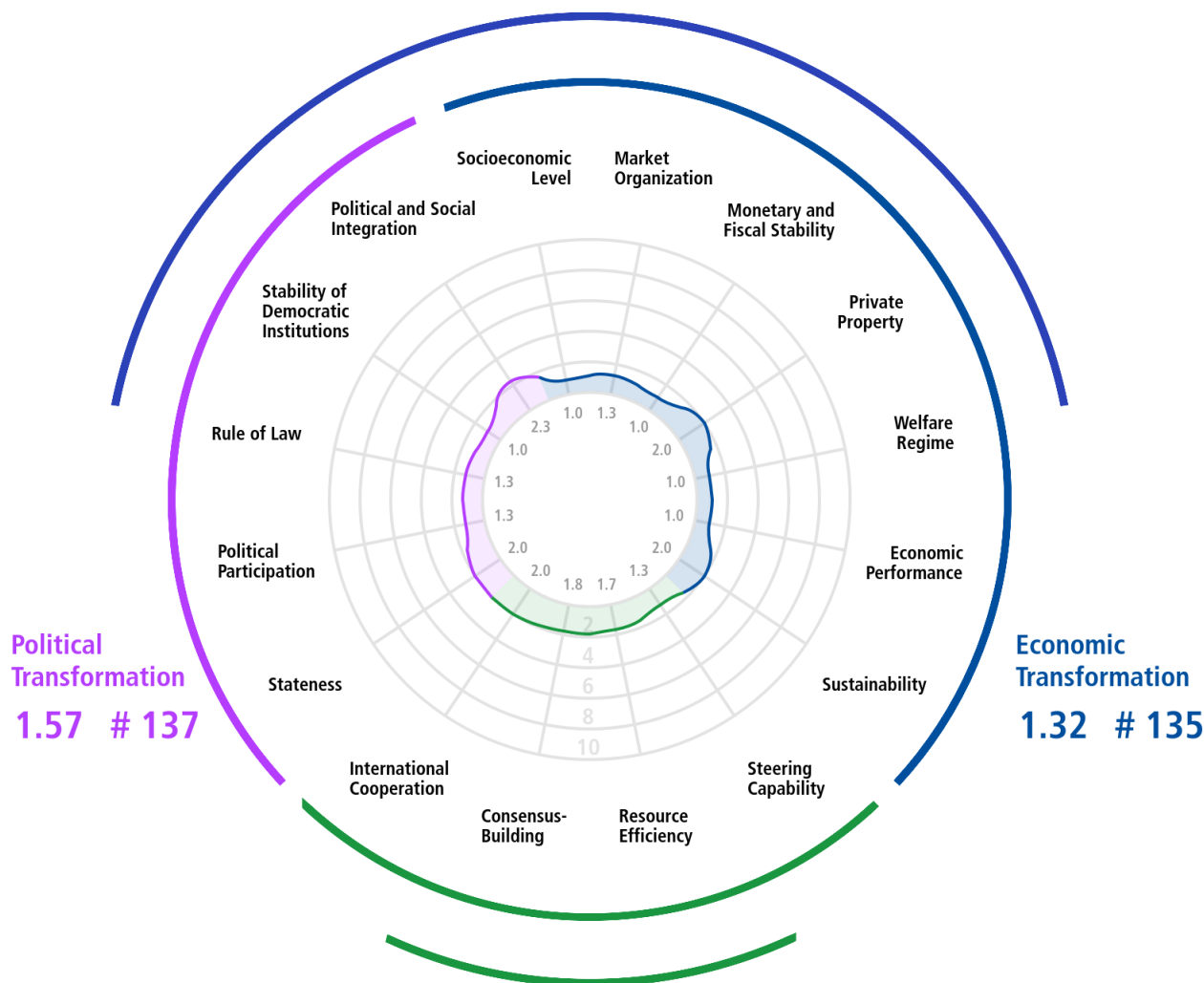


Yemen

Status Index

1.44 # 137

on 1-10 scale out of 137



Governance Index

1.66 # 130

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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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Key Indicators

Population	M	33.7	HDI	0.455	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	2.1	HDI rank of 189	183	Gini Index	36.7
Life expectancy	years	63.8	UN Education Index	0.359	Poverty ³	% 54.4
Urban population	%	39.2	Gender inequality ²	0.820	Aid per capita \$	117.3

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The internationally recognized government (IRG) lost control of the majority of the population of the Republic of Yemen years ago. Numerous political groups, as well as militant Islamist organizations and militias – some of which are sponsored by members of the Saudi-led coalition (SLC) that former President Abdrabbuh Mansur Hadi requested assistance from in 2015 – have assumed control.

Fragmentation of the state apparatus is progressing. Institutions such as the government administration, parliament, central bank and even the currency are being duplicated or divided between Ansar Allah (Partisans of God, led by the Huthi family), the IRG and its formal component, the Southern Transitional Council (STC).

Ansar Allah's attempts to gain control of the oil and gas fields in Marib in 2021 led to heavy fighting and the displacement of several thousand people, including internally displaced persons (IDPs) who had sought refuge in Marib. Without access to the country's hydrocarbon resources, Ansar Allah resorted to highly creative methods of taxation, confiscation and embezzlement of humanitarian aid to finance its operations. Ironically, Ansar Allah implemented several reforms that the International Financial Institutions (World Bank and International Monetary Fund, IFIs) had long demanded: the abolition of subsidies, expansion of the tax base and stabilization of the currency. Despite claiming the moral high ground in Yemen and internationally, Ansar Allah's leadership increasingly faces allegations of extortion, kidnapping and sexual violence perpetrated by its leaders and supporters.

While the IRG, Ansar Allah and the STC play the blame game, 24.3 million people (out of 34 million) need humanitarian assistance, and 4.3 million have been displaced since 2015. Despite a Saudi-sponsored formal agreement between several parties to the conflict to form a Presidential Leadership Council (PLC) in April 2022, infighting within the anti-Ansar Allah alliance continued. The head of the PLC, Rashad al-Alimi, has started to organize yet another military

force, the Nation Shield Forces. Meanwhile, Ansar Allah attacked oil installations and launched missile and drone attacks against Saudi Arabia and the UAE.

The World Bank estimated reconstruction costs at \$20 to \$25 billion in 2020. GDP growth is negative, inflation is high and poverty is rampant. Political violence, malnutrition and diseases such as malaria, cholera and dengue fever plague the Yemeni population, with only half of the country's health facilities operational.

Despite substantial civic engagement and donor-funded trainings for NGOs (mostly pre-2015), the capacity of civil society remains low due to the suffocating political and security contexts and weak cross-regional networks. While human rights violations are widespread and sexualized violence is increasing, the U.N. Human Rights Council refused to extend the mandate of the Group of Eminent Experts (GEE) in 2021.

On the positive side, some U.N. interventions have yielded positive results. The prisoners exchange, which was agreed upon in Stockholm in 2018, was successfully implemented, and preparations are underway for another exchange. The two-month truce that began in April 2022 was extended until October 2022, and even afterward, the Office of the Special Envoy of the Secretary-General for Yemen (OSEGY) noted the "absence of large-scale fighting." Negotiations for another truce were ongoing in early 2023. The Southern Transitional Council (STC) formed a delicate alliance with the internationally recognized government (IRG) by signing the Riyadh Agreement in 2019. As part of this agreement, the STC joined the cabinet and the Presidential Leadership Council, although it did not disarm its militias. Furthermore, efforts are underway to address the urgent issue of the ailing Safer oil tanker, which contains over a million barrels of crude oil that could potentially spill into the Red Sea at any moment.

Governance in Yemen mostly relies on commitments among individuals and on agreements between social and political actors rather than state institutions. While this has contributed to the current crisis, it also makes Yemeni society more resilient during periods without a government.

History and Characteristics of Transformation

The Republic of Yemen (RoY) emerged in 1990 from the unification of the former Yemen Arab Republic (YAR, North Yemen) and the People's Democratic Republic of Yemen (PDRY, South Yemen). The initial years of the RoY were marked by previously unseen freedom of the press, a constitutional referendum, a multiparty system and elections. However, economic pressure and power struggles between the Yemeni Socialist Party – South (YSP) and the General People's Congress – North (GPC) as well as the newly formed conservative-Islamist Yemeni Congregation for Reform (YCR), also known as al-Islah, increasingly threatened the nascent democratic framework.

In May 1994, the two former state leaders entered into open warfare, with the northern one emerging victorious in July 1994. The postwar coalition government of the GPC and al-Islah immediately amended the constitution, erasing many political and personal freedoms.

The YSP boycotted the 1997 elections, which gave the GPC an absolute majority. Al-Islah thus became the dominant opposition party but rarely challenged the GPC. Incumbent President Ali Abdullah Salih, who had been in office as the north's president since 1978, overwhelmingly won the first direct presidential election in 1999.

After the GPC had further consolidated its absolute power with a sweeping victory in the 2003 (and last) parliamentary elections, the Huthi family in northern Sa'dah started an on-and-off rebellion. This rebellion was triggered by economic and political marginalization, as well as the spread of Saudi-sponsored Wahhabism. The spread of this ideology threatened the social status of families claiming descent from the Prophet Muhammad. Meanwhile, the opposition (al-Islah, YSP and some smaller parties) succeeded in developing a common platform. This limited the regime's ability to play these groups against each other.

The opposition negotiated with the government, after Salih's re-election as president in 2006, to postpone parliamentary elections until April 2011. However, by January 2011, this dialogue had officially failed as the GPC once again submitted wide-ranging constitutional amendments to parliament.

Sluggish political and economic transformations contributed to the Yemeni Youth protests that began in January 2011 and put immense pressure on Salih. His heavy-handedness with protesters and his efforts to outwit his opponents and the international community backfired. After the U.N. Security Council (UNSC) passed Resolution 2014, Salih formally accepted the Gulf Cooperation Council (GCC) Initiative and its Implementation Mechanism, which was supposed to steer the transition period. After being granted legal immunity, Salif handed over presidential powers to Vice President Abdrabbuh Mansur Hadi on November 22, 2011. The GPC formed a coalition government with al-Islah, which had joined, manipulated and then hijacked the popular protests.

While the first phase (90 days) of the transition ran relatively smoothly, the second phase, which was supposed to conclude with elections in February 2014, experienced delays. A National Dialogue Conference (NDC), lasting for a period of 10 months, generated a total of 1,800 recommendations. However, influential members of the southern Hirak movement boycotted the NDC and refused to accept a six-region federation – as opposed to a separate southern state or a two-region federal system. The Ansar Allah movement, led by the Huthi family, also rejected the six-region model due to its potential for severing their access to the port of Hudaidah. Without a mandate, the NDC extended President Hadi's term when elections had to be postponed.

In September 2014, aligned with Salih, Ansar Allah invaded Sana'a. In January 2015, Hadi eventually escaped to Saudi Arabia, leaving behind a political mess and inviting the Saudi government to intervene militarily. On March 26, 2015, a Saudi-led coalition (SLC) launched its Decisive Storm operation, renamed Restoring Hope shortly thereafter, with the aim of reinstalling Hadi. The ensuing developments quickly resulted in a humanitarian catastrophe for the population as the Yemeni state, society and economy went into a tailspin. The war also amounted to an economic and reputational disaster for Saudi Arabia because there were thousands of civilian victims of SLC airstrikes.

