Yemen

Status Index (Democracy: 4.07 / Market economy: 3.57)	3.28	**Management Index**	3.85

HDI	0.489	**Population**	19.7 mn
GDP per capita ($, PPP)	889	**Population growth**[1]	3.7 %
Unemployment rate	-	**Women in Parliament**	0.3 %
UN Education Index	0.51	**Poverty**[2]	15.7 %
		Gini Index	33.4 (1998)

Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. [1]Annual growth between 1975 and 2003. [2] Population living below $1 a day (1990-2003).

A. Executive summary

During the period under review, the Republic of Yemen continued to undergo a structural adjustment program while democratic standards, achieved in the early 1990s and lost in 1994, were not regained.

Fundamental structural flaws have proved difficult to correct. These flaws include tribal challenges to the state's monopoly on the use of force; legal pluralism that weakens the entire legal system; patronage and corruption; low qualification of the labor force; military and security forces whose character is not transparent; and a weak infrastructure.

However, in comparison with many neighboring states, the transformation process as a whole has brought a remarkable undercurrent of democratic attitudes to the surface in Yemen. These have come forward even though external constraints, such as solidarity with the United States in the war on terrorism, and internal uncertainties, such as dependence on declining oil income, increasing poverty, and tribal and family interests, continue to loom large as obstacles. In view of Yemen's extraordinary (though declining) population growth and inescapable domestic and international pressures, the future of the transformation process remains uncertain.

B. History and characteristics of transformation

In the late 1980s signs of political liberalization became apparent in the Yemen Arab Republic (YAR, North Yemen) and the People's Democratic Republic (PDRY, South Yemen). The Yemeni Socialist Party (YSP), which ruled the PDRY, lost its most generous sponsor and it was literally bankrupted after the collapse of the Soviet Union. Meanwhile, the YAR's nationalist leadership, organized in the People's General Congress (PGC), was faced with a growing Islamist movement and it was in need of a more secular-oriented ally. Thus, the

leadership of YAR and PDRY created the Republic of Yemen in 1990 out of two fundamentally different social and economic orders. The YAR had a liberal economic system governed by a conservative and autocratic, though generally weak, presidential system. Influential independent tribes in the north and northeast of the YAR kept a certain degree of autonomy. By contrast, the PDRY was a socialist country whose leaders had destroyed much of the tribal structure and espoused the principles of a centralized and planned economy. However, both systems were of a rather corporate character, which facilitated the unification process.

The leadership of the two combined states tried to secure survival via political pluralism. Thus, the first years of the Republic of Yemen were characterized by a multi-party system, hitherto unprecedented press freedom, a referendum on the constitution in 1991 and parliamentary elections in 1993. These elections abolished the PGC-YSP power sharing formula and resulted in a coalition of three parties: the PGC, the YSP and the newly formed conservative-Islamist Yemeni Congregation for Reform (YCR), led by Yemen's most influential tribal figure.

However, privatization of the former PDRY state-owned companies, return of confiscated land, unification of public companies (e.g. airlines), and unification of the legal system was slow. The second Gulf war and Yemen's rejection of international troops to liberate Kuwait led the latter to expel nearly a million Yemeni migrant workers. Tourism suffered from frequent kidnappings after 1992, and inflation and corruption became uncontrollable. On top of this, the exploitation of recently discovered oil reserves, especially on the territory of the former PDRY, aggravated conflicts over distribution rights between the two former ruling elites.

One year after the first parliamentary election, in spring 1994, the two former state leaderships went to war with each other. Although the southern leadership apparently received money and arms from Saudi Arabia, it was the northern leadership, which employed its own military and won support from segments of the former PDRY army and from militias made up of tribesmen and militant Islamists that emerged victorious. In July 1994, the southerners who had led the war of separation from the north left for exile in the Gulf States.

The 1994 disaster has had lasting repercussions, and the victorious leadership of the former YAR was left with the conviction that political pluralism could result in separatism. The constitution was amended immediately after the war and the Presidential Council was abolished. Instead, the president (elected by parliament in 1994) was to be directly elected and the Shariah was made the sole source of legislation, as had been the case in the YAR before unification. Press freedom was restricted, many political organizations and parties lost their (YSP) funding, and critical voices were labeled as separatists and silenced by the regime.

