead in a coalition of three parties: the GPC, the YSP and the newly formed conservative-Islamist Yemeni Congregation for Reform (YCR, also known as "Islah"), which was led by Yemen's most influential tribal figure, Sheikh Abdullah al-Ahmar. However, (re-)privatization and the unification of public companies and the legal system were slow. Several economic blows exacerbated the situation. Yemen's opposition to the international military intervention to liberate Kuwait in 1990 led the Gulf states to expel nearly one million Yemeni migrant workers. Tourism suffered from frequent instances of hostage taking, and inflation and corruption became virtually 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 in addition to some segments of the former PDRY army and militias made up from tribesmen and militant Islamists, emerged victorious in July 1994.

The 1994 disaster left the political elite with the understanding that political pluralism could result in separatism, and this attitude continues to determine domestic policies. The post-war coalition government between the GPC and the YCR amended the constitution immediately following the war, abolished the Presidential Council, and made Shari'ah 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 was addressed by a structural adjustment program in 1995 that was practically abandoned due to noncompliance in 2002. However, the Yemeni rial was floated in 1995, and Yemen was able to reduce its debts with the Paris Club group of creditors in the second half of the 1990s. The Yemeni government appeared to return to its path of political liberalization with parliamentary elections in 1997. However, the YSP boycotted these elections because its assets had been confiscated in 1994, thus rendering campaigning impossible. The GPC won an absolute majority, and the YCR, a coalition partner in government since 1993, became the dominant opposition party. However, while competition between GPC and YSP had opened the political space for various actors in the early 1990s, the YCR never fulfilled the same counterbalancing function as had the YSP. Having boycotted the 1997 parliamentary elections, the YSP was barred from nominating a candidate in the first direct presidential elections in 1999, while the YCR supported the incumbent president, who won 96.2% of the votes. Further constitutional amendments in 2001, accepted by referendum, not only extended the terms of the president and the parliament, but also weakened the position of the parliament (*majlis an-nuwwab*) vis-à-vis the executive. When parliamentary elections were held for the third time in 2003, the GPC gained 229 of 301 seats. Shortly thereafter, in 2004, the government was faced with an on-and-off rebellion in the north of the country that could not be suppressed despite massive military deployments and human rights violations, and in 2005 the population launched massive protests in response to the partial lifting of subsidies.

While the government struggled with various forms of public protests, 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), which gained more than 20% of the votes. However, as institutions remained weak, voters preferred the incumbent and his clientele to an alternative leader who might prove too weak or too ruthless to keep the country together. Thus, even if the elections had been entirely free and fair, the results would not have differed much. In the aftermath of the elections, external actors convinced the ruling party and the opposition to open a dialogue on core issues, in particular reform of the election law, but by early 2009 the negotiations had not produced any results. Hence the opposition, having already boycotted preparations, declared an "active" boycott of the upcoming parliamentary elections. Ultimately, government and opposition agreed to postpone the elections until April 2011. By January 2011, this dialogue had officially failed as the 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, Ali Abdallah Salih found that he had alienated too many former allies. Whether or not the Yemeni Youth Revolution that began in January 2011 was instigated by the Sheikh family al-Ahmar and General Ali Muhsin al-Ahmar (not related to the Sheikh family), it provided the perfect setting to depose Ali Abdallah Salih. The continuing lifting of subsidies, rising discontent in the south against "northern domination," intensifying activities by Yemeni and Saudi militants (al-Qaeda in the Arabian Peninsula, AQAP), and regional protests against long-serving Arab presidents put the former president in a position even more difficult than usual.

His violent reactions to the protests – hundreds of protesters were killed – and his efforts to outmaneuver his opponents as well as the international community weakened Salih's position even more. After the U.N. Security Council (UNSC) had passed Resolution 2014 in October 2011, Ali Abdallah Salih accepted the Peace Initiative of the GCC and its two-phase implementation mechanism. After 33 years, he handed over presidential powers to Vice President Abdu Rabbu Mansour Hadi on 22 November 2011.

While the first phase (90 days) of the GCC implementation mechanism was instituted smoothly, though not completely, implementation of the second phase, supposed to end with elections in February 2014, has proved much more challenging. The international community repeatedly had to announce its readiness to pass a UNSC resolution to blacklist spoilers of the political process. Actually, UNSC resolution 2051 in 2012 came rather close, when it stated its "concern at the recent deterioration of cooperation among some political actors and actions that could adversely affect or delay the political transition process." However, the National Dialogue Conference scheduled for November 2012 has been postponed several times, although the Preparatory Committee was appointed in July 2012.

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

Question
Score

The state does not have the monopoly on the use of force. In 2011 and 2012, the government lost control over several governorates (such as Sa'dah or Abyan) at least temporarily, and violent incidents occurred in previously calm governorates, such as Ta'izz.

Monopoly on the
use of force
4

In some areas, tribal forces resist what they perceive as the state's encroachment on their autonomy, especially when the state is represented by security forces and not state services. Despite renewed efforts to control the distribution and possession of arms, the male rural population remains armed, mainly for reasons of status. However, clashes among tribesmen or between tribesmen and security forces do occur, and sabotage of oil pipelines and electrical power installations has become regular.

A conflict with deeper political implications that began in 2004 between the military, Sunni Salafis and followers of rebellious Zaidi local leaders from the al-Huthi family in the northwestern part of the country continued on a low level, mainly between Huthis and Salafis. The Zaidiyya is a moderate Shi'a sect predominant in tribal areas of northern Yemen. For about 1,000 years, the pre-revolutionary rulers of North Yemen, the imams, had originated from Zaidi families who trace their origins back to prophet Muhammad. While these families are not members of the tribes, they nevertheless played a role in the tribal system. Yemeni officials (and the U.S. ambassador) claim that the Huthis receive weapons from Iran, that they have turned from Zaidis to Ja'faris (the Shi'a sect dominant in Iran and some of the Arab Gulf states). Nevertheless, the new government has allocated 35 of 565 seats in the upcoming National Dialogue Conference to Huthis.

Sunni militants, under the name of al-Qaeda in the Arabian Peninsula (AQAP, announced in 2009) and Ansar al-Shari'ah (announced in April 2011) explicitly try to undermine efforts at state-building and economic development, increasingly and

systematically targeting Yemeni security personnel and even announcing an Islamic state in Abyan in 2011. There is suspicion that some core elite factions may have deliberately exacerbated the terrorism threat, especially as Ansar al-Shari'ah emerged only a few months after the beginning of the youth revolt in 2011, to preserve the support of the international community and prevent the latter from pushing for deeper reforms. This strategy may not have ended with Salih's departure. With the security apparatus in disarray, the government relied on "popular armies," such as militias to re-establish government control.