Salih's alliance with Ansar Allah was short-lived. When Salih allegedly entered negotiations with the SLC in late 2017, Ansar killed him in an ambush.

By the end of 2021, the United Nations estimated that 377,000 Yemenis had been killed by combat operations and the lack of food and health care. International efforts to solve the complex set of conflicts have had only limited effects, including consultation rounds under the auspices of the United Nations Special Envoy for Yemen in Geneva and Biel in 2015, Kuwait in 2016 and Stockholm in 2018. However, in April 2022, Hadi was replaced by a Presidential Leadership Council, and a truce was implemented that lasted until October 2022.

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

Airstrikes, land and sea blockades by the Saudi-led coalition and the existence of militias armed by Iran, Saudi Arabia and the UAE (and maybe others) clearly show that the state has no monopoly on the use of force.

It is not the state but Ansar Allah that controls the majority of the population and about one-quarter of the territory, employing force and the “supervision” of the state apparatus.

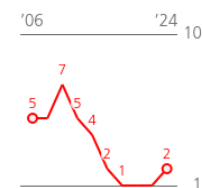
However, the governors of Marib and Hadramaut, leaders of the Joint Forces (including a relative of former President Salih) in control of the southern part of the Tihama/west coast, and representatives of the Southern Transitional Council (STC), who used to oppose the internationally recognized government (IRG) and control large parts of the south, including the “temporary capital” Aden, have at least formally joined the Presidential Leadership Council. Therefore, it can be said that, as of early 2023, an anti-Huthi alliance linked to Saudi Arabia and the UAE controls about three-quarters of Yemeni territory, that is, more than the internationally recognized government of ex-President Hadi did after 2015.

On the ground, however, nothing has changed. The constitution does not provide for collective leadership, and the PLC’s performance has not met expectations. As of January 2023, the discussion of internal regulations was still ongoing. Moreover, the various militias and other irregular forces in PLC territory have not been disarmed and sometimes fight each other. Ansar Allah keeps smuggling arms and materials via the Arabian Sea and even through regions nominally under the control of the IRG. While the SLC has mostly stopped engaging in aerial attacks, it still controls Yemeni airspace to a large extent. Hence, there is no state monopoly on the use of force. Rather, a range of de facto authorities have emerged.

Question
Score

Monopoly on the
use of force

2



The legitimacy of the nation-state is widely challenged. Ansar Allah has built what the Sana'a Center for Strategic Studies (SCSS) in 2022 dubbed a “Zaidi Taliban fiefdom.” Parts of the Southern Movement from which the STC emerged keep pushing for a return to Yemen’s pre-unification status (i.e., two separate Yemeni states). The STC announced self-administration in April 2020, but recalled the announcement a few months later. However, while the STC is financially potent, very vocal, highly visible, supported by UAE-sponsored militias and represented in the PLC, it is unclear to what extent it actually represents the population. Not all Yemenis in former PDRY areas support the Southern Movement (al-Hirak), not all parts of the Southern Movement demand complete separation from the Republic of Yemen or support the STC; and not all regions in the south feel represented by the STC, especially the few governorates rich in natural resources (oil and gas). Several southern governors have rejected the STC’s claims, while traditional local elites in Hadhramaut fancy the idea of an independent Hadhrami state.

While no group denies citizenship to others, the IRG does not accept passports issued by authorities in Ansar Allah-controlled areas.

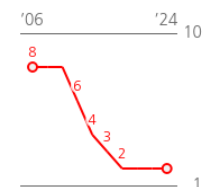
Religious dogmas have been part of the legal and political spheres for centuries, and the Shariah has officially remained the sole source of legislation except in the People’s Democratic Republic of Yemen (1967 – 1990) and in the Republic of Yemen (1990 – 1994). The draft constitution of 2015 avoids 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 coexist.

The new draft constitution of 2015 had the potential to reduce 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 (Zaydi or Sunni) and Saudi Arabia’s political influence has strengthened the position of religious dogmas.

Islamic scholars have shaped public opinion on 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 claim that the Qur’an and Sunna are above the constitution. Initially, and unlike Sunni hard-liners, Ansar Allah did not oppose the concept of secularism or federalism. This changed after Ansar Allah gained control of most of northwest Yemen in 2014. Its leaders (and affiliated media) promote hate speech against Jews and Baha’is and persecute and deport members of those tiny religious minorities (and seize their property). Moreover, Ansar Allah’s interpretation of zakat, their claims that descendants of Prophet Muhammad (ahl al-bait) are superior to other citizens, and the changes they introduced to school curricula violate the principle of equality.

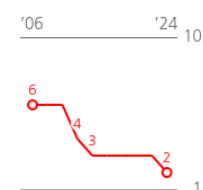
State identity

2



No interference of religious dogmas

2



Gender segregation and travel bans on unaccompanied women (including aid workers), for example, are increasingly enforced in regions under the control of Ansar Allah or Sunni Islamists.

Hence, a rise in intolerance, justified in religious terms, impacts the daily lives of people.

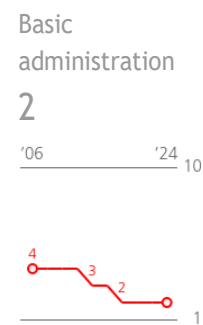
Already deficient prior to the war, basic administrative structures are under severe stress.

That said, taxes are still being collected on the national as well as on the local level, though they do not necessarily reach Yemen's central bank (CBY). The governors of Marib, Hadhramaut and Shabwah keep a percentage of taxes and fees, and at least some of these funds are used to finance basic administration and local investment. Ansar Allah diverts (illegal) taxes and fees to their own coffers to finance their operations and – ostensibly – to pay some public sector salaries. In spring 2020, Ansar Allah reinterpreted the zakat law and introduced a new 20% tax on some businesses (seemingly not applied before 2023). The Huthis and other families claiming descent from the Prophet Muhammad are among the beneficiaries of this additional revenue, which is termed “Hashemite tax.” It “institutionalizes hereditary discrimination and racism and is an affront to the values of equal citizenship enshrined in the republic's constitution,” according to the SCSS (2020).

Provision of electricity and water is limited, although some improvement was seen during the truce (Yemen Policy Center/YPC 2023). According to World Bank data (2020), only 60% of the population has access to some kind of water source, only half the population has access to basic sanitation, with a mere 20% having access to safe sanitation.

Clinics, hospitals and schools are either closed or function at a very low level due to import restrictions, logistical challenges, unpaid salaries, internal displacement, mines, airstrikes, targeted attacks and an unknown number of COVID-19 cases. If they do provide services, they are often dependent on national and international NGOs and humanitarian organizations or the donor-funded Social Development Fund (SDF). According to UNDP's Human Development Report 2020, there are seven hospital beds per 10,000 Yemenis. Although about one-quarter of the telecommunication assets have been damaged or destroyed, mobile phone and internet services still function on a basic level. However, the sector is becoming increasingly fragile, not least due to double taxation and import restrictions.

Remarkably, public institutions like ministries or local administration still function to some extent – in spite of war and irregular salaries paid to public servants, no matter who the government is (or claims to be, like Ansar Allah-appointed “supervisors” or STC representatives).



2 | Political Participation

Parliamentary elections were last held in 2003, local council elections in 2006 and presidential elections in 2012, when Abdrabbuh Mansur Hadi was the only candidate. The NDC decision to extend his two-year term was never ratified by the electorate or the legislature. The eight members of the Presidential Leadership Council, announced in April 2022, were appointed, not elected. The manner in which the Presidential Leadership Council (PLC) was “created” (President Hadi delegated his powers to the PLC and the members were handpicked by the regional patron, Saudi Arabia, while Hadi himself had no say in the whole process) supports Ansar Allah’s position that the PLC has no legitimacy.

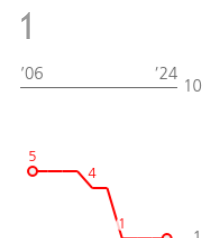
Voter registers were manipulated in the past and have not been updated for years; the Supreme Commission for Elections and Referendum is under the control of Ansar Allah; the administrative infrastructure is in decay; and the country is increasingly fragmented in terms of territory and institutions. Hence, free and fair elections are unlikely to be held any time soon.

Political decision-makers have not been elected for more than a decade. Nevertheless, parties in conflict still fight for control over institutions, especially parliament and the central bank. In 2015, Ansar Allah announced parliament’s dissolution. However, like the Hadi government, it has gathered members of parliament under its sphere of influence, claiming to have parliament’s backing. In March 2020, the Ansar Allah-controlled Specialized Criminal Court in Sana’a sentenced 35 parliamentarians to death in absentia for siding with the Hadi government.

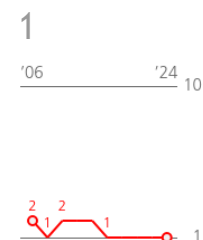
Non-elected bodies like the Supreme Political Council (Ansar Allah) and the STC strive to fill the void. Ansar Allah set up its own government in Sana’a and appointed its own governors and “supervisors” to government entities on the national and local levels. While the main function of the PLC is to provide a formal framework to members of the anti-Ansar Allah coalition, the STC seems to copy Ansar Allah’s strategy.

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, especially for women in Ansar Allah-controlled areas. In 2022, the U.N. Panel of Experts (PoE) reported to the U.N. Security Council, “The Houthi policy of sexual violence and repression against politically active and professional women continued.” At least since 2016, Ansar Allah has had a female militia, inspired by the Women’s Basij organization in Iran, exerting social control over female gatherings and perpetrating violence against female protesters.

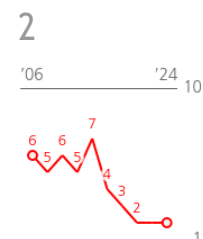
Free and fair elections



Effective power to govern



Association / assembly rights



Ansar Allah killed and arrested members of the GPC and al-Islah and tried 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, male as well as female, are arrested and defamed as “mercenaries” unless the demonstration is organized in support of Ansar Allah.

The SLC has repeatedly bombed large gatherings, including markets, weddings and funeral halls. UAE-supported forces arrested and tortured Yemeni citizens in “secret prisons” set up in 2016. In Aden, female security forcefully dispersed demonstrations by the detainees’ female relatives. Nevertheless, regions outside the control of Ansar Allah have had major demonstrations (against corruption and mismanagement) in recent years, in spite of security forces shooting at protesters.

Yemen ranked 169th (of 180 countries) on the Reporters Without Borders (RSF) index in 2022. Its score on the “Freedom in the World Index” declined from 11th (out of 100) in 2021 to 9th in 2022.

Freedom of expression is denied, and the media is controlled and manipulated by the combating parties. Access to many websites is blocked. Thousands of citizens have been arrested and sometimes released for ransom. Local journalists, including citizen journalists, and human rights activists are detained arbitrarily, kidnapped, beaten or killed (three in 2022, according to RSF). Radio stations and media offices have been closed, plundered, bombed and/or put under the “supervision” of a “legal guardian.” International and regional media is almost entirely locked out (no visas) or banned from reporting. At the local level, well-established NGOs continue to train journalists and monitor human rights violations.