Mounting debts forced the leadership to accept a structural adjustment program, which started in 1995 and whose results are debatable. Yemen's very weakly developed economy remains extremely dependent on the oil sector and has attained only a modest level of stability since structural adjustment measures were implemented.

The Yemeni government seemed to return to its path of political liberalization with parliamentary elections in 1997. The YSP boycotted these elections because its assets had been confiscated after the 1994 war and had not been returned, thus rendering any campaigning impossible. The PGC won an absolute majority and the YCR, coalition member since 1993, became the most important opposition party. When direct presidential elections were due in 1999, candidates for president had to be nominated by parliament, but because the YSP had boycotted the 1997 parliamentary elections, it could not nominate its candidate. The YCR, on the other hand, supported President Ali Abdallah Salih's (PGC) candidature. His ruling party had to name a second candidate from its own ranks, but President Ali Abdallah Salih won 96.2% of the vote.

A second amendment to the constitution in 2001, accepted by referendum, not only extended the term of the president from five to seven years and the term of the parliament from four to five years, it also weakened the position of the parliament (majlis an-nuwwab) vis-à-vis the executive in several ways. A consultative council (al-majlis ash-shura), appointed by the president and introduced as a consultative body (al-majlis al-istishari) to the executive according to the amendments of 1994, took over some legislative functions, and the president's options to dissolve parliament were increased.

Decentralization, a promise going back to the early 1990s, was brought forward, and together with the constitutional referendum, local councils were elected for the first time in 2001. The PGC dominated the local elections and when parliamentary elections were held for the third time in 2001, the PGC gained a two-thirds majority.

C. Assessment

1. Democracy

The malfunctioning of the political system reached its preliminary peak with the presidential elections in 1999. The method of trial and error that characterized the early 1990s seems to have resulted only in a modernized version of the political system of the YAR. There are, however, a number of major differences. Party pluralism and decentralization have become generally accepted principles, a number of relatively critical newspapers have been established and are distributed in print and online, literacy is on the rise, national television stations have to

compete with satellite stations like al-Jazeera, and a number of civil society organizations have taken root. Neighboring countries, having embarked on the path of political and economic liberalization themselves, have less reason to interfere in Yemen's domestic affairs.

1.1. Stateness

Despite some alarming press reports after 9/11, the state's monopoly on the use of force is established in principle in central parts of the country, though the lack and/or weakness of state institutions leads many citizens to stick to traditional methods of conflict resolution. However, there are some large but sparsely populated areas where tribal forces continue to resist what they perceive as the state's encroachment on their autonomy, especially when the state is represented by security forces rather than any kind of services.

Moreover, the population in most rural areas remains armed, mainly for status reasons, but clashes between tribesmen or between tribesmen and security forces occasionally occur. Serious recent problems have occurred between tribal and security forces in the northern governorate of Sa'da since summer 2004. Husain Badr ad-Din al-Huthi, a rebellious Zaidi (a moderate Shi'a sect that is predominant in northern Yemen) sayyid (a descendant of the prophet's family who would have been qualified to become Imam or ruler of North Yemen before the revolution in 1962) challenged the government for its policy toward the United States. The government's brutal reaction drew local tribes into the conflict because the Zaidi sayyids are traditionally protected by the tribes in whose territory they settle. Hundreds were killed in clashes that kept erupting in early 2005 despite al-Huthi's death in autumn 2004.

There is fundamental agreement about which people qualify as citizens of the state. All citizens have the same civil rights. The majority fundamentally acknowledges the constitution that was approved by referendum in 1991. The constitution has been amended twice thereafter, and since 1994 has made the Shariah the sole source of legislation which could affect women and the tiny Jewish minority of roughly 1,000 members. While the only public office that is officially reserved to a male Muslim is the presidential office, a Jewish candidate was not accepted by the Supreme Elections Committee in 2003. Women have been elected to parliament (two in 1993, two in 1997 and one in 2003), there are female ambassadors, and a woman was appointed Human Rights Minister in 2003. Nevertheless, women are disadvantaged by the personal status law, and female judges, a normal phenomenon in the former PDRY, are de facto restricted to juvenile courts. Traditional roles, especially in the former YAR, change only at a very slow pace.

The state functions as a secular order with modern institutions. However, for approximately a thousand years all ruling elites in the northwestern (and

sometimes in the southeastern) part of the country have used Islam to varying degrees as a basis of legitimacy and thus integrated, in one form or another, religious dogmas into the legal and political sphere. Even though the Zaidi Imamate was replaced by the Yemen Arab Republic in 1962, the Shariah has officially remained the sole source of legislation to date (except between 1990 and 1994). Unlike in other Arab countries, however, religious institutions do not interfere in politics.