The government at the time of writing has not changed its predecessor's approach toward Sunni militants, but, supported by the United States, has stepped up its efforts to combat them. As drone attacks – estimated at 10 in 2011 and 42 in 2012 – have resulted in dozens of civilian casualties, this approach stokes public resentment, which in turn strengthens the position of radical forces. The tiny Jewish minority traditionally living in Sa'dah had to be evacuated to Sana'a because of violence in Sa'dah.

As illustrated by the influx of Saudi, Somali, Algerian, Tunisian and other militants, Yemen cannot control its borders. Moreover, there are reports that Yemeni islands in the Red Sea have been occupied by Saudi and Eritrean forces, at least temporarily. However, these might be rumors spread to undermine the government.

After having been exploited by the ruling elite for decades, the concept of the nation-state has lost much of its credibility, and a common national identity suffers several challenges. Tribal, regional and sometimes religious identities compete with national identity, and also the country's "divided past" (North and South Yemen, until 1990, with war between the two former elites in 1994) plays a role.

State identity
4

The perception that particular groups – the former president and his extended family as well as some Sheikh families – have captured the Yemeni state was the main factor that led to the state's loss of legitimacy and its persistence in excluding many social groups. Political elites in Yemen have been of a sectarian, tribal and regional nature. During the Salih regime, his Sanhan tribe dominated the army and security apparatuses as well as the economy, which was traditionally dominated by Shafi'i groups from the middle regions. Likewise, the Huthis in the north have been alienated from the nation-state. Reports indicate that after the demise of Salih, clan-based relations still dominate decision-making and favoritism. While for a short time during the 2011 revolution the north-south divide seemed to diminish, resistance to what is considered as "colonization by the north" has increased to the extent that calls for separation of the south from the Republic of Yemen have become very explicit; some southern groups, such as the faction led by Ali Salim al-Beidh, refuse to participate in the National Dialogue Conference.

Religious dogmas have been part of the legal and political sphere for centuries, and Shari'ah has officially remained the sole source of legislation except in the (Southern) People's Democratic Republic of Yemen (1967 – 1990) and in the Republic of Yemen (1990 – 1994). In practice, religious, customary and state laws of varied origin regulate public and private life, and the state largely functions as a secular order with modern institutions.

No interference of religious dogmas
3

Islamic scholars shape public opinion in crucial questions such as women's rights, the form of the state (federal/central) and the National Dialogue.

It must be taken into consideration that, with the exception of Aden, state-building in the modern sense in both Yemeni republics only began in the 1960s. Unification in 1990 put additional stress on the area's underdeveloped structures.

Basic administration
3

State infrastructure is limited in scope and effectiveness. While it has moved beyond maintaining law and order in most regions, the state infrastructure still suffers a physical shortage of courts, police stations, social services and appropriately trained state employees, particularly in rural areas. Importantly, the provision of services cannot keep up with Yemen's population growth; additionally, more than 100,000 African refugees arrived in Yemen in 2011 alone. Decentralization (with municipal elections in 2001 and 2006, amendment of the "local authority law," and indirect election of governors in 2008) is progressing slowly and is hampered by a lack of financial and human resources. The violence that accompanied the political unrest in 2011 left government facilities damaged (e.g., the Ministry of Industry and Trade), and acts of sabotage against the electricity system and oil pipelines occur regularly.

The security situation and state's power struggle in 2011 and 2012 have led to the state failing to deliver the minimum of services. The United Nations issued a warning in 2012 that more than 500,000 children are of risk of dying because of malnutrition. Another U.N. warning has sharply criticized the recruitment of children in armed struggles.

UNHCR has estimated that more than 500,000 Yemenis were internally displaced by fighting. Also, the fighting that took place in Sa'dah region and in the southern provinces in 2012 have forced UNHCR and other international organizations to use school buildings to host internally displaced refugees, disrupting temporarily and involuntarily children's education.

2 | Political Participation

Yemen has supported a multiparty political system since 1990 (anchored in the constitution since 1994). General municipal, parliamentary and presidential elections, supervised by the Supreme Committee for Elections and Referendums (SCER), were held regularly and were accepted in principle as the means of filling leadership

Free and fair elections
4

positions until 2006. Five parties, including the Yemen Socialist Party (YSP), have been represented in the Yemeni parliament since 2003, but the General People's Congress (GPC) holds an overwhelming majority. The Yemeni Congregation for Reform (YCR, also called "Islah") is the only significant opposition party, but its leadership tended until the mid-2000s to enter into informal agreements with the GPC. While domestic and foreign observers may work freely, the electoral system favors the ruling party, and irregularities during registration, voting and counting have occurred. Thus, regular elections have not resulted in the accountability of officials or the government at large, or have offered any real alternation of power.

After the government failed to reform the election law and to guarantee the neutrality of the SCER, the government and opposition groups agreed to postpone the 2009 elections to April 2011. After the outbreak of protests and under the GCC implementation mechanism, a new president was elected (or rather accepted by referendum, as Abdu Rabbu Mansour Hadi was the only candidate) in February 2012, while parliamentary elections were again postponed until (at least) February 2014. President Hadi appointed new members to the SCER in November 2012, and the electoral system is to be discussed during the National Dialogue Conference in 2013.

The political system has been decentralized to some extent, but former President Salih controlled the process tightly, adamantly refusing to even consider the introduction of a federal system. The GPC dominated the first municipal elections in 2001, as it did again in 2006. Having secured a near absolute majority, Salih decreed the election of provincial governors by the regional councils in 2008 (a vote boycotted by the opposition) – and in November 2008 postponed the next municipal elections, originally scheduled for April 2009, for another four years. Since 2011, a number of governors have been replaced by the new president. The new incumbents are appointed, not elected.

Elected rulers have the power to govern in principle, but they simultaneously have to reckon with particular interest groups (such as tribes or the military) that are engaged in a constant informal negotiation process – if not, elected rulers belong to these groups anyway.

Effective power to govern

2

Whether President Hadi and the National Reconciliation government can establish a system that keeps veto powers at bay remains to be seen. The restructuring of the security apparatus that began in 2012, for example, has been met with strong resistance by powerful actors. It is therefore heavily dependent on support from the international community. The U.N. special envoy repeatedly reminds the former president, his allies and any other opponents against President Hadi that the U.N. Security Council is ready to proclaim sanctions at any time if they continue to undermine Yemen's transition process.

Legally there are few restrictions on parties or social organizations. While the previous political leadership constantly and systematically – but without much success – tried to disable opposition groups and violated assembly rights, it lost control of the state in 2011. As of January 2013, the new government makes hardly any effort to control parties or social organizations.