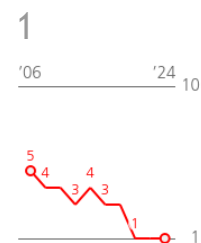
3 | Rule of Law

Since the Gulf Cooperation Council’s (GCC) Implementation Agreement of 2011 bypassed the constitution, separation of powers – never fully implemented – has been de facto abolished.

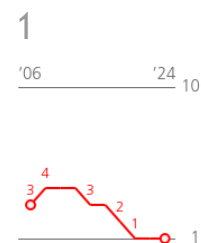
There are no longer any legitimate state powers that could be subject to the law. Parliament and the judiciary are split between the combating parties and unable to control the various “executives.” However, the rump-parliament in Sana’a is reported to have refused to pass the new Zakat Law in 2018, thus forcing Ansar Allah to introduce the desired changes as bylaws (Berghof 2020).

Ansar Allah issued a Constitutional Declaration in early 2015 and has since developed a parallel system consisting of a Supreme Political Council (roughly equivalent to a presidential council and replacing the Supreme Revolutionary Committee, officially abolished in 2019), a “National Salvation Government,” and a network of “supervisors” to control formal state institutions on the national and local

Freedom of expression



Separation of powers



levels, the private sector and civil society organizations. Without the cooperation of the security apparatus groomed under ex-President Salih, it would be hard to achieve such extensive control. Ansar Allah's continuous reference to "the aggression" (the SLC) seems to appeal to the security apparatus. Ansar Allah hence not only copies Salih's system, but it also perfects it.

The newly established PLC is dominated by military and militia leaders and has yet to prove that it has added value. In IRG areas, several de facto authorities have emerged as well. While this has prevented the emergence of one authoritarian regime in those areas, a separation of powers has not yet occurred.

The judiciary is institutionally differentiated but not independent.

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 conflict parties. Courts cannot function independently of whatever group holds power in the respective area, and sometimes militias assume the role of the judiciary. Courts and judges are dismissed, bypassed, replaced or even targeted (intimidated, kidnapped and even killed, as in the case of Supreme Court Justice Muhammad Humran in 2022).

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 such rulings do not always seem to be implemented.

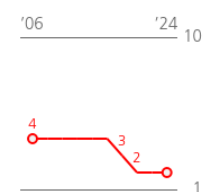
In areas under Ansar Allah's control, courts have enforced measures against female lawyers and media offices or ordered confiscation of private property and bank accounts. In areas not under the control of Ansar Allah, the judiciary is considered "weak, dysfunctional and mostly ignored by the security forces" (PoE 2022). Judges have repeatedly gone on strike to protest intimidation and interference by the various militias and security forces.

If any kind of law and order is upheld, then this occurs on the local level or in governorates that have not been overrun by Ansar Allah or STC militias.

There is not much to add to the conclusions of the Panel of Experts in 2022: "Impunity is the norm rather than the exception when it comes to violations of international humanitarian law and international human rights law. Violations such as arbitrary arrests and detentions, enforced disappearances, torture and ill-treatment are endemic and committed by all parties. Migrants continue to be particularly vulnerable to abuses and violations of international human rights law." Already in 2020, the Group of Eminent Experts recommended that the UNSC take the Yemen file to the International Criminal Court.

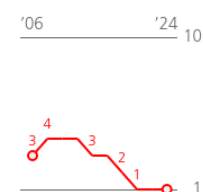
Independent judiciary

2



Prosecution of office abuse

1



The problem of impunity also includes the issue of corruption. An IRG cabinet reshuffle in July 2022 might have been linked to corruption and mismanagement, however. In December 2022, the chairman of the PLC also addressed the issues of nepotism and corruption. He criticized senior officials for using scholarships to send their own children to study abroad and appointing their relatives to positions in the public sector. To what extent any countermeasures have been implemented is unknown.

Civil rights are codified by the constitution. Adequate laws were issued in the 1990s but are systematically violated. However, according to the criminal code, homosexuals face flogging or the death penalty under specific circumstances, though no such cases have been reported. A 2018 report by the Equal Rights Trust found that, “Yemen is one of the most repressive countries in the world for Lesbian, Gay and Bisexual (LGB) persons.”

The Al-Huthi family and its followers, belonging to the Zaydi minority in Yemen, persecute Jewish Yemenis and members of the Baha’i Faith. They systematically curb women’s presence in public space, for example, by eliminating public administration departments set up in the wake of CEDAW, curbing women’s movement, harassing female lawyers and threatening politically active women.

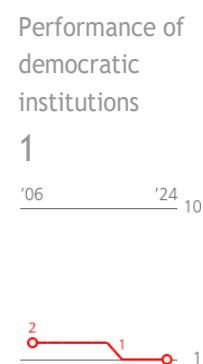
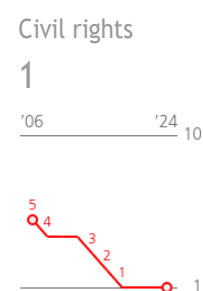
National and international mechanisms to protect civilians are not up to the task. No institution can protect citizens or redress the violations they endure because of gender, sexual orientation or belief (or lack thereof) and the U.N. Human Rights Council failed to extend the mandate of the Group of Eminent Experts in 2021.

4 | Stability of Democratic Institutions

Remnants of institutions elected in the 2000s (for example, 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 a lack of qualified personnel. On the national level, democratic institutions have degenerated into 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. It was rendered completely powerless by the GCC initiative. Unless parliament (and the cabinet) reach a consensus, decisions rest with the president. Hadi did not even try to secure a vote of confidence from his last cabinets.

As the General People’s Congress (GPC, formerly dubbed Salih’s party) holds a two-thirds majority since the last elections, parliament was still able to reach a quorum until 2015, even though the majority of southern parliamentarians has boycotted the sessions for years (north-south population ratio 1:5). 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. Still, Ansar Allah and the IRG both orchestrate parliamentary sessions – without ever announcing the number of parliamentarians present.

While democratic institutions were accepted by most of the electorate, military and tribal figures of the north and south have treated political office as personal fiefdoms that can be passed on to their offspring – and this includes party officials, parliamentarians and presidents – for decades. The current civil war has rendered democratic institutions irrelevant. In some regions, local councils, last elected in 2006, are an exception. These councils (in cooperation with staff of line ministries) are responsible for education, health, water and sewage provision, waste collection, roads, electricity and tax collection at the local level; they also have the authority and ability to allocate resources and initiate development projects. However, they too have to cope with interference by armed groups, either directly or via the institutions those groups control (CARPO/SCSS 2021).

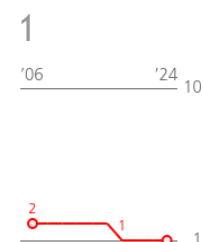
Between 2012 and 2014, the executive was the only power that could claim democratic legitimacy to some extent. Since then, acceptance of the executive's democratic legitimacy has further declined and is openly challenged in almost all parts of the country. Neither the constitution nor the draft constitution of 2015 recognize the Presidential Leadership Council, to which Hadi transferred his powers in April 2022.

5 | Political and Social Integration

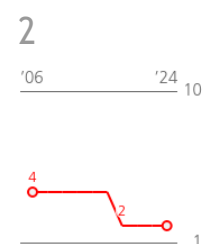
As the political process is dominated by violent conflict, there is no longer a forum for political parties, and the party system is unable to articulate and aggregate societal interests. Party membership often depends on clientelistic networks, and party programs have not been reformed or even discussed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

The once-powerful 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 deaths of Salih and other PGC leaders. Members of the moderate Islamist/conservative al-Islah are persecuted by Ansar Allah and UAE mercenaries alike. Al-Islah has established its own militias in areas controlled by its members (in Taiz and in Marib, for example) and resorts to violence, intimidation and persecution of its adversaries. Meanwhile, the Yemeni Socialist Party had to give way to the Southern Movement (in particular, the Southern Transitional Council).

Commitment to democratic institutions



Party system



Despite some positive developments prior to the war, the topography of interest groups is limited and important social interests are not represented. Prior to the war, NGOs, in particular those concerned with human rights and anti-corruption, flourished and were increasingly organized and differentiated. Since 2015, 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 prominent U.N.-supported initiatives, such as those supporting Yemen women and representing civil society and political parties. Unions are generally weak, mainly as a result of successful co-optation under previous regimes, 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.

Initiatives like the Tihama Movement, which originally attempted to draw attention to local grievances, struggle to maintain independence from the various regional “de facto authorities” in the Tihama, either Ansar Allah or Tarik Salih (nephew of former President Salih, commander of the Republican Guards, a leader of the West Coast forces with political ambitions and member of the PLC).

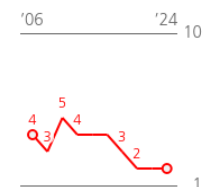
After almost 10 years of violent conflict, a whole generation has been socialized by narratives and ideologies that are anything but conducive to democracy. According to the Arab Barometer, approval of democracy decreased from 83% in 2011 to 73% in 2013 and to 52% in 2018. It might be safe to assume that by 2023, the number of those who prefer democracy to any other system will have dropped below 50%.

When asked about the essentials of democracy in 2018, 36% chose “law and order,” 28% “fair elections” and 24% “create jobs,” while only 9% saw “free media” as an essential element. Hence, from the perspective of many Yemenis, democracy seems closely linked to political stability and economic development.

In the past, there was a heterogeneous and fragmented set of autonomous, self-organized groups, associations and organizations. However, self-organization was rarely formalized and usually restricted to members of the same family, village, tribe or region. In recent decades, increasing numbers of Yemenis have migrated from rural areas to the cities or from Aden, Taiz or Marib to Sana’a. And more recently, thousands of internally displaced persons (IDPs) have settled in the governorate of Marib. Nevertheless, many IDPs have found refuge with their relatives or friends in other regions, which can be taken as an indicator of solidarity, at least on the level of the extended family. Charities and other NGOs are still active, most of all in the humanitarian sector.

Interest groups

2



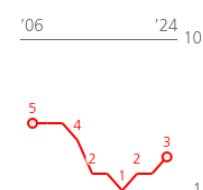
Approval of democracy

n/a



Social capital

3



Results of the 2017 Yemen Polling Center Survey on perceptions of the Yemeni public regarding living conditions and security-related issues indicate that neither state authorities, tribal sheiks, neighborhood Aqils (community elders) nor Ansar Allah were considered 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 of conflict parties to frame political antagonisms in religious terminology and sectarian narratives. The longer the war lasts, the harder it will be to overcome such divisions. In addition, the fault line between north and south continues to deepen. The fact that the number of attacks on "northerners" living in the south, first reported in 2010, seems to have decreased is likely the result of many people of northern origin having left the south.

On the positive side, local communities increasingly make use of the social capital that can be generated in rural areas and urban neighborhoods. Supported by SFD, UNDP, the European Union and bilateral development partners, hundreds of local communities have established (often elected) committees of male and female members and planned and implemented their own projects.