The state infrastructure and its powers are beginning to extend beyond maintaining law and order, but there is a physical lack of courts, police stations and appropriately trained state employees, particularly in rural areas. Decentralization measures (including local elections in 2001) have been hampered by lack of financial and human resources.

1.2. Political participation

Yemen has had a multi-party system since 1990, and general elections are held at local, parliamentary and presidential levels and accepted in principle as the means of filling leadership positions. Elections are supervised by a formally independent committee, the Supreme Committee for Elections and Referenda, whose members are suggested by parliament and appointed by the president. Domestic and foreign observers can work freely. However, the PGC dominates the Supreme Elections Committee, and there are claims of unequal opportunities for campaigning and irregularities during registration and on Election Day.

The first direct Presidential elections in 1999 were de facto uncompetitive because the YCR supported PGC candidate President Ali Abdallah Salih and the YSP could not nominate their candidate due to their boycott of the 1997 parliamentary elections. Since 2003, five parties, including the YSP, have been represented in the Yemeni parliament, but the PGC holds a two-thirds majority. The YCR is the only opposition party to be reckoned with, but its leadership tends to enter into informal agreements with the ruling PGC.

Elected rulers have the power to govern in important matters, but they simultaneously represent particular interest groups: the president represents the military and the speaker of parliament represents traditional rural elites and business interests. The last amendment of the constitution further strengthened the executive vis-à-vis the legislature. While these amendments were approved by referendum, it can be assumed that the majority of voters were unaware of the contents of the amendments, which were not widely published.

Party pluralism has been anchored in the constitution since 1991. NGOs are allowed to function within the limits of the NGO law (Law Number 1 of 2001) and its by-law of May 2004. However, corporatism prevails and the government supports the fundraising of "loyal" NGOs. While the NGO law grants a relatively

large degree of freedom to NGOs, including foreign finance, its by-law makes sure that foreign funding remains under control and internal elections are observed by representatives of the ministries. As a rule, there are no prohibitions on parties or social organizations as long as they are not perceived as threatening national unity. NGOs are concentrated in urban areas, mainly Sanaa, Ta'izz and Aden. In general, the third sector is weak. However, opposition parties and NGOs (including academic research centers) keep pushing for human rights, clean elections and better governance, and put much effort into educating the younger generations on citizens' rights.

The constitution guarantees all citizens freedom of opinion and expression in all forms. It also guarantees freedom of the press, publication and mass media. However, Article 103 of the law on press and publications (Law Number 25 of 1990) sets a number of limits on press freedom. Journalists who are not protected by influential political actors are frequently arrested, especially when they criticize the president and his family, or are seen as stirring up public unrest or threatening national unity. The Yemeni Journalists Syndicate recently began coordinating a debate about improvement of the press law.

1.3. Rule of law

Checks and balances are weak. An ongoing monopoly position of the executive branch has been both informally observed and increasingly formally codified (in constitutional amendments in 1994 and 2001). Combined with the two-thirds majority the "President's Party" holds in parliament and the de facto weakness of the judiciary, this concentrates power in the hands of the president and the executive branch.

The judiciary is institutionally differentiated, but judges avoid challenging authorities. In a recent case involving a journalist who allegedly stirred popular unrest, the judge preferred to leave for vacation. Moreover, judiciary function is restricted by functional deficits such as corruption and lack of resources. In many rural areas in particular, legal cases are still dealt with by traditional elites simply because no functioning courts exist.

Corrupt officeholders, especially influential ones, are not prosecuted adequately under the law, but recently some have been dismissed, sent into early retirement or have attracted adverse publicity. Even one of the most prominent political figures and his family – the Speaker of Parliament Shaikh Abdallah al-Ahmar and his sons, who are very active in the private sector – are no longer immune, and have come under public scrutiny. However, plans to establish a Committee for Combating Corruption and Safeguarding Public Funds have not yielded any results.

Civil rights are periodically violated and not implemented in some parts of the country. The war on terrorism has negatively impacted civil rights, sometimes leading to militant clashes between security forces and "terrorists," especially in tribal areas, and to the arrest of hundreds of men who are suspected to hold militant views. Actions taken by military leadership and the security apparatus, i.e. the president and his relatives, is completely beyond public control.