Association /
assembly rights
7

While the core elements of a public sphere and public debate exist, violence prevailed in 2011. Reporters Without Borders placed Yemen in the country's worst ranking ever in the 2011 World Press Freedom Index (171 of 178 countries; with a slight increase to 169 of 179 countries in 2013). Also in 2012, numerous attacks on journalists were reported. Seemingly it is not the government that works to limit the freedom of expression, but even private (and politically biased) TV channels are tolerated, although they work without a legal basis. In 2012, a new information law was issued to provide the public with better access to information. However, the government obviously is either unwilling or unable to protect journalists who provoke powerful stakeholders.

Freedom of
expression
4

Before and after 2011, radical Islamists have played a central role in attacking and intimidating writers with views they consider “un-Islamic.” Often these views were merely questioning the authorities, decisions of the religious establishment or strong men in the military and tribes, who are reportedly affiliated with influential political-religious actors.

3 | Rule of Law

The separation of powers, traditionally weak, has reached an all-time low during the review period, at least temporarily. Under the implementation mechanism of the Gulf Cooperation Council agreement, parliament and the council of ministers can only decide by consensus. If consensus cannot be reached, decisions are to be taken by the president.

Separation of
powers
3

Since 2006, the president no longer heads the Supreme Judicial Council, but still appoints its chairman. The judiciary is institutionally differentiated, but judges are hesitant to challenge powerful individuals. Moreover, the judiciary's functioning is restricted by corruption and a lack of resources. Especially in rural areas, legal cases are still dealt with by traditional elites – or not dealt with at all – simply as there are no functioning courts. The judiciary's functions are further restricted by the application of customary laws in tribal areas.

Independent
judiciary
4

However, the problem has been officially acknowledged and preparations to increase the independence of the judiciary started in November 2012, when the cabinet approved amendments to Law 1 of 1991. Also, the National Dialogue Conference is supposed to discuss the reform of the judiciary. Concrete steps have yet to be taken.

A Supreme National Authority for Combating Corruption (SNACC) was established in 2006, but was effectively blocked by a ministerial decree in January 2013 because a new board should have been elected in summer 2012. While there are legal reasons that might justify such a step, the cabinet does not have the mandate for it. Also, there are claims that the decree might have been triggered by SNACC investigations against members of the new government. By late January 2013, a new board is expected to be elected.

Prosecution of
office abuse
3

According to the SNACC website, the anti-corruption institution received 37 complaints and 75 notifications in the second quarter of 2012. Even if complaints are referred to the prosecution, this does not mean they will be addressed. In the past, very few cases actually ended up in court and even fewer cases were decided upon.

High-ranking public servants and politicians cannot be taken to court, as they are protected by Law 6 of 1995. However, public demands for the abolition of this law, which explicitly exempts high-ranking officeholders from prosecution and contradicts the United Nations Convention Against Corruption (UNCAC), are on the rise. As Yemen ratified the UNCAC in 2005 and finished a gap analysis in 2013, the basics for the legal prosecution of high-ranking officeholders might be discussed during the National Dialogue Conference.

Prosecuting in court those who have committed human rights violations, particularly in 2011, was impeded by a domestic immunity that was granted to the former president and his allies under the Gulf Cooperation Council initiative. The immunity law of January 2012, however, has been rejected by the U.N. High Commissioner for Human Rights.

Even before the 2011 protests, civil rights were only selectively protected. In Yemen, whether all citizens have the same civic rights is a matter of interpretation of Shari'ah. The 1994 amendments to the 1991 constitution restored Shari'ah as the sole source of legislation, which affects women (dozens of laws discriminate against women, such as the personal status law) and the country's small Jewish minority. The Muhammashin (Yemenis mainly of African origin, traditionally called Akhdam) are discriminated against without any legal basis.

Civil rights
3

So far, parliament has refused to set a minimum age for marriage, and while female lawyers and judges are allowed to work, women's access to legal institutions is limited due to traditional role models. Although the constitution reserves the presidential office for a male Muslim (it is the only public office to which such a condition applies), the committee that was responsible for the nomination of presidential candidates in 2006 accepted female candidates.

In addition to Shari'ah-based legal disadvantages, discrimination against women and minorities is related to shortcomings in the rule of law, the persistence of traditional roles and the struggle for dominance over limited resources. In 2011, the international

community sent a strong signal by awarding political activist Tawakkul Karman the Nobel Peace Prize.

Especially in 2011, there were major violations of civil rights by state and non-state actors. Only some are being prosecuted (such as the “Friday of Dignity trial”). The government also fails to protect children from child labor, child trafficking and underage marriage, and marginalized social groups from discrimination.

Moreover, an extraordinarily high number of human rights violations have occurred when violence is used against protesters, as well as part of the conflict in Sa’dah and amid the state’s clumsy attempts to fight al-Qaeda in the Arabian Peninsula (AQAP).

The Gulf Cooperation Council’s implementation mechanism provides for a transitional justice system, and preparations for an independent human rights commission are underway. Also, the government has started efforts to stop the recruitment of minors into security forces. As in similar cases, implementation is a challenging task for the government.

4 | Stability of Democratic Institutions

Some democratic institutions exist but they are subject to intervention and manipulation and have a number of shortcomings, including inadequate funding and a lack of qualified personnel. Frictions between and within government entities further reduce institutional efficiency. Recent examples include discussions over the transitional justice law and the general budget in 2012 – 2013.

Performance of democratic institutions

2

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 (this includes parliamentarians) for decades. As of early 2013, with parliamentary elections scheduled for 2014, the executive is the only power that can claim democratic legitimacy.

Commitment to democratic institutions

2

However, the acceptance of the executive’s democratic legitimacy is shaped by regional affiliation. In some regions of the south and Sa’dah, and to a lesser extent in Ta’izz, the legitimacy of the executive is questioned.

5 | Political and Social Integration

Though to some extent socially rooted, the party system that has developed since 1990 is still somewhat unstable. The political process is highly personalized; party membership often depends on clientelistic networks; and party programs play a subordinate role.

Party system

4

While fragmentation of the party system is low, little to nothing can be said on voter volatility, as there have been no parliamentary elections since 2003. Five parties are represented in the 301-member parliament, and most of the parties have fielded candidates in all three parliamentary elections since 1993. Polarization among opposition parties decreased after confrontations, which sometimes dissolved into deadly violence, in the early and mid-1990s. The leaders (and to a lesser extent the members) of the Yemeni Congregation for Reform (YCR, also “Islah,” which includes among other factions the Yemeni branch of the Muslim Brotherhood) and the Yemeni Socialist Party (YSP) found common ground in a joint reform program of five parties (Joint Meeting Parties, JMP) published in 2005 and coordinated activity in the 2006 presidential and municipal elections. While cooperation on the national level was smooth – apart from the fact that the late chairman of the YCR supported the incumbent president on a personal basis – coordination on the local level was poor, which in turn contributed to the success of the ruling party. From 2006 to 2011, opposition parties were constantly engaged in negotiations with the ruling party, without achieving any of their goals (e.g., reform of the electoral system). Their links with youth protesters who took to the streets in early 2011 appear to be rather weak, not least because a generational change at the parties’ leadership level is overdue. However, that YCR emerged as the dominant party in the protest movement became clear in April 2012, when they were able to segregate youth protesters according to gender in “Change” Square in Sana’a.