II. Economic Transformation

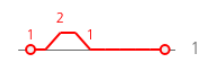
6 | Level of Socioeconomic Development

Yemen ratified the International Covenant on Economic, Social and Cultural Rights in 1987, which guarantees equal access to public services. Although the state has never been able to adequately provide those services, in many areas they are now completely unavailable. After reaching a rank of 154th (out of 187 countries) in the Human Development Index (HDI) in 2014, Yemen fell back to rank 160th (out of 188) in 2015 and further to 183rd (out of 191) in 2021/22.

Even before the war, social exclusion was widespread and deeply embedded in the structure of society. This exclusion was primarily caused by factors such as poverty, lack of education, income inequality based on gender, and various other social barriers faced by marginalized groups, such as the Muhammashin. Meanwhile, Ansar Allah is actively attempting to revive the social structure that existed before the revolution, a structure characterized by inequality.

Question
Score

Socioeconomic
barriers



In 2016, the World Bank estimated that approximately three-fourths of the Yemeni workforce were employed in the informal sector, and the number is likely to have risen since. Remittances and foreign aid are significant sources of income. However, remittances declined, donor funding is insufficient and Ansar Allah – despite collecting more fees from imports since the beginning of the truce – refuses to pay regular salaries to public sector employees in areas under its control (PoE 2023).

While the majority of the population was excluded from market-based socioeconomic development in the past, no positive development can be expected when public sector salaries are unpaid and the formal economy is in freefall. The crisis of the banking sector and rising world market prices resulting from Russia's war in Ukraine further increased food prices.

Yemen remains the world's largest humanitarian crisis. According to U.N. organizations, at least 80% of the population needs humanitarian aid, with most experiencing high acute food insecurity (IPC Phase 3 and above). The estimated number of individuals in IPC Phase 5 exceeds 160,000. Additionally, despite the 2022 truce resulting in reduced fatalities and internally displaced persons (IDPs), a staggering 4.3 million Yemenis were internally displaced between 2015 and 2022, as reported by OCHA.

Life expectancy at birth is 65 years. The Gini coefficient for Yemen was 36.7 in 2014 (no recent data is available). On the Gender Inequality Index, Yemen can be continuously found in last place. In 2017 (latest data), only 27% of the population had access to the internet.

However, the private sector provides clean water, food, education, health services and energy – to those few who can afford it.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	13.0	13.6	13.9	13.6
Foreign direct investment	% of GDP	-1.7	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-

Economic indicators		2019	2020	2021	2022
Public debt	% of GDP	94.6	89.5	74.4	66.0
External debt	\$ M	7055.2	7120.8	7587.3	-
Total debt service	\$ M	114.7	134.6	123.2	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): 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

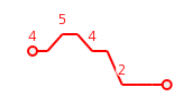
While large parts of the public sector are paralyzed by the war and the private sector is suffering – by late 2015, half of the private sector companies had already laid off staff or reduced salaries – the regulatory framework in place before the war is still intact. Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception. Law 1/2008 abolished the legal requirement for a foreign business to have a Yemeni partner, as well as other legal constraints. Investment capital and profits could be transferred without limitations on amount or currency – as long as banks could provide such services. The investment law (2010) allowed all investors full ownership (100%) of an investment project, as well as freedom to transfer foreign currency and employ foreign nationals (in principle).

In theory, private companies can operate freely. In practice, however, the private sector – dominated by a few large family businesses – has to cope with interference from various political factions and the emergence of two different types of economies. Smaller businesses can often barely survive because 40% of households purchase food or medicine on credit, according to Oxfam. Nevertheless, private companies have shown remarkable resilience, thus qualifying as partner organizations for international donors.

Market organization

2

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Despite efforts by the Saudi-led coalition to control Yemen's airspace, borders and ports, smuggling goods – including weapons – humans and money into the country has become more profitable than ever. The large informal sector, where about three-quarters of the workforce were employed in 2014 (ILO), is likely to have grown further. Goods that are transported from Aden to Sana'a, for example, are likely to be “taxed” several times and hence become exorbitantly expensive. Also, there are reports that import and export licenses are only granted to those who are “loyal” to the respective powerholders, providing some companies with the chance to dominate the market.

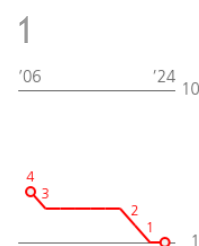
Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception and calls for the formation of the Competition Protection and Monopoly Prevention Organization (CPMPO) to ensure compliance. However, Salih's patronage-based regime led to a situation where loyalty was systematically rewarded and monopolistic structures emerged in the basic food industries. According to Yemen's 2013 report on its accession to the World Trade Organization (WTO), a new law on monopolistic and anti-competitive behavior was under preparation. However, even existing safeguards have become irrelevant due to the absence of functioning state institutions. The regulatory framework is outdated, and the profitable telecommunications sector is controlled by Ansar Allah. As of 2021, there were at least 91 food importers (PoE 2021).

Prior to the war, foreign trade had been significantly liberalized. After nearly 15 years of negotiations, Yemen officially joined the World Trade Organization as its 160th member in June 2014. Despite this, Yemen continues to boycott goods and services originating in Israel. Until at least 2013, importing goods was restricted to Yemeni nationals. Importing alcohol, explosives, hazardous waste (Yemen became a signatory to the Basel Convention in 1996), and specific food items such as pork are prohibited.

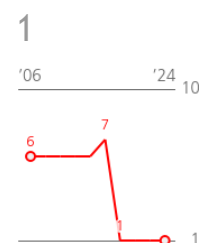
Between 2015 and 2022, the SLC, not the Yemeni state, controlled foreign trade. It blocked commercial flights and controlled – and sometimes delayed and prevented – imports, such as fuel, equipment for the telecommunication sector or solar energy systems, via air, sea and land. This sometimes included goods that had been cleared by the United Nations Verification and Inspection Mechanism (UNVIM), which was established in 2016. These measures isolated Yemen's formal economy from the world market and provided fertile ground for smuggling.

Import conditions improved in 2022 (Yemen imports 100% of its medicine, 90% of its wheat and rice, and 70% of its fuel) after the Saudi-led coalition eased its air, land and maritime blockade. Yet, the IRG has no capacity to further liberalize or even control foreign trade. Other priorities dominate the agenda of the various “de facto governments.” The Ansar Allah-controlled government in Sana'a is attempting to mitigate the shortage of food imports by seeking ways to enhance self-reliance, and the Omani Mazunah Free Trade Zone, located in the Oman-Yemen border area, has acquired importance for Yemeni merchants and investors.

Competition policy



Liberalization of foreign trade



The regulatory system is weak, fragmented and outdated, and credit risk management is insufficient. The underdeveloped banking sector was already burdened with non-performing loans in 2014 (almost 25%) and has been hit hard by economic warfare. In 2015, Yemeni banks temporarily suspended withdrawals of foreign currency deposits. However, until September 2016, Yemen's central bank (CBY) was perceived as relatively independent in political, economic and financial terms, especially when compared to other central banks in the region. It was also seen as one of the few national institutions that, despite the war, managed to fulfill its tasks, including paying salaries to public sector employees, providing debt service, issuing letters of credit and the maintaining a stable Yemeni riyal. The badly managed CBY relocation in 2016, Hadi's selection of CBY governors, and their erratic decision-making contributed to currency instability and import restrictions.

Meanwhile, the CBY branches in Sana'a and Aden operate with competing regulations. While the Aden branch has been readmitted to the SWIFT system, most of the competent CBY staff and many files have remained in Sana'a, where most banks have their headquarters. However, banks may relocate because Ansar Allah started an initiative to ban "usurious transactions" (interest) in late 2022 (PoE 2023).

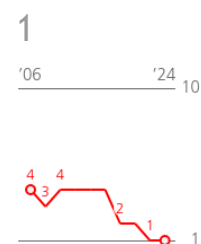
As a result, the sector is highly fragmented. Yemen is classified as a high-risk area, and private exchange companies have taken over banking sector tasks. The fact that Ansar Allah openly engaged in extorting banks in Sana'a and threatening their staff (for example, at the Tadhamon Bank in an attempt to confiscate Hadi's accounts) and the STC – sometimes forcefully – seized public funds has not helped the situation (PoE 2021 and 2022).

The number of banks (state-run, Islamic and microfinance) operating in Yemen has remained relatively stable, with 17 according to the YSEU in 2015 and 18 according to ACAPS/YAT in 2022. Additionally, the Yemeni NGO SEMC counted 1,350 exchange offices, most of them operating without a license from the CBY, in 2018.

In 2007, the first microfinance bank was established, and a leasing law was introduced. The establishment of a stock exchange had been under discussion for some time but has not occurred. The introduction of e-riyal in Ansar Allah-controlled territories in 2020 was intended to address the liquidity crisis but has not had a measurable impact.

The ongoing liquidity crisis, the increasing amount of currency in circulation outside banks, and a population that mostly has no access to or refuses to use e-payment mechanisms all indicate that trust in the banking sector is low. According to World Development Indicators, only 64 out of every 1,000 Yemenis above the age of 14 had an account in a commercial bank in 2014 (latest data available). Almost all private sector companies pay their staff and suppliers in cash or via cash transfer. Moreover, transferring money between areas controlled by different parties to the conflict has become very difficult due to Ansar Allah's ban on newly printed banknotes from Aden, extremely high transfer fees and the risk posed by checkpoints staffed with various militias looking for funds.

Banking system



Importers turn to the informal currency market to acquire hard currency, particularly for fuel and food imports. According to the World Bank's initial Yemen Economic Brief for 2019, currency circulating outside of banks has surged by over 100% since 2014.

8 | Monetary and fiscal stability

The IRG has been unable to pursue monetary stabilization. Neither part of the CBY is independent of its respective powerholder. Even worse, the split of the CBY has contributed to the establishment of two separate political entities within the Republic of Yemen, turning monetary policy into a weapon of war (SEMC 2020). Throughout Yemen, there is a severe shortage of foreign currency, so currency speculation has become a lucrative business. Both branches of the CBY have attempted various measures to control private exchange companies, including forming networks under the control of their respective branches (SEMC/ERT 2021). However, it has been reported that the IRG keeps income from oil exports in the al-Ahli bank in Riyadh instead of in the CBY (see Q11.1).

Exchange and inflation rates – extremely volatile – caused several large businesses to temporarily close in 2018, as they were unable to determine the prices of their commodities.

The riyal's value in January 2015 was YER 215 to \$1. However, since 2021, the U.S. dollar trades for up to YER 1,700 (in early December 2021) in IRG-controlled territory. In Ansar Allah-controlled areas, where the newly printed IRG banknotes were banned in 2020, the exchange rate is considerably lower and more stable. In summer 2022, one U.S. dollar cost over 1,000 riyals in Aden, but only half that much in Sana'a.

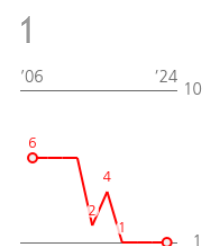
Food prices rose by 20% to 30% in 2021, while the overall inflation rate was estimated at more than 40% in 2021 and 2022, with higher rates in IRG-controlled territories (IMF, PoE 2022, WB YEM 2022/1).