1.4. Stability of democratic institutions

Some democratic institutions exist, such as parliament and the local councils. These sometimes challenge the executive, but are subject to intervention and manipulation by the executive branch and have a number of shortcomings, including inadequate funding, and a lack of qualified personnel.

While democratic institutions are accepted in principle, strong veto actors like the military and tribal figures still tend to treat offices as personal fiefdoms that can be passed on to their offspring and successfully avoid playing by the rules. President Salih, for example, is supreme commander of the armed forces, and many influential positions within the armed forces are occupied by his relatives (including the President's son Ahmad).

1.5. Political and social integration

Five parties are represented within the 301-seat parliament, and most of them have stood in the three elections since 1990. The party system therefore shows a moderate degree of fragmentation. Three of these parties dominate the political scene. The PGC, the former YAR mass political organization established in 1982, holds 238 seats and dominates the political sphere with its strong hold over the legislative and the executive branches, but has not gone through major internal changes since parties were officially allowed to function in 1990. The PGC is constantly challenged by the Islamist-conservative YCR (46 seats), while the YSP (eight seats) that has seemed to develop into a social-democratic party has not recovered from its loss of assets and reputation after the secession attempt in 1994. PGC and YCR leaderships have a long history of gentlemen's agreements, and the country has gone through a period of low domestic unrest (compared to what would have been possible) for a decade.

The topography of interest groups is meager. Important social interests, especially of the rural population (75%), are underrepresented, and many professional associations and workers' unions are state-controlled or otherwise paralyzed. The exclusion of large segments of the population has already resulted in protest against SAP implementation, political apathy and, in some cases, support for extremists.

Figures of voter participation (as no survey data on political attitudes are available) and the fact that political protests do not call the constitutional framework into question indicate that consent to democracy is moderate to high. However, commitment to democratic procedures does not mean that the issue is a top priority for the majority of the population, nearly half of whom are living below the poverty line of $2 per day.

In general, trust among the population is rather high. Self-organization has a long history in Yemen, but most autonomous organizations were absorbed into the state structure in the early 1980s. Among the three-quarters of the population living in rural areas with little infrastructure, self-organization is not institutionalized and thus usually restricted to members of the same tribe, village or extended family.

2. Market economy

Since 1995, Yemen has been going through a structural adjustment program that has improved macroeconomic performance but has also contributed to rising poverty through reduction of subsidies on food and energy. The liberal investment law (Law Number 22 of 1991) was improved in 1997 and it allows 100% ownership of companies by foreign investors. Investment capital and profits can be transferred without limitations on amount or currency. The economy has suffered heavily from the terrorist attacks in Yemen. This is especially obvious in the tourism sector and in the development of the Aden container terminal. Insurance rates for ships going to Aden multiplied after attacks on the USS Cole in 2000 and the French oil tanker Limburg in 2002.

2.1. Level of socioeconomic development

Social exclusion is quantitatively and qualitatively extensive and structurally ingrained. According to the Human Development Report 2004, 45.2% of the population lives below the income poverty line of $2 a day, and although adult literacy rate had reached 49% (with youth literacy rate reaching 67.9%) it remained only 28.5% among women in the early 2000s. Thus, roughly half of the population tends to be excluded from market-based socioeconomic development.

2.2. Organization of the market and competition

SAP has improved macroeconomic data since 1995, but market competition still operates within a weak institutional framework. The informal sector is substantial.

No information on legislation of cartels was available. If such legislation exists, it is not likely to be enforced. A monopoly on the telecommunications market, however, was abolished in the early 2000s.

Foreign trade is formally liberalized. Tariffs have been simplified and reduced to a maximum of 25%, a tax on domestic production was introduced to grant equal chances to domestic and imported products, and Yemen applied for WTO membership in 2000. Information was not available regarding possible exceptions to this trend, including differentiated tariffs and special rules for individual companies or sectors.

The banking system and capital market are still poorly differentiated, with inadequate regulation and supervision, but reforms are underway.

2.3. Stability of currency and prices

Controlling inflation and maintaining an appropriate foreign exchange policy are recognized goals of economic policy. The Yemeni Riyal has been freely convertible since the late 1990s, and, compared to the mid-1990s, exchange and inflation rates are relatively stable. However, the inflation rate reached 13.6% in 2003, up from 4.3% in 2002. A stability policy "culture" has been imposed on the government by the IFI.