While polarization between the JMP and the ruling party peaked in summer 2011, the two groups found themselves as partners in the National Reconciliation Government in December 2011.

Despite some positive developments, the topography of interest groups is limited and important social interests are underrepresented. NGOs, in particular those concerned with human rights and corruption, have flourished and are more organized and differentiated than ever at the time of writing. Such interest groups are however almost entirely based in major cities, whereas three-fourths of the population lives in rural areas. There have been cases, though, where tribal people have approached human rights groups to complain about human rights violations committed by local dignitaries.

The Southern Movement (al-Hirak) is fragmented in terms of objectives, leadership and means. Objectives range from demands for a change of policies toward the southern provinces to separation from the north. Al-Hirak is a heterogeneous movement, and some disempowered politicians (ranging from Ali Salim al-Baidh to Tariq al-Fadhli) have been trying to exploit public discontent toward their own ends. 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

Interest groups
4

line between al-Hirak and al-Qaeda in the Arabian Peninsula (AQAP) to outside observers.

The new coalition government, supported by the international community and in particular the U.N. Special Envoy Jamal Ben Omar, is actively trying to involve representatives of as many interest groups as possible. However, given that many groups are organized in a way that does not allow them to identify representatives (such as the youth movement), these efforts have at times created additional conflicts.

According to a survey published in 2012 by the Arab Center for Research and Policy Studies, about 75% of Yemeni respondents believe that, despite shortcomings, democracy is better than other government systems. This is consistent with the results of previous polls, for example the Yemeni Polling Center in 2010, in which more than 75% of respondents believed that democracy is important for the development of the country, and more than 60% are convinced that democracy would be or at least partly be a solution to the country's problems.

More recent data is not available at the time of writing. Given however the data above and the advent of mass protests in 2011, one may conclude that the approval of democratic norms and procedures is still strong, at least among younger generations. The same cannot be said about other politically more influential groups, however.

There is a robust but 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. The fault line between north and south is still growing and since 2010, attacks on "northerners" living in the south have been reported. Political parties and NGOs can bridge regional gaps only to some extent. Generally, trust among the population seems to have decreased (yet there is no reliable data available).

Approval of
democracy
n/a

Social capital
2

II. Economic Transformation

6 | Level of Socioeconomic Development

Social exclusion is quantitatively and qualitatively extensive and structurally ingrained, mainly due to poverty, a general lack of education and gender-related income inequality. The majority of the population is excluded from market-based socioeconomic development. Most farmers live at a subsistence level, and large percentage of the workforce works in the informal sector. Malnutrition has reached unprecedented levels, and the gap between rich and poor is widening. The country's Gini coefficient, measured in 2005, was 37.7, compared to 33.4 in 1998. More recent

Question
Score

Socioeconomic
barriers
1

data is not available, as the last household budget survey was conducted in 2005 – 2006; the next survey will not take place before 2014.

According to the UNDP's Human Development Report 2013, Yemen ranks 160 of 186 states. In 2012, the U.N. Office for the Coordination of Humanitarian Affairs estimated that half of the population lives in extreme poverty, and thus does not have enough to eat.

Only 62% of the adult population above the age of 15 is literate. In the Social Institutions and Gender Index 2012, Yemen was ranked 83 of 86 countries.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	24581.9	31883.4	31724.6	35645.8
GDP growth	%	3.9	7.7	-10.5	0.1
Inflation (CPI)	%	5.4	11.2	16.4	17.3
Unemployment	%	14.6	-	-	-
Foreign direct investment	% of GDP	0.5	-0.3	-2.2	-
Export growth	%	-22.7	15.8	-	-
Import growth	%	-5.0	-6.8	-	-
Current account balance	\$ M	-2564.9	-1381.2	-1029.3	-
Public debt	% of GDP	49.9	40.9	43.2	46.7
External debt	\$ M	6734.2	6681.7	6417.7	-
Total debt service	\$ M	263.6	260.6	274.4	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	14.7	11.8	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.4	1.2	1.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	3.5	4.0

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Market competition operates under a weak institutional framework. The informal sector is substantial, and the state intervenes in and controls strategic sectors (such as transportation, telecommunications, refineries and media). Gas prices are subsidized on a massive scale, leading to regular shortages at filling stations, especially since 2011. Enterprises within the public and mixed sector (for example, the Yemeni Economic Corporation) are estimated to make up about one-fourth of the country's larger companies. They have played a sometimes opaque role, especially those that were controlled by relatives or in-laws of former President Salih.

Market-based
competition
4

Progress achieved before 2011 came to a halt due to the de facto paralysis of state institutions in 2011. However, the Yemeni rial was floated in the mid-1990s, and while there is a minor gap between the official and unofficial exchange rate, it is still freely convertible. Also, issues related to market-based competition have returned to the agenda in 2012, in the form of discussions over restrictions in the telecommunications law.

In the World Bank's Doing Business Index 2013, Yemen lost further ground and was ranked 118 of 185 (a drop of 17 points compared to the previous year). The country's rankings in different sections of the index varied widely, however: from 45 ("enforcing contracts") to 167 ("getting credit"). On the indicator "freedom to invest" of the Heritage Foundation's 2013 Index of Economic Freedom, Yemen was ranked 100 (of 185 countries) with a score of 50.0; though this is a slight improvement on the 2012 ranking (score 45, rank 106), it is still below the 2013 world average score of 52.2.

Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception, and called for the formation of the Competition Protection and Monopoly Prevention Organization to assure compliance with rules. The organization is attached to the Ministry of Industry and Trade, and chaired by the minister. On 2 January 2013, Executive Director Shukri al-Absi criticized existing monopolistic structures in basic food industries, such as in wheat, flour and especially in sugar, where five large companies have an import and sale oligopoly.

Anti-monopoly
policy
3

While state companies – which might be excluded from Decree 19 regulations – dominate several business sectors (including banking, media, transportation and communications), the private airline operator Felix Airways (however partly owned by Yemenia Airways) started operations in Yemen in 2008, mainly serving destinations on the Arabian peninsula. There is no monopoly over mobile phone or Internet services.

Yet often what is written as law does not reflect reality. Yemen's patronage system during the Salih regime led to a situation where tribal and military elites were systematically favored over business, technocratic and political party elites.

Yemen applied for WTO membership in April 2000 and has since implemented a liberal economic policy. The government has liberalized foreign trade and reduced tariffs. However, the country still boycotts goods and services coming from Israel, and some non-tariff barriers continue to exist.