Overall, the Ansar Allah-controlled government, which established a "Payments and Foreign Currency Committee" in 2017, more effectively controls inflation and exchange rates than the IRG.

In late 2021, the IRG appointed a new CBY management and established a new mechanism to control the exchange rate. A few months later, in April 2022, KSA and UAE announced their intention to provide an additional \$3 billion. However, although this measure helped stabilize the riyal, food prices continued to remain high due to international developments. Yemen relies on imports from Ukraine and Russia for approximately half of its wheat supply.

Some observers have already noted that the bifurcation of institutions now includes the Yemeni currency. Old and (distinguishable) new banknotes are treated as two different currencies.

Monetary stability



Expenditures, primarily salaries and interest rates, clearly exceed revenues. “Monetizing the fiscal deficit” – printing and distributing new banknotes – was an option for the IRG but not for Ansar Allah because the CBY Aden had a “monopoly on cash creation,” according to the World Bank. Both the IRG and Ansar Allah occasionally present draft budgets to cabinets and rump parliaments (IRG in April 2022). The Open Budget Survey ranks Yemen last among 120 countries in all categories, including participation, oversight and transparency.

The IMF estimates public debt at 69.7% of GDP for 2021, which appears to be a rather low percentage given the economic decline and shrinking GDP. Foreign debt decreased from \$7,586.2 million in 2012 to \$7,120.8 million in 2021, according to the World Bank. In summer 2022, the IMF praised the IRG for having introduced a foreign exchange auction system, replacing the administered budget exchange rates that the PoE had (seemingly wrongly) criticized in 2021. The PoE had equated the preferential exchange rates of the CBY to money laundering in 2021 but later revised the report. Nevertheless, subsequently, the IRG ordered an international audit, and the CBY amended its exchange mechanisms.

9 | Private Property

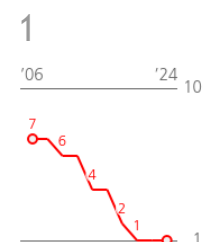
The government cannot protect private property. Militias confiscate private property and bank deposits, raid banks and impose “taxes” at will.

Prior to the war, the system was already deficient. Although the law defined property rights and regulated the acquisition and registration of property, both of which were rather easy, there were severe problems with lack of documentation, fraud and constant struggles over land ownership. This not only harmed the country’s investment climate but also had strong political implications. One issue that led to the rise of the southern al-Hirak movement was the arbitrary confiscation of land by Salih loyalists. This mainly occurred in the south, but there were also poorly publicized cases in Sana’a and al-Hudaidah, for example. The problem is exacerbated by judicial corruption, which often renders efforts to settle disputes over property rights futile. The concept of intellectual property rights (Investment Law No. 15/2010 and Intellectual Property Rights Law No. 19/1994) is generally unknown.

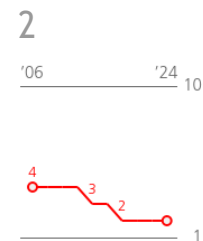
Apart from Ansar Allah’s general demands directed at Saudi Arabia, there are no strategies detailing if and how citizens will be compensated for the loss of family members or injuries and for their homes, farms, shops or factories destroyed by shelling or airstrikes.

However, Yemen has signed several international and bilateral agreements on settling commercial and investment disputes that, in peacetime, might substitute for the shortcomings of the judiciary.

Fiscal stability



Property rights



De jure, private companies can act freely, though some special regulations for international companies exist – such as a ban on engaging in the weapons and explosives industry and specific rules in vital sectors.

Enterprises in the public and mixed sectors, such as the Yemeni Economic Corporation, are estimated to constitute approximately one-fourth of the country's large firms. These enterprises occasionally played an opaque role, particularly those that were under the control of relatives or in-laws of former President Salih.

However, even prior to the war, there were massive economic, political and social barriers to business development. Key issues included deficiencies in infrastructure, corruption and a shortage of qualified workers. According to a 2019 World Bank report, 20% of private sector companies closed, more than half shrank and another 20% relocated their main offices since the beginning of the war. Established private businesses are not protected from blackmail by various “officials,” have to pay extra fees, cope with dysfunctional financial and judicial systems, be subject to a volatile exchange rate in the financial (money exchange) and real estate sectors, and have to compete with militias engaged in imports of oil derivatives, medicine or food. International contracts in the hydrocarbon sector are managed by the Yemen General Corporation for Oil and Minerals, which reports to the Ministry of Oil and Mineral Resources. However, in 2015, production stopped due to the security situation. The Austrian company OMV was the first international oil company to restart exports in 2018. Cal Valley, with shareholders Medco Energi and Hood Oil, followed in 2019, but declared force majeure after Ansar Allah's attacks on its facilities in 2022. Gas liquidation operated by Yemen LNG, with shareholders TOTAL, HUNT OIL and others, in Belhaf (Shabwah) has been suspended since 2015. In 2017, UAE forces occupied parts of the facilities and used them as a military base and detention center.

10 | Welfare Regime

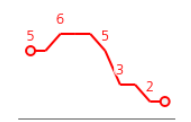
Support for the elderly, the ill, the unemployed and the internally displaced is primarily provided by family, tribe and village structures, private welfare organizations, and other NGOs – if and where they exist. The severe hardship the population has endured since 2015 limits people's ability to provide for themselves, let alone for others. For example, Marib, a city of less than 20,000 inhabitants before the war, was hosting approximately one million IDPs in 2021.

Remittances, another lifeline for many families, have been declining since summer 2020, according to Oxfam. Fees for transferring remittances to Yemen have risen, sometimes up to 50% of the transfer amount, leading to a further reduction in funds. Additionally, social structures have weakened in certain areas due to internal displacement and migration.

Private enterprise

2

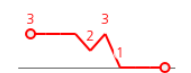
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Social safety nets

1

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Since 2016, around 1.2 million Yemenis employed in the public sector have not received their full salaries, which – when including dependents – has affected at least six million people. The Social Welfare Fund, primarily financed by international donors, exhausted its funds by the end of 2014. In 2017, the General Authority for Insurance and Pensions (GAIP) was unable to pay pensions to approximately one-third of the recipients (Yemen Socioeconomic Update/YSEU 30).

The only public institutions that continue to provide a minimum level of welfare throughout the war are the largely donor-funded Social Development Fund (SDF) and the Public Works Projects (PWP), established in the 1990s.

Though the population in need continues to grow, donors are becoming increasingly reluctant to fund the Humanitarian Response Plan (HRP). This reluctance arises primarily from the institutional weaknesses of implementation partners on both sides, the effects of COVID-19, restrictions imposed by local power-holders, high operational costs and rising violence against aid workers (YSEU 60). In 2022, the HRP faced a funding gap of approximately 50% (OCHA 2023).

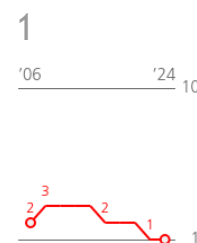
Nevertheless, international donor organizations – often in cooperation with local NGOs and the private sector – play a major role in staving off the worst consequences of the war for the civilian population. Moreover, local private sector companies often provide food for free and even run their own charities.

Before the war, there were few institutions to compensate for Yemen’s significant social disparities rooted in poverty, gender and social status. The Muhammashin, as a marginalized group, are primarily engaged in menial labor and have extremely restricted access to essential public services.

Violent conflicts, destruction of educational facilities, politicization of curricula by Ansar Allah, internal displacement and rampant poverty have further reduced the quality of and access to education for all. According to the Gender Development Index (GDI) 2022, boys have a mean of 5.1 years of schooling, while girls have 2.9 years. Boys, perceived as less vulnerable and as “future breadwinners,” are more likely to be sent to school and attend school for more years, although their enrollment rates are still insufficient. Girls’ school enrollment, traditionally low, had increased until 2015. However, many parents are now concerned about the security situation or are unable to afford school supplies for all their children. The ratio of female-to-male enrollment in primary schools is 0.9, 0.7 in secondary schools and 0.4 at the tertiary level, according to the WDI 2022. While boys face the risk of being recruited into various militias, girls face the risk of child marriage.

Half of Yemen’s population aged between 15 and 24 was not in education, employment or training in 2014, according to the World Bank. However, the group most in need of improved access to opportunities are women. The estimated GNI per woman was \$176, while it was \$2,428 per man. Yemen ranked 183rd out of 191 countries, according to the GDI 2022.

Equal opportunity



Women are under-represented in all sectors, particularly in high government offices. The situation seemed to improve when a female quota was applied to the National Dialogue Conference. Four women were among the 17 members of the Constitutional Drafting Committee, and, in principle, a female quota was included in the draft constitution of 2015. However, only about 10% of the delegates who participated in the 2015 to 2016 peace negotiations were female. In late 2018, during consultations held in Stockholm, the U.N. special envoy established an eight-member Yemeni Women’s Technical Advisory Group. Nonetheless, there was only one woman representing the conflict parties. The Presidential Leadership Council of 2022 is entirely male, and there are only five women among the 50 members of the Consultation and Reconciliation Commission. Videos of the PLC members taking the oath illustrate this.

Overall, patriarchal structures and informal decision-making, in combination with gender segregation, often lead to the exclusion of women from decision-making and the labor market and sometimes even prevent them from traveling. This is unlikely to be changed by Articles 76 and 128 of the 2015 draft constitution or Decree 75/2019, which details a National Action Plan to implement U.N. Security Council Resolution 1325 on Women, Peace and Security.

11 | Economic Performance

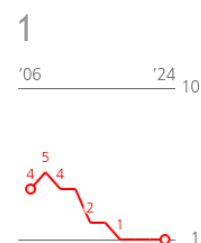
Hydrocarbon production and exports from IRG territory increased temporarily before Ansar Allah, demanding a share, attacked oil installations there in late 2022. Officially, the attack served as a warning to national and international companies to stop “looting” Yemeni crude oil, as the revenues “do not reach the Yemeni people [and are] not listed in any local bank” (Sabanet). In reality, according to SCSS in 2022, the revenues are paid to the al-Ahli Bank in Riyadh.

Saudi Arabia announced it would deposit more than \$2 billion in the CBY in 2018, of which the final installment of \$174 million was paid only in 2022 (Reuters, 2022). However, the CBY in Aden may have “lost” a large amount on foreign exchange transactions (PoE, 2021). By 2019, CBY reserves were down to \$1.4 billion – or 1.6 months of imports.

In April 2022, Saudi Arabia, which had extended its 2018 installment, and the UAE announced another \$3 billion aid package to stabilize the economy and fund the IRG. Disbursement was tied to substantial reforms of the CBY. The IMF and the Arab Monetary Fund (AMF) also announced additional funds. However, some experts argue that international aid is fostering dependency and fueling the war economy.

Nevertheless, Yemen’s trade balance and foreign direct investment (FDI) continue to be negative. Public debt rose from 45.7% to 69.7% between 2011 and 2021, according to the International Monetary Fund (IMF 2022). The IMF predicts an inflation rate of over 17% compared to GDP growth of just over 3% for 2023, while the World Bank estimates a persistent contraction in GDP and GDP per capita (down 50% over the last decade).