2.4. Private property

Property rights, including the Intellectual Property Rights Law (Law Number 19 of 1994), and the regulation of the acquisition of property are defined formally in law, but a lack of documentation, complaints about fraud and constant, sometimes violent, struggles over land ownership indicate severe problems in this area.

Private companies can act freely in principle, but encounter economic, political and social barriers to development. State companies dominate some strategic business sectors.

2.5. Welfare regime

A modest social insurance system covers only civil servants, and support for the elderly, the ill and the unemployed is left to family, clan and village structures, where they exist. A social fund for development was established in 1997, and the first poverty reduction program was initiated in 2003. Both are supported by foreign donors because it is clear that the country cannot combat poverty systematically on its own.

There are few institutions to compensate for gross social differences based on poverty or gender. School enrollment rates according to the 2004 HDR indicate only 67% of Yemeni children go to school, and that little more than one-third of them are girls. Women are underrepresented in the private and public sectors and in high government offices. Government, donors and Yemeni NGOs are trying to improve the situation, but increasing poverty prevents parents from paying for school equipment for all their children (the total fertility rate is 6.2), and so boys, seen as future breadwinners, are more likely candidates to be sent to school.

2.6. Economic performance

SAP has improved the performance of the Yemeni economy to some extent, but the fact that economic prospects are not too bad is primarily due to high oil prices. Despite limited oil reserves in Yemen, with production already declining, overall economic development remains critically dependent on the oil sector and is below the 5% annual GDP growth rate needed for sustainable growth. Further exploitation of the Yemeni gas reserves could make up for at least part of the lack of oil income in the intermediate future.

According to the IMF, the GDP increased by 3.9% in 2002 and 3.1% in 2003, but it was expected to be only 2.7% in 2004. Foreign reserves were up to $4.4 billion in 2003. The 2004 census revealed that population growth declined to 3.2% (down from 3.7%) and that the unemployment rate declined from 33% to 18% in 2004 (census data cited from irinnews.org). These figures may not include those Yemenis who are underemployed (especially in rural areas) or who make their living in the growing informal sector. Other sources estimate the unemployment rate at 40%; this figure might be inflated as an overall unemployment rate, but it certainly does apply to the rate of youth unemployment, indicating further serious problems ahead.

2.7. Sustainability

Donors and local NGOs have started a number of programs and campaigns, but in general, environmentally supportable growth receives only occasional consideration and has hardly any institutional underpinning. This is particularly evident in the water sector, where existing renewable resources are constantly overused without any decisive structural intervention. Public awareness of the limits of water resources is low.

Institutions for education, training and research and development have been established since the 1970s, but enrollment ratios indicate they are not accessible to parts of the population, especially in rural areas. The latest available UNDP figure on public expenditure on education was 10.1% of GPD between 1999 and 2001. Data for public expenditure on research and technology are not available. In

the face of Yemen's rampant population growth, institutions for education and higher education are hopelessly overburdened despite substantial investment, although private institutions also exist. As a result, the quality of education is low. Research and development facilities are almost nonexistent.

3. Management

To understand (mis-)management in Yemen, one has to take into consideration that Yemen's tradition of statehood only started in the mid-1960s. Many members of today's leadership have experienced the YAR civil war from 1962 to 1970 (a proxy war between Egypt and Saudi Arabia), border clashes, the PDRY civil war of 1986 and the war of 1994. The country is now basically ruled by a coalition of tribal and military elites and technocrats who share some, but not all, political positions. A general consensus exists that it is a priority to make Yemen a prosperous, internationally-respected unified state with a distinct Islamic character without wanting to turn Yemen into a theocracy. Moreover, Yemenis share a strong sense of nationalism. That does not mean that tribal, regional or other identities do not overshadow this nationalistic attitude at times; the tribal and military elite in particular have built up huge personal networks for decades that overlap and are intertwined with comparatively weak democratically elected institutions on the national and local level. Even among the majority of the population, there is generally more trust in a patron than in any government institution. The ruling elite is not ready to give up its political resources unless they can be convinced that this would be to their personal advantage and to the advantage of the country. The performance of a number of international organizations represented in Yemen does not seem to have contributed to convincing them of either.