Liberalization of
foreign trade
6

Yemen's accession to WTO was blocked due to prolonged negotiations with Ukraine until July 2012, when an agreement was reportedly reached and accession was expected by late 2012. By early 2013, the issue was still pending.

Regionally, Yemen in 2002 became a member of the Greater Arab Free Trade Area (GAFTA). Negotiations over membership in the Gulf Cooperation Council (GCC) as a dominant regional free trade area are since 2005 ongoing. While talks are expected to be successfully finalized in 2015, this timeline appears unrealistic.

According to Yemen's Central Statistical Organization in 2009, 19 exchange companies, 18 Yemeni and international commercial and Islamic banks (some very small) and 17 insurance corporations and pension funds were operating in Yemen. Moreover, in 2007, the first microfinance bank was established, and a leasing law was introduced. Although having been discussed for some years, a stock exchange has not yet been established. The banking sector is burdened with non-performing loans but still dominates the financial sector, which is considered generally underdeveloped (reportedly only 4% of Yemenis have a bank account).

Banking system
4

In late 2012, the Central Bank of Yemen – in its function as a banking supervisory organization – was reported to have blacklisted more than 500 clients, including companies and institutions, who had failed to meet their financial obligations. Commercial banks also find it difficult to collect debts up to \$500 million. The Central Bank is perceived as relatively independent in political, economic and financial terms, especially when compared to regional standards.

Accordingly, getting credit in Yemen is very difficult. In the respective section of the 2013 World Bank's Doing Business Index, Yemen was ranked 167 of 185 countries.

8 | Currency and Price Stability

A revival of economic growth in general is among the priorities of the National Reconciliation Government during the review period. This includes issues such as an appropriate foreign exchange policy or controlling inflation only however to a limited extent. Due to a low savings rate and the cash-based nature of the Yemeni economy, the instruments available to the Yemeni government are limited. The new

Anti-inflation /
forex policy
2

government needs to achieve short-term goals, such as meet the most urgent demands of the people, and there is no discussion about a further reduction of subsidies.

Since the mid-1990s the Yemeni rial has been freely convertible. Though it has dropped from YER 20 to approximately YER 215 against the U.S. dollar since then, the rial has been stable for several years. However, since 2010 the Central Bank had to intervene several times, resulting in a serious decline of foreign reserves. By late 2013, the Economic Intelligence Unit expects reserves to decline to approximately 1.3 months of imports over the following years, despite information that Saudi Arabia would transfer \$1 billion to the Yemeni Central Bank.

According to most data, after inflation rose to nearly 20% in 2011, it is estimated to have decreased significantly in 2012.

For many years, international financial institutions (IFI) kept pressure on a reluctant government to follow an economic stability policy (including the cutting of subsidies and lowering salaries in the public sector) to decrease the rate of inflation and the fiscal deficit. While macroeconomic data was kept stable (such as external debt) or even improved (such as the current account balance) over time, this policy did not have a positive impact on the population and did not pay off for the government, as it was likely one of the underlying causes for the political upheaval in 2011. Public finances are in a disastrous state, making the constant provision of essential goods, such as gas, difficult. In 2011, only “super” gasoline was temporarily available at petrol stations; in April 2012, “super” gasoline was taken from the market and regular gasoline re-introduced.

Given the current focus on short-term political stability, macroeconomic data is not expected to improve under the government at the time of writing.

Macrostability
4

9 | Private Property

The law formally defines property rights and regulates the acquisition of property. In late 2007, the General Investment Authority (GIA) proposed a new investment draft law that was issued in 2010. Registering property in Yemen is comparatively easy, according to the World Bank’s Doing Business Index. However, a lack of documentation, complaints about fraud, and the constant and sometimes violent struggles over landownership indicate severe problems and have negative repercussions on the country’s investment climate.

The problem is compounded by corruption in the judiciary, which renders efforts to settle disputes over property rights futile.

Property rights
3

One of the issues that led to the rise of the southern al-Hirak movement was the arbitrary confiscation of southern lands by the Salih regime, lands that were then given to regime loyalists.

In general, state institutions are not in control of property rights, and the concept of intellectual property rights (as guaranteed by the investment law) is basically unheard of. Discussions over a new law to regulate intellectual property rights are underway at the time of writing, but may not be addressed before 2014.

The public sector is not very effective and often troubled. The World Bank's Public Sector Management and Institutions Cluster average, as part of its annual Country Policy and Institutional Assessment (CPIA), in Yemen was 2.90 in 2011 (where 1 is low and 6 is high). 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). While the legal requirement for a foreign business to have a Yemeni partner, as well as other legal constraints, have been abolished (Law 1 of 2008), economic, political and social barriers to business development remain. Key issues include deficiencies in infrastructure, a culture of corruption and a shortage in qualified workers. International companies dominate 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.

Private enterprise
6

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.

10 | Welfare Regime

Public expenditures toward social safety nets are very low. A modest social insurance system covers mainly civil servants. Support for the elderly, the ill and the unemployed is generally provided by family, tribe and village structures or private welfare organizations – if and where they exist. The World Bank and other donors set up a Social Fund for Development (SFD) in 1997, which entered its third phase in 2005 and aims to reach 40% of Yemen's poor with basic services. The first poverty reduction program was started in 2003. Foreign donors support both projects because state capacity in providing social services is weak, policies of different ministries are uncoordinated and monitoring systems are weak or missing. The fact that the majority of Yemen's poor live in remote villages while decentralization has been slow, makes providing basic social services an arduous task.

Social safety nets
2

There are few institutions to compensate for gross social differences based on poverty, gender and social status. The Muhammashin (previously called Akhdam or Yemenis of mainly African origin) as a disenfranchised group is still mostly employed in doing menial tasks and very often has no access to basic public services.

Equal opportunity
3

Girls' school enrollment is on the rise, but still less than half of Yemeni girls attend school. Women are underrepresented in the private and public sectors, especially in high government offices. There is only one female parliamentarian and three female ministers. 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 government, donors and Yemeni NGOs are working to improve the situation, but increasing poverty does not allow many parents to pay 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 the more likely candidates to be sent to school. However, boys' school enrollment is not sufficient either (80%) and must not be ignored.

11 | Economic Performance

The escalation of political conflicts has had negative effects on Yemen's poorly developed economy. Acts of sabotage of the oil and gas pipelines and the electricity grid were regular occurrences throughout 2011 and 2012, and losses as a result were estimated at \$500 million in 2012 alone. However, overall oil and gas exports were little affected, surprisingly. Hence, the currency remained remarkably stable, but as a result of the central bank's stabilization measures, foreign currency reserves reached an all-time low. Inflation rose to about 20% in 2011, but decreased measurably in 2012. Estimates range between a "normal" 10% to 12% and single digit rates. Unemployment, although no reliable data are available, reached an all-time high, also affected by a reverse trend in foreign direct investment, of -2.1% of GDP in 2011. GDP, after reaching \$33.8 billion in 2011 (equal to per capita GDP of \$2,300) contracted by 10.5% in 2012, but is expected to stabilize at around 3% in coming years.