Output strength



12 | Sustainability

Yemen issued its first environmental protection law in 1995, signed the U.N. Framework Convention on Climate Change in 1996, ratified the Kyoto Protocol in 2004 and issued a National Adaptation Program of Action (NAPA) in 2009. In late 2012, the government renewed its efforts to at least provide a framework for environmental protection. Laws 21 and 22 ratified the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC), as well as the OPRC-Hazardous and Noxious Substances (HNS) Protocol. Yemen set up an environmental protection strategy and an Environmental Protection Agency.

On the ground, mismanagement of resources and land-grabbing prevails all over the country – from Sana’a (Ansar Allah) to the World Heritage Site Socotra Archipelago, with its unique biodiversity, where the UAE has established control via the STC. There are reports that the UAE even sells land located in the protected areas of Socotra (YPC 2021).

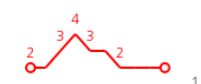
Despite their importance for healthy and livable habitats, environmental concerns rarely play a role in national strategy. The awareness of the fundamental problem of water scarcity has been overshadowed by the need to ensure the provision of clean drinking water to as many people as possible. There have been instances of shortages of diesel and spare parts for water pumps. The conflict parties have targeted desalination plants, water pipelines and other relevant infrastructure. Despite these challenges, qat (a leaf with stimulant effects) is still produced and marketed, while only half the population has access to clean drinking water.

Apart from environmental and health problems arising from locust infestations, floods, garbage, illegal extraction of water, leaking sewage and oil pipelines, deforestation, poaching and hazardous waste (ammunition), Yemen’s most urgent environmental problem is the 45-year-old Safer oil tanker, moored close to the port of Hudaidah. It has been used for storage and offloading for 30 years and contains more than one million barrels of oil. The tanker is “at risk of leaking, exploding, or catching fire,” according to the United Nations. Despite potentially devastating ecological and economic effects for all states bordering the Red Sea, Ansar Allah blocked a U.N. expert team from inspecting the tanker for years. Only in 2022 did the United Nations collect the funds needed to transfer the oil cargo. As of early 2023, preparations seem to still be underway, although the United Nations reached a new agreement with the IRG and Ansar Allah in 2022. Without access to oil and gas fields, Ansar Allah might still consider one million barrels of oil a major economic asset and political bargaining chip. That Ansar Allah has no environmental concerns became obvious when they attacked oil facilities in October and November 2022, including a terminal in Hadhramaut, as an oil tanker was offloading.

Environmental
policy

2

'06 '24 10



While governmental agencies are largely defunct or unable to coordinate their activities, there are still some civil society organizations spread over several governorates that attempt to address the multitude of problems contributing to local distribution conflicts. These conflicts are likely to worsen due to the further depletion of water resources and climate change (CARPO, YPC 2021).

Because public power grids are unreliable and diesel for generators is scarce, there has been an increased use of solar power. In December 2022, the IRG signed an agreement with Masdar (Abu Dhabi) to construct a solar power plant in Aden. Any progress made by such positive developments is overshadowed by a general lack of concern for environmental issues.

In the face of Yemen's declining but still high population growth (estimated at more than 2% for 2023), educational institutions at all levels – despite substantial investments in the past – are hopelessly overburdened. According to UNICEF (2018), only 17% of Yemenis have a birth certificate, making enrollment data potentially unreliable. Nevertheless, the World Bank reports that primary school enrollment rates are on the decline. They reached 97.5% in 2013 but fell to 92.5% by 2016. Enrollment rates for secondary education were 51% in 2016, and for tertiary education, they were almost 10% in 2011 (latest available data). Yemen's score on the U.N. Education Index as of 2021 was 0.359.

According to UNICEF, the number of children unable to attend school rose to two million by March 2018 because approximately 2,500 schools were damaged, occupied by IDPs or combatants, or simply lacked teachers due to unpaid salaries. By late 2020, additional schools had closed, with dozens converted into COVID-19 centers. According to the HDR 2015, only 4.6% of GDP was allocated to education, a decrease from the previous year. It is reasonable to assume that expenditures have further decreased since then (recent data is unavailable). According to Yemen's Ministry of Planning and International Cooperation, only 4.4% of aid was allocated to the education sector in 2021.

While there is statistically one teacher per 27 students (HDI 2020), salaries for teachers are low or unpaid, and many teachers need a second job to support their families. However, most schools and universities remain open. In certain instances, parents may bear the cost of schooling. Donors fund specific groups of public servants in the health and education sector. Nevertheless, this is not a sustainable solution.

By late 2019, the conflict parties had attacked 380 schools or their vicinities. In 2020, the World Bank estimated that approximately \$500 million would be needed to recover and reconstruct only the schools in the 16 cities it surveyed. According to the Ministry of Planning, in 2020, one-third of Yemeni girls and one-quarter of Yemeni boys do not attend school regularly. And even at school, children are not safe, as schools under the supervision of Ansar Allah are used for recruitment and indoctrination, teaching social and gender inequality (PoE 2022; YPC 2023).

Education policy /
R&D

2

'06 '24 10



Prior to the war, the number of private education institutions was on the rise. 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. Out of a total of 16,730 primary and secondary schools, 899 were private in 2016. Nevertheless, research and development facilities are almost nonexistent. Data on public research and technology expenditures is unavailable.

Governance

I. Level of Difficulty

The violent conflicts that have plagued the country for years have exacerbated the high structural constraints on governance. Air raids and landmines further damage the country's rather poor infrastructure (power grids, airports, harbors, roads, bridges, hospitals, schools, factories). Yemen's internet almost exclusively depends on the FALCON submarine cable. When it broke down for more than a month in early 2020, this added another layer to the already existing constraints. Many roads are destroyed or blocked by militias (Ta'izz), harbors have been blocked (Hudaidah) and Sana'a airport, closed by the SLC since 2015, reopened only in 2022 with a limited number of flights.

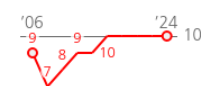
Suffering from a shortage of water and energy – and already being the poorest Arab country before the war – Yemen's population has been pushed into extreme poverty. In 2022, 23.4 million people needed some kind of humanitarian assistance, more than four million people were internally displaced and two million children were out of school. Leadership struggles, large-scale corruption, a lack of strategy and a shortage of funds have bled the public sector dry.

Moreover, about one million Yemenis have left the country in the course of the war. With many well-educated middle-class Yemenis among them, this brain drain affects state institutions as well as the private sector and civil society. Meanwhile – and in spite of severe abuses – the migration of Africans through Yemen to the rich Arab Gulf states continues unabated. IOM estimated their number at more than 40,000 in 2022.

Given the high rate of malnutrition and the prevalence of infectious diseases like cholera, malaria, diphtheria, measles, dengue fever and even a polio outbreak (in Saada in August 2020), authorities did not pay much attention to COVID-19. Statistics show a low number of approx. 12,000 COVID-19 cases (Johns Hopkins, January 2023), which is extremely unlikely to reflect the real number of infections. Nevertheless, some (donor-funded) COVID-19 centers were set up, and schools were temporarily closed or (ab)used as COVID-19 centers.

Structural
constraints

10



1

The state has always been rather absent in many areas of Yemen. Therefore, most Yemenis are quite capable of organizing their lives without a functioning government. Yemen has civil society traditions that go back to 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. Some tribal mediators have the capacity to broker local cease-fires or arrange prisoner exchanges.

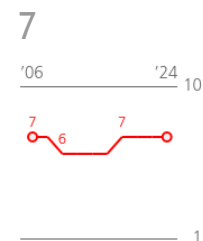
Most of the several thousand registered NGOs are charities with a limited geographical scope, but prior to the war, there were also several hundred, mainly urban, NGOs focusing on governance issues such as combating corruption and educating the public about human rights, women's rights and press freedom. Unlike political parties, NGOs are characterized by a strong representation of women among leaders and activists.

The Social Development Fund (SDF) and some donor organizations ran training programs for NGOs. But still, many NGOs have limited or no appeal to the general public, weak networks and internal structures, and generally lack a broad funding base. Some NGOs should be considered enterprises, are subject to manipulation by powerful individuals and political parties or were founded to communicate human rights violations of their sponsors' political opponents to the international community. However, many civil society activists are highly committed. Several NGOs were among the groups of protesters who finally ousted Ali Abdallah Salih in 2011.

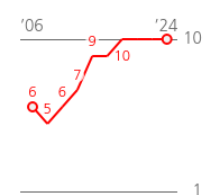
The war has further exposed the weakness of civil society. Caught between a rock and a hard place, very few NGOs were in a position to maintain independence and stay operational without in-country donors. Under the current circumstances, many NGOs have either become dormant or shifted their activities toward distributing humanitarian aid on behalf of the donor community. In other cases, activists have emigrated to escape persecution. Nevertheless, civil society has the potential to promote political and economic development. Some NGOs still organize workshops, trainings, art exhibitions and public debates. Moreover, networks of local mediators and of Yemeni academics and professionals have been set up.

Though the civil war is based on social and political differences and fueled by regional powers, it is framed as a religious or sectarian conflict by some conflict parties (AQAP, Ansar Allah). In any case, untangling the different conflict lines on the regional, national and local levels seems almost impossible. Conflict intensity peaked in 2011 with the ouster of Ali Abdallah Salih and in 2014, when Ansar Allah started an offensive against those they held responsible for spreading Saudi-sponsored Salafism and the six wars in Sa'dah between 2004 and 2010. Ansar Allah took control of the capital Sana'a in summer 2014, looted or destroyed property belonging to its enemies, persecuted members of al-Islah (affiliated with the Muslim Brotherhood) and directly attacked AQAP and its affiliates in several governorates.

Civil society traditions



Conflict intensity



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 al-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, function as the military arm of the Southern Transitional Council. Meanwhile, AQAP bombed civilian and military targets, even controlling villages and cities in the south temporarily, and tried to create a base among some southern tribes but was more or less pushed back. SLC air raids since March 2015 and fighting between the various military units and militias have killed tens of thousands and displaced millions.

In 2021, the level of conflict peaked again with Ansar Allah intensifying drone attacks on Saudi Arabia and trying to advance to the oil-rich governorate of Marib. The IRG responded by designating Ansar Allah as a terrorist organization, hoping other states would follow. At the end of 2021, the United Nations estimated the number of (direct and indirect) victims of the war at 377,000.

In April 2022, the United Nations brokered a two-month truce that was officially extended until October 2022 and has contributed to an easing in violence since then. Hostilities declined, imports of oil derivatives via the Hudaidah seaport increased and Sana’a’s airport reopened. Even after the truce had expired, Yemen sustained a decrease in hostilities. However, the Ta’izz road (controlled by Ansar Allah) remained closed, and, in October 2022, Ansar Allah started attacking oil facilities in the south.

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. The Recovery and Reconstruction Plan that the IRG circulated among the donor community in summer 2016 was clearly beyond the capacities of domestic and international institutions. Government agencies suffer from “limited capacity for good planning,” the Ministry of Planning testified in June 2022.