Profile of the Political System

Regime type:	***Autocracy***	Constraints to executive authority:	*1*
		Latest parliamentary election:	*27.04.2003*
		Effective number of parties:	*1.6*
1. Head of State:	*'Ali 'Abdullah Salih*	Cabinet duration:	*04/01-05/03*
Head of Government:	*Abd al-Qadir Bajammal*	Parties in government:	*1*
Type of government:	*unified government*		
2. Head of State:	*'Ali 'Abdullah Salih*	Cabinet duration:	*05/03-present*
Head of Government:	*Abd al-Qadir Bajammal*	Parties in government:	*1*
Type of government:	*unified government*		
		Number of ministries:	*30*
		Number of ministers:	*35*

Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1/ (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.

3.1. Level of difficulty

Poverty, the lack of an educated labor force, tensions between tribes and the government, and severe infrastructural deficiencies put high structural constraints on governance.

Yemen has moderate traditions of civil society that found expression, for example, in the self-help organizations of labor migrants in the 1940s, or the cooperative movement of the 1970s that was absorbed into the local administration and the PGC in the early 1980s. During the 1990s, civil society organizations have been on the rise in urban areas, engaging in election observation, human rights education and women's rights. However, they suffer from shortages of funding and skills, and manipulations by the ruling elite.

The male population in Yemen is generally armed, and there are a number of cleavages (regional, religious, socioeconomic) that could be exacerbated by adverse circumstances, but these cleavages are not irreconcilable and small arms are primarily a status symbol. The term "civil war" is misleading in describing the war between the two former ruling elites in 1994, as it was mainly the armies of the former YAR and PDRY that went to war. In recent years tensions between "North" and "South" seem to have lessened, but structural socioeconomic differences, especially between tribal areas in the north and the former PDRY capital Aden, remain striking.

3.2. Steering capability

The political leadership claims to pursue long-term aims, but sometimes the pursuit of short-term interests such as political bargaining and office-seeking to satisfy important constituencies is given priority. These gentlemen's agreements, however, ensure that political disagreements between the members of the leadership are usually solved peacefully. Long-term goals that are pursued do not correspond to democracy or a market economy, such as the promotion of younger members of the ruling elite in the military and private economy. The war on terror has improved the position of the military vis-à-vis reform-oriented technocrats.

Parts of the government seek to achieve reform. However, as many of these reforms run counter to the vested interests of some members of the ruling elite who are also represented in the executive or in parliament, the government fails to implement most of them unless pushed and supported by the international community.

New foreign policy strategies demonstrate the political leadership is formally capable of responding to mistakes and failed policies with changes. One telling example is the very different attitude of the Yemeni government toward the second Gulf War in 1990-1991 and the American-led invasion in Iraq in 2003.

Another example is how shrewdly the Yemeni government extracted a terror rent – additional financial, technical and military support from the international community in order to fight terrorism. With regard to domestic policy, the leadership remains largely stuck in the same routines.

3.3. Resource efficiency

The government uses only some of its available resources efficiently, and the government bureaucracy is bloated and inefficient. Hiring and promotion are heavily influenced by politics, but even more so by entrenched patronage structures. Taking care of one's relatives is a requirement in the absence of a functioning social security network.

The government tries to coordinate conflicting objectives and interests, but intra-governmental friction, redundancies and lacunae are significant.

Large portions of the state are controlled by private interest groups (state capture); resources of the state are distributed based on patronage networks, as in the construction sector, for example. Corruption has become a fundamental characteristic of administrative and state culture. Yemen's score on Transparency International's Corruption Perception Index declined seriously, from a rank of 88th in 2003 to 112th in 2004. However, as Yemen had not been listed before 2003 due to a weak database, the available data from 2003-2004, like most statistical data on Yemen, might not be very reliable either. However, it does confirm a general impression of rising corruption.

3.4. Consensus-building

The key players generally agree about the path to further development and stabilization of the market economy. There is less consensus about how to strengthen democratic structures. The experience of failed consensus-building in the early 1990s has left the leadership a certain distrust of "uncontrolled democracy," not only among the military and tribal elite, but also among the technocrats.

Unless supported by the international community, reformers, including ministers who push for reform, have no clout in comparison with the actors with veto powers, who are backed by influential military figures or tribesmen.

Although the political leadership is trying to prevent cleavage-based conflicts from escalating, it sometimes becomes a party in violent tribal clashes and even aggravates them, as in the case of the Zaidi cleric and his followers in the northern governorate of Sa'da in 2004-2005. In contrast, the way the leadership has dealt with the population of the former PDRY has improved in recent years.