Output strength
2

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 governmental institutions concerned themselves with environmental issues. 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

Environmental
policy
3

(OPRC) and the OPRC-Hazardous and Noxious Substances (HNS) Protocol. Yemen has an environmental protection strategy as well as an Environmental Protection Agency.

Nevertheless, Yemen ranks only 127 of 132 countries in the Environmental Performance Index of 2012. In general, environmentally supportable growth receives only occasional consideration. Public awareness of environmental issues is generally low (except by those who already suffer from the effects of environmental degradation). This is particularly evident in the water sector, where existing resources are constantly overtaxed and lack any decisive structural intervention. About 90% of available water is used in agriculture, although approximately 90% of wheat and 100% of rice consumed in Yemen has to be imported. The extensive cultivation of the khat plant (a stimulant chewed by a large part of the population) puts additional strain on the scarce water resources. Sporadic government intervention to replace khat with other cash crops has not produced any measurable results.

Despite increasing urbanization, many Yemenis have not yet adjusted their attitudes toward their new environment.

Since the 1970s, modern institutions for education and training have been established (earlier in the People's Democratic Republic of Yemen, or PDRY), but as enrollment ratios indicate, these institutions are not accessible to a large share of the population, especially those in rural areas.

No data on public research and technology expenditure is available. The number of private education institutions is on the rise, but research and development facilities are still almost nonexistent. In the face of Yemen's rampant population growth, educational institutions at all levels – despite substantial investment – are hopelessly overburdened. In 2011 and 2012, schools were used to accommodate refugees (internally displaced persons) or soldiers. Salaries for teachers are low and many need a second job to support their families. According to Yemen's Central Statistical Organization, only about 23,000 students graduated from public universities in 2008 – 2009, along with a little more than 5,000 students from private universities. There are vocational training centers, but they are not able to meet demand. As a result, the quality of education in Yemen is low and does not meet the market demands of skilled labor.

Education policy /
R&D
3

Transformation Management

I. Level of Difficulty

Many factors put high structural constraints on governance: poverty, a high birth rate, a shortage of educated workers, tensions among tribes and between tribes and the government and severe infrastructure deficiencies. What's more, a majority of the population lives in small and scattered settlements that cannot be easily reached or accommodated with basic infrastructure. Moreover, the Yemeni economy is highly vulnerable due to its dependence on hydrocarbon exports.

Structural
constraints
9

Regional conflicts and state failures like in Somalia also affect Yemen economically and politically. Not only have Somali pirates captured Yemeni ships, but, more importantly, piracy at the Horn of Africa affects Yemen's ports as it makes the Red Sea shipping route less attractive for international shipping agencies. Also related to regional conflicts, Yemen – one of the least-developed countries in the world – has to cope with rising numbers of East African refugees. According to U.N. Office for the Coordination of Humanitarian Affairs figures for 2011 and 2012, more than 100,000 Ethiopians, Somalis and Eritreans come to Yemen every year. Risking the passage across the Red Sea and hoping to move on to more prosperous countries such as Saudi Arabia, most of them get stranded in Yemen.

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 General People's Congress (GPC) in the early 1980s. 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 focus on issues such as combating corruption and educating the public about human rights, women's rights and press freedom. Many of these have very limited or no appeal to the general public and are dependent on international donor organizations. Some as well should be considered enterprises, as they often suffer from a shortage of funding and skills or are subject to manipulation by powerful individuals and political parties. Despite all this, many civil society activists are highly committed and several NGOs have been actively involved in anti-government protests for years. Their activists were among the groups of protesters who finally ousted President Ali Abdallah Salih in 2011.

Civil society
traditions
6

Conflict intensity reached a peak in Yemen in the spring and summer of 2011. Hundreds of protesters were killed, more than 50 individuals on the so-called Friday of Dignity in March 2011 alone. In June 2011, unknown assailants tried to assassinate former President Salih, injuring him severely and killing several high-ranking politicians in the process.

Conflict intensity
9

Throughout 2012 conflict intensity remained high. Fights between tribes and clashes between security forces and various militant groups continued, and dozens of security personnel were assassinated. In addition, several suicide attacks killed dozens of soldiers in May 2012 and students of the police academy in July 2012; there were also assassination attempts on high-ranking politicians, such as the ministers of defense, transportation and information, as well as the secretary-general of the Yemeni Socialist Party.

II. Management Performance

14 | Steering Capability

Question
Score

The government at the time of writing has clearly identified its short- and mid-term priorities in the Transitional Plan for Stabilization and Development 2012 – 2014 (TPSD). Whether the government is capable of defending these priorities against the short-term interests of political groups remains to be seen.

Prioritization
4

While the donor community has appeared to shift its focus from security toward economic issues, military spending is likely to remain high in the near future.

On the one hand, measurable progress has been achieved with regard to the Implementation Mechanism of the Gulf Cooperation Council. On the other hand, this progress was related to the work of the president and international support, and not to the government cabinet. Also, by early 2013, the Transitional Program for Stabilization and Development 2012 – 2014 had not measurably improved the general situation of the Yemeni population.

Implementation
3

Due to the fragile nature of the government coalition, the appeasement and integration of political groups might take priority over strategic priorities and impede the implementation of policies.

Given the complex political situation and the recent appointment of the government at the time of writing (in comparison to the previous administration), no definite statements about policy learning can be made. By early 2013, the record appeared mixed. Women and youth are still excluded from decision-making positions.

Policy learning
4

President Hadi seems to be repeating the mistakes of his predecessor by preferably recruiting officials from his home region, Abyan. On the other hand, attempts at monitoring the Transitional Program for Stabilization and Development, donor pledges that are made and an inclusive approach toward Huthi and Hiraq issues are visible.

15 | Resource Efficiency

So far, the focus of the new government has been on restructuring the security apparatus, and only some members of top-ranking public sector institutions have been changed. Many of the existing problems (such as a bloated bureaucracy, a lack of coordination within and among ministries, recruitment based on patronage and political loyalty) are likely to prevail for some time. Public finances are in a disastrous state. In 2011, Yemen was repeatedly unable to pay for imports, especially oil; neighboring countries then agreed to deliver oil free of charge.

Efficient use of
assets

3

There are fresh attempts to coordinate between conflictive objectives and efforts to coordinate policies of different ministries, but friction among different members of the coalition government is obvious. During the last months of the Salih regime, friction within the government resulted with the dismissal of several officials by then-Vice President Abdu Rabbu Mansour Hadi in December 2011.