Question
Score

Prioritization

2

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This notwithstanding, the new government in Aden started in January 2021 to prepare a semi-annual plan and some strategies. The aid package pledged by Saudi Arabia and the UAE in April 2022 comprised \$0.9 million in oil derivatives, \$2 million as CBY deposits (tied to reforms of CBY regulations) and \$0.4 million for development projects in specified areas (SEMC).

By contrast, the Ansar Allah-controlled government in Sana'a presented its own first plan in 2017, followed by its National Vision for the Modern Yemeni State (2019 – 2030) and the Economic Revival and Recovery Strategy (2019 – 2020).

Taken together, these plans might serve as a starting point for reconstruction, as they include vital input from Yemeni technocrats of different political affiliations. Setting priorities will remain the major challenge, however.

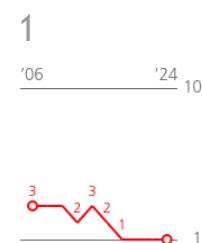
Governments have not been able to implement their policies on the national level to a measurable degree. Indeed, it is debatable if there are any policies other than those related to military victory or simply hanging on to regional allies and their financial resources. The parties to the conflict have been unable and/or unwilling to sacrifice their political ambitions for the sake of the Yemeni population. A (small) light at the end of the tunnel was the agreement reached by ex-President Hadi and the STC in Riyadh in late 2020. However, most of the agreement's elements (forming a 50:50 government, redeployment of regular forces and militias, reorganization of the security apparatus, enhancing transparency, strengthening public institutions, including the central bank) are linked to security issues and still await implementation.

The PLC with Rashad al-Alimi as chairman might be able to perform better than its predecessor, but infighting continues and corruption is so entrenched that the task is extremely difficult. Also, with most technical staff still in Sana'a, implementation would remain challenging in any case.

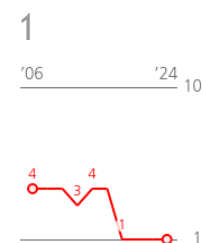
Given its dependence on Saudi Arabia (and other Gulf states to a lesser degree), the IRG has very limited freedom to act. Hence, in general, the possibility of policy learning is extremely limited. Hadi failed to understand that he would not regain Sana'a by simply insisting on the GCC initiative, the National Dialogue Conference outcomes or U.N. Security Council Resolution 2216, especially when the SLC keeps bombing northern Yemen, where the majority of the population lives. Also, the patterns according to which Hadi appointed high-ranking politicians showed no indication of policy learning. Whether the PLC of April 2022 will follow a different course is yet to be seen.

In contrast, Ansar Allah has learned a lot. While its learning progress has also to be attributed to its regional allies (Iran's Revolutionary Guards, Hezbollah and Iraqi Shi'ite militias), Ansar Allah has emerged from a protest movement in a remote part of the poorest Arab country to become an organization that controls major parts of

Implementation



Policy learning



state institutions and 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

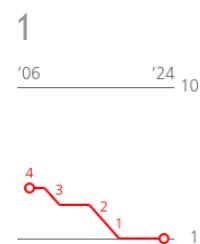
There is no efficient use of budget resources. The recruitment of government administrative personnel is often based on political considerations and nepotism. With the Riyadh Agreement (2019/2020), the signatories were expected to adhere to “spending based on the approved budget, in accordance with Yemeni law and presenting a regular report that is transparent regarding government revenues and spending to the parliament for evaluation and audit.” However, budget resources cannot be audited as no official national budget was made public until 2022, when the state budget was presented to and approved by the rump parliament in Aden.

Already prior to the war, 30% of the budget was spent on public sector salaries. By 2016, public debt services, salaries and wages had used up the remaining reserves, and there was nothing left for much-needed capital investment. While Yemen’s GDP is shrinking, the parties to the conflict have added more civilian personnel, militias and regular forces to the public payroll (though not necessarily paying their salaries). In 2017, Ansar Allah began to systematically divert part of the religious zakat tax to Sana’a, thus further crippling the budgets of local councils. Seen from a macroeconomic perspective, the only positive development has been the de facto abolishment of fuel subsidies, which had consumed about 30% of the national budget. In 2014, Ansar Allah exploited the cutting of subsidies to mobilize protests, only to find out that the subsidies could no longer be funded.

Public administration, traditionally not very efficient, was further hampered by air raids and fighting in many areas, as well as by unpaid salaries and a lack of electricity and fuel. Some essential institutions, like the central bank, 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. Yet, their “poor technical and administrative capacities,” as attested by the Ministry of Planning and Development Cooperation itself, “cause delay to the approval of the documents and procedures during the tendering process and compromise coordination and implementation of external assistance.”

In some regions, the international community (via the United Nations and bi- and multilateral organizations) has taken over essential governmental service functions, such as ensuring the provision of clean water, food, medicine, and shelter. International organizations sometimes even compensate for the irregular payment of public sector salaries. However, the Yemen Humanitarian Response Plans are chronically underfunded.

Efficient use of assets



Meanwhile, Ansar Allah spends money on arms, military parades and mass weddings while demanding the IRG pay public servants and soldiers in the entire country, including those fighting for Ansar Allah.

The two or more parallel governments follow no nationwide policy coordination, and even within their apparatuses, horizontal and vertical cooperation is deficient. Clearly defined mandates between the different state institutions (ministries and others) are often lacking, and different political interest groups as well as external actors intermingle in national policymaking.

However, there are unconfirmed reports that there has been some coordination among the different parties to the conflict to fight COVID-19. Moreover, the IRG cabinet that took office in December 2020 and the Presidential Leadership Council of 2022 represent all major domestic armed political forces except Ansar Allah. Thus, the capacity of the internationally recognized government to fulfill its role has increased, at least theoretically.

After making substantial progress prior to 2012, the emerging anti-corruption regime was severely diminished. In 2014, the National Anti-Corruption Strategy (NACS) expired. A renewal was discussed by the main stakeholders in Amman but never materialized. One of the main players, the Supreme National Authority for Combating Corruption (SNACC), was already handicapped by ex-President Hadi's (illegal) decisions concerning the board in 2013. Also in 2013, the government ordered the media not to cover SNACC activities any longer. Nevertheless, at least until March 2015, the revision of Yemen's anti-corruption legislation (UNCAC gap analysis) was underway.

The Ansar Allah-controlled government officially made "Improving the degree of integrity, transparency and combating corruption" a strategic goal in its National Vision in 2019. Hence, the SNACC (under the Ansar Allah-controlled government in Sana'a) processes the financial disclosure files of high-ranking public officeholders. It also implemented its new anti-corruption strategy (2022 – 2026) and submitted an annual report in January 2023. The IRG, however, has not taken any such steps.

Other relevant public institutions, like the Central Authority for Control and Auditing (COCA) and the High Authority for Tender Control (HATC), managed to continue working at a reduced capacity despite war damage, a lack of electricity and "supervision" by representatives of Ansar Allah.

No matter how good the initial intentions are, under the current circumstances the above organizations are likely to be used to cover up illicit property confiscations and as political weapons. The COCA president, appointed by Hadi in 2012, fled to Aden in early 2018, reportedly taking several sensitive files with him. The declarations in the Riyadh Agreement that address transparency and accountability, like strengthening the COCA but not the SNACC, await implementation.

Policy
coordination

2

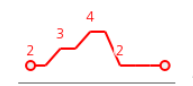
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Anti-corruption
policy

2

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Meanwhile, Ansar Allah started the introduction of e-payment for government transactions and to “modernize the central bank’s digital infrastructure” in 2019 (World Bank 2020). This move might at least reduce the privatization of public offices in Ansar Allah-controlled regions and could indicate contradictory objectives and strategies within Ansar Allah’s leadership.

Civil society organizations have very limited space for action. Hence, on the ground, there is no auditing of public spending. The PoE concluded in 2021 that “those in the top political leadership compete to enrich themselves from limited state and public resources,” while the World Bank’s “control of corruption” indicator scored Yemen 1.4 (out of 100) in 2021.

Yemen signed and ratified the U.N. Convention against Corruption, UNCAC. Still, there has been no attempt to recover the assets (estimated to be \$30 to 60 billion) former President Salih and others diverted (AWTAD, UNCAC Chapters II & V, 2022).

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 Dialog Conference (NDC), especially those 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 delegates.

The IRG keeps referring to the NDC recommendations as one of the three core documents (the others being U.N. Security Council Resolution 2216 and the GCC initiative and its implementation mechanism). The Ansar Allah-controlled government only pays lip service to NDC outcomes in documents like the National Vision for the Modern Yemen (2019).

According to the draft constitution, “the national economy is a free social economy.” Other available documents suggest that the IRG 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 government in Sana’a address similar issues but are more focused on creating revenues and reducing dependence on external funds and imports.

The two regions are developing different characteristics. While Ansar Allah finances its version of governance mainly through taxes and fees, President Hadi and his government remain dependent on oil and political rents.

On the ground, followers of all the conflict parties can be found among the beneficiaries of the war economy, which has emerged as an additional obstacle for (re-)establishing a formal market economy.

Consensus on goals

2

'06 '24 10



Reformers – regardless of where in the country they are located – can at best try to influence 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 with regional powers, most obviously Saudi Arabia, the UAE and Iran. For decades, Yemeni democrats have had to cope with political interventions by powerful, undemocratic neighbor states competing for regional hegemony. Now, they are also faced with the challenge of finding support among a young generation socialized by war and violence.

Political parties cannot bridge regional cleavages, civil society has very limited scope for action, and political leaders contribute to deepening regional and political cleavages.

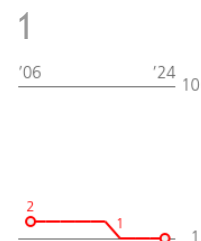
As noted in the BTI 2022 Yemen country report, former President Hadi missed several opportunities to bridge political and regional cleavages. Some observers have even argued that Hadi was trying to imitate his predecessor in an effort to weaken potential opponents.

Although the inclusion of STC representatives in the government in December 2020 constituted major progress, Hadi missed the chance to appoint a cabinet balanced with regard to region and gender. This earned him public complaints from members of parliament representing the Tihamah Region, which in terms of population size almost equals the southern regions, as well as from NGOs because no women were among the ministers. The eight-member Presidential Leadership Council that followed Hadi's rule in April 2022 shows similar characteristics. In-fighting continues in all political camps (ACAPS 2021). Changing the status quo could risk the loss of power and funds.

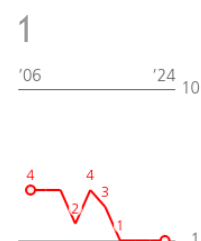
The GCC Implementation Mechanism requires the government to take the input of civil society actors into consideration. NGOs were represented in the National Dialog Conference (40 out of 565 seats), and influential civil society actors have played a significant role before, during and after the NDC. However, the understanding that civil society has a role in governance is still limited, even among otherwise rather reform-minded high-ranking officials. With several civil society activists appointed as ministers in the 2014 government, civil society was primed to acquire a strong position when it came to agenda-setting, as well as monitoring NDC outcomes. This cannot be said about subsequent governments.