The political leadership does little to promote social capital and is distrustful with respect to the role of civic engagement and solidarity, which is usually limited to extended families or tribes. Nevertheless, a number of active NGOs has been established (6,000 are registered), many of them working closely with the donor community and/or the government. Organizations based in a particular sub-region are sometimes suspected of a hidden separatist agenda, and organizations that cover major parts of Yemen are monitored closely to ensure they do not challenge the government, though some of them still do so.

The political leadership frequently ignores civil society actors and, with few exceptions such as the NGO law, formulates its policy autonomously, apart from the constraints formulated by the IFI and donors.

The leadership formally recognizes the need to deal with historical acts that are perceived as injustice by parts of the population. The 2003 extension of the amnesty to include the leaders of the failed separation attempt in 1994 might serve as an example.

3.5. International cooperation

Collaboration with bilateral and multilateral donors is working well. However, there is reluctance to implement SAP initiatives because lifting subsidies increases poverty and undermines the legitimacy of the government. It also affects the vested business interests, such as smuggling of subsidized goods, of groups with allegedly close ties to the leading families.

The government takes great pains to present itself as a reliable, predictable partner, although it commonly glosses over its development shortcomings. The campaign against militant Islamism is one means to prove the government's commitment to establish itself as a reliable partner in the anti-terror coalition.

Border agreements with neighboring countries, renewed efforts to join the Gulf Cooperation Council and the WTO, and full support of the United States in the war on terrorism have served to improve the credibility and reliability of Yemen’s foreign policy.

4. Trend of development

The level of democracy and market economy has hardly changed between January 1, 2003 and January 31, 2005.

4.1. Democratic development

Stateness, political participation and the rule of law have remained at their former levels of quality. The level of consolidation of democracy has not changed significantly since the second half of the 1990s.

4.2. Market economy development

The country's level of development has improved slightly in the past five years. The HDI improved from 0.435 in 1995 to 0.469 in 2000 and 0.482 in 2002.

The institutional framework has not changed significantly since January 2003. The last major change took place with the referendum on constitutional amendments and the first local elections in 2001. Parliamentary elections in 2003 only increased the position of the PGC.

Overall, economic development has not improved at the necessary speed. GDP growth is lower than the population growth rate.

D. Strategic perspective

Yemen's political system can be characterized as semi-authoritarian. The results of the transformation process in Yemen are still mixed and two steps forward are followed by (at least) one step backward. On the one hand, democratic elements have spread and taken root within a short time in a fairly authoritarian regional setting. Rising literacy among the younger generation, increasing proficiency among Yemeni journalists, and networking between Yemeni NGOs (including the Journalists' Syndicate) and international NGOs raise public awareness of what to expect from the government and stimulate further democratization. Neighboring countries, namely Saudi Arabia, have developed a more cooperative and constructive approach toward the only republic on the Arabian peninsula while many potential spoilers of the transformation process have lost their funding.

On the other hand, fundamental shortcomings such as the weak national economy, corruption, patronage, and rivalry among the central government and the tribes and regions remain. There is no guarantee that the chosen path toward transformation is sustainable. The structural flaws of Yemen's economy will become even more visible in the intermediate future unless new oil fields are discovered or gas reserves can be marketed. Even oil prices over $50/bbd will not be enough to accommodate the demands of a rapidly growing population that does not understand that Yemen is running out of oil. In short, Yemen will remain dependent on the donor community.

Rampant population growth, institutional inadequacies and unresolved domestic power struggles loom as large obstacles. Unlike in neighboring Gulf States, the traditional shortage of state services in Yemen has kept its population rather self-reliant. The Yemeni government needs to address the problems of the rural population, which, largely, lives according to tribal or customary rules that are much more entrenched than state law. The government also has to learn to respond in a more relaxed way toward challenges from former elites.

Key strategic tasks lie in: family policy, where reforms must include progress toward equal status for women and in improvements in family planning; diversification of the national economy (agriculture, Aden Free Trade zone and tourism offer potential); continued efforts to strengthen institutions, in particular the judiciary and the parliament (majlis an-nuwwab); comprehensive reform of the educational system; improvement of the social security network; and further decentralization. There is absolutely no certainty, however, that the current elite can muster the creative management skills necessary to accomplish these tasks.