Policy
coordination

3

Corruption was one of the triggers of the youth revolution of 2011 as a culture of corruption hindered development and caused a widespread feeling among the populace that they were not getting an adequate share of what little there was to be had.

Anti-corruption
policy

4

For many years, state resources were distributed via patronage networks, for example in the construction sector. Donors were already sensitive to the problem of corruption and informal politics in the mid-2000s. They increased pressure on the Yemeni government, and the Yemeni government responded with numerous initiatives: the ratification of the U.N. Convention against Corruption (UNCAC) in 2005, Yemen's first anti-corruption law in 2006, the establishment of the Supreme National Authority for Combating Corruption (SNACC) in 2007, and efforts to join the Extractive Industries Transparency Initiative (EITI). In 2010, Yemen became the first Middle Eastern country to publish an EITI report (covering 2005 – 2007). The government also introduced a biometric identity system aimed at identifying nonexistent employees ("ghost workers" who collect salaries) in the public sector and issued a financial disclosure law for government officials, including the president and other high-ranking politicians. However, according to Law 5 of 1996, politicians are exempted from prosecution. As of 2013, governmental anti-corruption bodies and civil society organizations have openly called for abolishing this law.

In 2012, Yemen was re-acknowledged as a compliant member at the EITI, a status temporarily suspended since June 2011. However, by 31 December 2012, Yemen had failed to report for 2008 and 2009, thus risking suspension. Meanwhile, in 2013, Yemen completed an UNCAC gap analysis.

Nevertheless, and despite some donor engagement, governmental and non-governmental anti-corruption bodies are still too weak to take on cases involving powerful families. Moreover, the unclear legal status of SNACC since summer 2012 seriously impedes anti-corruption efforts.

16 | Consensus-Building

There is a rudimentary consensus among major political actors on the formal level – government parties and NGOs – as to the value of a market economy and democracy. However, established political power holders with vested business interests do not seem eager to put their positions at risk. More than once individuals, especially within the security apparatus, only accepted their dismissal after the direct intervention of the U.N. special envoy in 2012.

Consensus on goals

5

Many youth protesters are not satisfied with the current political compromise and are still demanding the accountability of the former regime. However, the experience of failed consensus-building in the early 1990s has left a lingering distrust of “uncontrolled democracy,” not only among the military and tribal elites but also among government officials and technocrats, most of who were also employed under the regime of Ali Abdallah Salih.

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. As the new president is still challenged by members of the former political and military elite, this situation has not changed under the new government.

Anti-democratic actors

2

It will take a long time combined with prudent policies to overcome the cleavages that many observers believe kept former President Salih in power for more than 30 years. During the Salih era, the political leadership was frequently party to violent tribal clashes or even provoked them, as was the case with the Zaidi rebels in the northern governorates, where the government engaged pro-government tribesmen.

Cleavage / conflict management

4

Moreover, the war between the north and south in 1994, as well as the heavy-handed government policy thereafter, left part of the southern population with the impression of being “colonized by the north.” Southern protests against discrimination by the “northern” government gained a new quality in 2007, and since then, support for southern secession has increased. The difficulties in preparing for the National

Dialogue Conference in 2012 and 2013 have brought to light how deep anti-northern feelings run.

Cleavages within the ruling coalition intensified in the mid-2000s. In particular, Ali Abdallah Salih's apparent effort to groom his son Ahmad as his successor alienated long-term tribal allies as well as members of the president's own family or tribe occupying high positions in the Yemeni military, most notably an increasing number of members of the Shaikh al-Ahmar family and the former commander of the Northwest Military Region Ali Muhsin Salih al-Ahmar (who is not related to the Shaikh al-Ahmar family, but like the former president, is from the al-Ahmar village of the Sanhan tribe). Ali Muhsin, who as leader of the First Armored Division declared his support of the protesters after the "Friday of Dignity" in March 2011, remains one of the most powerful political players in Yemen and allegedly maintains close contacts with radical Sunni Islamists. While he declared his support for the protesters in March 2011, his relationship with President Hadi is said to have become difficult in late 2012.

Political parties can bridge regional cleavages only to a limited extent. The former single party of the People's Democratic Republic of Yemen (PDRY), the Yemeni Socialist Party, never gained substantial support in the north. Thus, though the General People's Congress (GPC) and Yemeni Congregation for Reform (YCR) have gained strength in the southern part of the country, the Yemeni Socialist Party (YSP) can claim only to represent the interests of the south, and even this claim is arguably weak. All the same, cooperation between YSP and YCR has intensified in recent years, showing that neither regional nor ideological cleavages are insurmountable in Yemen. The extent to which the former political leadership was involved in shaping the opposition coalition of Islamists and Socialists in order to ease integration of the former PDRY is a matter of speculation. It should be noted, however, that such a strategy would have run counter to the former president's usual divide-and-rule approach.

It remains to be seen whether President Hadi is in a position to depolarize cleavage-based conflicts. The approach to set up popular committees – militias – against AQAP and Ansar al-Shari'ah, as well as allegations that Hadi favors his home region Abyan, contradict his efforts to integrate as many political actors as possible into the National Dialogue Conference.

Under the Gulf Cooperation Council implementation mechanism, the government is bound to take the input of civil society actors into consideration. NGOs are one group that is to be represented in the National Dialogue Conference, and are allocated 40 out of 565 seats. However, in many public institutions, resistance against involving too many stakeholders in decision-making can still be noted. The understanding that civil society has a role in good governance is still very limited, even among otherwise rather reform-minded and high-ranking officials.

Nevertheless, influential civil society actors have played a significant role in the Technical Committee, assigned with the preparation for the National Dialogue Conference; despite the president's interference at a later stage in appointing new members to the committee (some suggested the move was meant to tip the balance against these civil society actors).

The coalition government, as bound by the Gulf Cooperation Council (GCC) implementation mechanism, at least officially recognizes the need to deal with historical events perceived as acts of injustice. However, because all major parties are represented in the coalition, there is no agreement over which events need to be dealt with. The most recent example is the discussion over the transitional justice law of 2012 – 2013. After the cabinet had refused the draft law submitted by the minister of legal affairs (of the Yemeni Socialist Party, YSP) several times, he submitted the draft to the president. However, the draft law presented by the speaker of parliament to the plenary was a different text. In contrast to the YSP draft, the new draft – attributed to the General People's Congress – does not consider pre-2011 events. It is thus not dealing with post-1994 events that have upset the southern political and military elite as well as major parts of the population in the former People's Democratic Republic of Yemen. No decision had been taken by early 2013.

Moreover, there is conflict between the GCC agreement covering the immunity law (immunity for former President Salih and his aides) of January 2012 on the one hand, and the U.N. Security Council Resolution 2014 (of 2011) demanding investigation of human rights violations on the other hand.