Although the weakness of the government(s) and the risk of total breakdown of public services stress the importance of civil society, the political and security situation combined with repression limit its potential. As in the Salih era, civil society is kept in a constant state of alert and increasingly restricted. Many activists have left Yemen or aligned with the conflict parties, while others have shifted their activity to

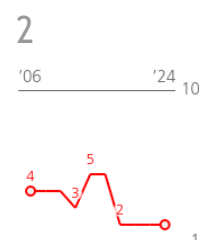
Anti-democratic actors



Cleavage / conflict management



Public consultation



humanitarian aid or activities tolerated by the respective authorities and their external patrons, thus trying to avoid arrest or assassination. Nevertheless, many NGOs and civil society activists are still working on subjects related to peacebuilding or conflict management.

The presidential declaration transferring power to a Presidential Leadership Council (April 2022) provided for a Commission for Reconciliation and Consultation (CRC), comprised of well-known members of Yemeni civil society, predominantly male (five women among the 50 members). The CRC had not been noticeably active by early 2023.

Before the war, many political and social forces claimed that they were victims of past injustice, and most demanded 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 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 these claims. 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 was no consensus about the period to be covered and hence the victims who are eligible for compensation.

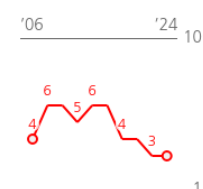
The transitional justice and looted funds draft laws were presented to the cabinet in June/July 2014 but never issued. In 2013, a fund was to be set up, with Qatar allegedly promising \$350 million of the required \$1.2 billion. The Commission on the Forcibly Retired in the Southern Governorates and the Commission on Land-Related Disputes, set up with UNDP support in 2014, suspended work in 2015. According to a CARPO report from 2016, about \$1 billion would be required to compensate just those who lost their jobs in the public sector or their property in the southern part of the country between 1994 and 2011. In Aden, a Committee of Dismissed Southerner Employees had registered 126,000 applications by 2018.

However, fighting in recent years has produced scores of more victims of injustice, thus adding another layer to a complicated issue. The fact that war crimes might involve governments of other states makes reconciliation decidedly difficult. As OCHA put it in 2020, “There are no clean hands in this conflict...violations have been committed by the government of Yemen, the Houthis, the Southern Transitional Council, as well as members of the Coalition” (led by the KSA and UAE).

Ansar Allah prefers to ignore the IRG as much as possible. Rather, it addresses its demands (including for compensation) directly to the Saudi leadership, which has openly started direct negotiations. The STC, by contrast, uses past injustices to justify its demands for an independent southern state.

Reconciliation

3



As a result, the “mechanisms so far set up by the Saudi and UAE-led Coalition, the internationally recognized government of Yemen, and the Ansar Allah (Houthi) armed group are wholly inadequate to accomplish the task of ensuring reparations to civilian victims” (Mwatana for Human Rights, 2022).

If national reconciliation is addressed again, the overall situation will require careful consideration since attempts to compensate for historic injustices could trigger further conflict and more corruption.

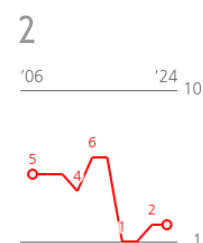
17 | International Cooperation

The IRG as well as Ansar Allah seek international support to finance immediate needs (for example, public sector salaries, military assistance, humanitarian aid). Equally important, all parties to the conflict are eager to receive international recognition as legitimate representatives of the Yemeni population or parts thereof. This may also be the reason Ansar Allah gave up its demand to officially tax international aid in 2020. Even so, it did not give up its claims to control (and at times impede) humanitarian aid through the Supreme Council for Management and Coordination of Humanitarian Affairs and International Cooperation (SCMCHA), established in November 2019. Regarding a long-term development strategy, the Ansar Allah-controlled government can clearly draw on more technical expertise than can the IRG.

However, seeking international assistance to end the conflict has been fairly limited. The U.N. sponsored peace talks in Geneva/Biel (2015), Kuwait (2016) and Stockholm (2018), but the meeting in Stockholm in December 2018, facilitated by U.N. Special Envoy Martin Griffith, was the first to produce results. At that time, Ansar Allah had cut itself off from former President Salih’s funds, while the SLC had advanced on Hudaidah. Simultaneously, international pressure increased against the IRG’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. So far, the Hudaidah seaport has been kept operational. A major prisoner exchange (one of the main elements of the agreement) took place between Ansar Allah and the IRC/SLC in October 2020, and another one was underway in early 2023. However, fighting in and around Ta’izz has not come to an end.

A truce, brokered by the United Nations in 2022, turned out to be rather effective. It was extended until October 2022 and may be followed by another, more comprehensive arrangement in 2023. However, Ansar Allah and the Saudi government simultaneously seek a separate settlement, which could derail the U.N. process (ICG 2022).

Effective use of support



The conflict parties show no respect for Yemen's international human rights obligations – most seriously, children's rights – and little enthusiasm for international cooperation efforts, especially during the time of the first two U.N. special envoys. Beginning in 2018, the main conflict parties adopted a slightly more cooperative attitude toward the United Nations. However, they claim the United Nations is biased, disrespect U.N. staff, ignore agreements concerning registering the redeployment of troops, withhold money or withdraw money from CBY branches at will (Ansar Allah and Joint Forces/Tihama), impede international humanitarian support for Yemeni people, and are neither credible nor reliable. Ansar Allah members even threaten and intimidate U.N. staff and try to sideline U.N. mediation efforts (PoE, ICG).

Ansar Allah frames the conflict as external aggression (by KSA, UAE, the United States, Israel, etc.), has attacked Saudi and UAE territory with drones and rockets, and was consequently designated a foreign terrorist organization (FTO) by the outgoing Trump administration in January 2021. The Biden administration recalled the designation a month later because it would have blocked humanitarian aid.

The STC finally signed the Riyadh Agreement in November 2019, joined the cabinet in December 2020 and the PLC in April 2022. This may reflect pressure from regional allies and an increasing need among the main sponsors of the anti-Ansar Allah alliance to develop an exit strategy.

The Yemeni government stopped serving its international debts – except debts owed to the IMF and the International Development Association – in 2016. However, in August 2022, the IMF allocated Special Drawing Rights worth \$650 billion to the IRG.

Knowing perfectly well that Yemen's future depends on the financial support of GCC members and on the political development of states in the Horn of Africa and the Middle East, the country's past leaderships tried to promote regional and international integration. For example, Yemen is a member of the Greater Arab Free Trade Area (GAFTA) and a signatory to the Djibouti Code of Conduct, a regional initiative to tackle piracy around the Horn of Africa. Efforts to join the Gulf Cooperation Council (GCC) as a dominant regional free trade area started in 2005 but went nowhere. Currently, there is no coherent approach to cooperation with neighboring countries, and each conflict party attacks the others for their connections with regional allies.

For Saudi Arabia, poor and populous Yemen is primarily a security issue. In the recent past, security cooperation seemed generally good (an extradition agreement in 2014). Due to the absence of a comprehensive arrangement concerning the legal entry of Yemeni labor migrants into GCC states, illegal migration (especially to Saudi Arabia) continuously causes 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 its own reputation because many of the returnees reported human rights violations. Meanwhile, a (rather expensive) solution for the remaining Yemenis in Saudi Arabia has been found.

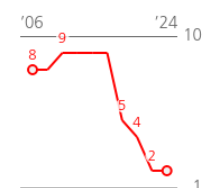
Credibility

2



Regional cooperation

2



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 in 2015. It thus not only further destabilized Yemen but also provoked retaliation in the form of border skirmishes and attacks on Saudi and UAE territory.

Ansar Allah has a record of being unreliable and uncooperative – whether in negotiations about peace agreements or the recovery of the Safer Tanker. Various Yemeni and international governments and experts have accused Iran of supporting Ansar Allah (as well as southern separatism). Ansar Allah’s activities (such as attacking United States, UAE and Saudi naval ships, and Saudi and UAE territory) certainly serve Iran’s agenda, and in particular that of its Revolutionary Guards, but simultaneously could also harm Iran’s international standing. Despite Iran serving as a role model and Iranian (and Lebanese Hezbollah) military experts and hardware, Iranian influence on Ansar Allah’s decisions seems to be limited when compared to the dependence of the IRG on its regional allies. This dependence is not restricted to financial and military aid. It also includes political aspects, such as Saudi Arabia’s successful campaign to the Human Rights Council not to extend the GEE’s mandate in 2021.

Strategic Outlook

The previously highly centralized Yemeni state is undergoing major changes. At least two different economic systems have emerged: one mainly tax-based (north) and the other rent-based (south). There are at least two governments, central banks and monetary policies, etc.

So far, the various political factions have failed to understand that they need each other to build a viable Yemeni state. All of them lack legitimacy. None of the regions they control have all the necessary ingredients to function as a state: financial and natural resources (oil and gas), infrastructure (harbors) and human capital (technical expertise).

Even if the international community supported a separation along the current major frontlines – thus giving in to STC demands and leaving Ansar Allah without access to the country’s oil and gas resources – peace would not come any closer than it is. First, there are major political forces that insist on Yemen’s unity and are likely to react violently. Second, the northern part is not economically viable unless it includes Marib and receives a share of the oil rents coming from Shabwa and Hadhramaut. Ansar Allah has made it very clear that it strives to rule all Yemen and will not allow international companies to “loot” Yemeni oil and gas resources. Third, the new entities might fragment even further. In the long run, a federal state, or at least a confederation, is the most promising option.

The Saudi government is openly trying to disentangle itself from its client, the IRG, and has intensified direct negotiations with Ansar Allah. If the Saudi government – stepping in for the IRG – hands over the money to pay outstanding public sector salaries for Ansar Allah, the consequences could range from violent in-fighting among Ansar Allah factions to skyrocketing prices for food and energy. If the transfer is managed badly, the benefit to the Yemeni population is likely to be short-lived.

What is beyond doubt is that significant investment is needed to fund the recovery of Yemen’s infrastructure, including schools, hospitals, water and sewage systems, power grids, the oil and gas sector, and telecommunications. The increasing popularity of solar power in Yemen provides a promising starting point for further development. In general, the private sector has taken on many services that were previously provided by the state. However, logistical and security concerns are suffocating the private sector and may compel commercial banks, which are primarily still based in Sana’a, to close or relocate. This, in turn, would further hinder imports, including food and fuel, and have a devastating impact on the humanitarian situation. Therefore, investment in Yemen is not enticing unless companies adopt a long-term strategy, similar to that of some state-owned UAE companies.

A decade of violent conflict has left Yemeni youth without knowledge of alternative political settings, with children and young people subject to massive manipulation through state and social media, and, more worryingly, at school. The sooner Yemeni youth are given the chance to compare what they are being taught with the realities outside the propagandistic bubbles of the respective de facto authorities, the greater the chances for civil society to act in a coordinated way toward sustainable peace.

With the international community focusing on violent conflicts and the humanitarian situation, attention to environmental issues – including illegal land seizure in environmentally protected areas – and support for civic engagement to build networks that crosscut the various conflict lines is largely lacking. Both topics deserve more consideration due to their role in peacebuilding at the local, regional and national levels.