Efforts to reconcile with the Huthi family, however, appear to be making progress. In early 2013 the government returned the body of Husain al-Huthi, who was killed in 2004, to the Huthi family. In addition, while President Hadi has ordered the release of all political detainees arrested in 2011, his orders had not been fully implemented by early 2013.

17 | International Cooperation

Overall, the Yemeni political leadership has sought to make use of international assistance, especially since the Gulf Cooperation Council initiative was signed.

In the past, collaboration with bilateral and multilateral donors in the civil sector was not well-coordinated, and the state was not able to absorb the aid that was allocated to it. Despite belonging to a group of least-developed countries, development aid per capita is still low. During a donor conference in November 2006, nearly \$5 billion in aid, grants and loans were pledged to support Yemen's third Development Plan for Poverty Reduction for 2006 – 2010. Reportedly only about 10% of this had been disbursed by early 2011. Donor conferences in Riyadh and in New York in

Reconciliation

6

Effective use of support

6

September 2012 brought even higher pledges, and the new government seems determined to avoid the mistakes of its predecessor. It remains to be seen if the Transitional Plan for Stabilization and Development 2012 – 2014 can be implemented or will be shelved like its predecessor, the fourth Development Plan for Poverty Reduction 2011 – 2015, as soon as implementation was able to start.

Yemen's political leadership has actively and successfully built and expanded upon a large number of cooperative international relationships. According to WikiLeaks, however, former President Ali Abdallah Salih tried to use the U.S. and Saudi governments to weaken his competitor Ali Muhsin al-Ahmar and to raise political rents by exaggerating the terrorist threat to support his own networks. By early 2011 he had lost much of his credibility, which might explain the lack of support he received from his former allies.

Credibility
7

While Salih's credibility was tarnished, his successor President Hadi has so far presented himself as a reliable partner to the international community. He enjoys broad international support, from the United States, the European Union and the Gulf Cooperation Council states as well as from the Japanese and Turkish governments. The United Nations appointed a special envoy and the U.N. Security Council has passed several resolutions to support Yemen's transition process.

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, the country's past and current political leadership promotes regional and international integration. Yemen is also a signatory to the "Djibouti Code of Conduct," a regional initiative to fight piracy at the Horn of Africa.

Regional
cooperation
9

Yemen's long-term efforts to gain admittance to the GCC, however, have produced only limited results. In the absence of a comprehensive arrangement for Yemeni labor migrants to enter GCC states legally, illegal migration – especially to Saudi Arabia – continues to cause problems for both Yemeni and Saudi governments. However, this issue does not affect bilateral relations. In 2012, Saudi Arabia (as well as the United Arab Emirates) provided oil and fuel to Yemen when Yemen suffered from severe energy shortages. In 2013, Saudi Arabia transferred \$1 billion to Yemen's central bank, and additional aid pledges made by GCC countries are substantial.

Security cooperation with Saudi Arabia has intensified. Whether Saudi airplanes really have been deployed to attack militants on Yemeni territory however is unclear. The Saudi foreign minister denied reports; it is possible that the information was spread to undermine the current government.

Relations with Iran are strained at times, as Yemen accuses Iran in supporting the Huthi rebellion and southern separatism, while relations with Turkey have reached an unprecedented high.

Strategic Outlook

For many years, Yemen has been discussed as an example of a failing state that yet still refuses to fail completely. The impact of the Arab Spring however has brought the country close to civil war. While a technocratic approach is needed to address the country's many problems, there are indications that those who brought about change are being sidelined, in particular youth and women. This bears the risk that frustration and anger among those who feel excluded from political decisions and material benefits will reach a new peak.

Thus, the key to the political and economic future of Yemen is the management performance of any new government. However, the need to include as many political forces as possible might reflect negatively on the composition and thus performance of public administration.

Now in the spotlight after a long period of neglect, Yemen is finding international attention to be a double-edged sword. On the one hand, international actors' hasty decisions and clumsy measures in the fight against militants can further aggravate the situation as it undermines the government's legitimacy. On the other hand, international attention obviously encourages reform-oriented bureaucrats, benefits the cause of state-building and potentially strengthens civil society and the private sector. However, there is a risk that regional events (Syria, Iran, the Middle East conflict) will distract international attention and development organizations from Yemen at a critical moment.

Despite shortcomings and setbacks, democratic elements have spread and taken root within a short time in a fairly authoritarian regional setting. Rising literacy rates among the younger generations, increasing proficiency among Yemeni journalists, networking between Yemeni and international NGOs, and increasing access to the Internet have all served to stimulate democratization. Decentralization or even federalism is back on the political agenda, and while the council of ministers is highly polarized, governmental in-fighting might have a positive side effect as heads of different governmental institutions have to compete for public support. The Gulf Cooperation Council monarchies have developed a more cooperative and constructive way of engaging with the only republic on the Arabian peninsula. Many potential spoilers of the transformation process have lost their funding or are at risk to have their assets confiscated.

However, fundamental shortcomings remain, including a weak national economy and ineffective administration, high population growth, clientelism and unresolved domestic power struggles. These cannot be dealt with quickly. The structural flaws of Yemen's economy will persist in the intermediate future as oil production – though declining – is secured for some time, and the marketing of gas reserves continues. However, even higher oil and gas prices at current production levels will not allow the demands of a rapidly growing population to be accommodated.

External factors, particularly transnational terrorism, piracy in the Gulf of Aden, economic problems combined with high youth unemployment rates in the Gulf Cooperation Council states

and regional unrest may affect investment in and economic aid to Yemen. Global economic and political developments in the Middle East and at the Horn of Africa thus have repercussions on Yemen's economy and society. In short, Yemen will remain dependent on financial and technical support from the donor community.

In contrast to neighboring Gulf monarchies, the traditional shortage of state services in Yemen has kept its population rather self-reliant. Nevertheless, any Yemeni government must address the problems of the rural population, much of which is excluded from the formal sector and lives according to tribal or customary rules that are much more deeply entrenched than state law. There is a growing sense of inequality within the population, not so much in legal but in economic and political terms. This was the underlying cause of the massive protests of 2011. Protests continue, taking distinct forms in urban and rural and in tribal and non-tribal areas, and might lead to some kind of unofficial autonomy in some governorates, most obviously in Sa'dah.

Key strategic tasks are difficult to identify because the challenges are so numerous. Priority should be given to issues related to inequality, such as by investing more in reproductive health and family planning, female education and the educational system in general rather than in the security apparatus and in military equipment.

Continued efforts should be made to increase transparency, deepen decentralization, strengthen the non-oil sector (in particular the agriculture/food sector) and improve water management (particularly for khat production).

While so far the new government has responded in a more responsible fashion to public protests than its predecessor, there is absolutely no certainty that it can muster the creative management skills necessary to accomplish these tasks. However, under current regional and economic conditions, more protests are to be expected, and the country might fall apart if policy does not gain in flexibility.