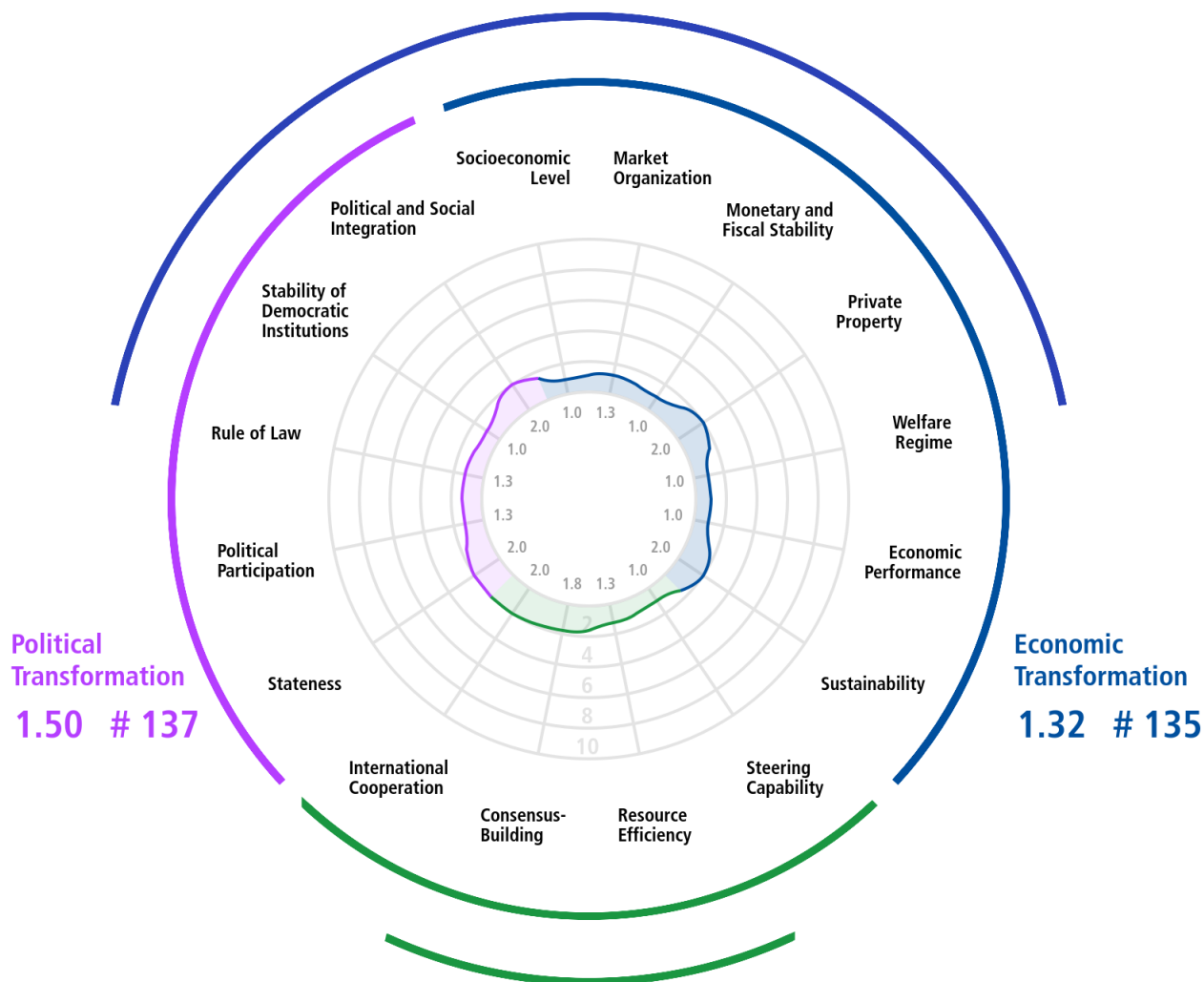


Yemen

Status Index

1.41 # 137

on 1-10 scale out of 137



Governance Index

1.51 # 133

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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	29.8	HDI	0.470	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	2.3	HDI rank of 189	179	Gini Index	36.7
Life expectancy	years	66.1	UN Education Index	0.350	Poverty ³	% 51.2
Urban population	%	37.9	Gender inequality ²	0.795	Aid per capita \$	150.8

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The internationally recognized government of President Abdrabbuh Mansur Hadi lost control over most of the population, the territory and the borders of the Republic of Yemen years ago. A plethora of political groups, militant Islamist organizations and militias, some sponsored by members of the Saudi-led coalition (SLC) that Hadi asked to intervene in 2015, have taken over.

Fragmentation of the state apparatus progresses. Institutions like the central bank and parliament are split between Ansar Allah-controlled Sanaa and the “temporary capital” Aden that is under control of SLC-allies – namely the Southern Transition Council (STC). The STC entered a fragile alliance with President Hadi by signing the Riyadh Agreement in 2019 and joined the newly formed coalition government in late 2020, without disarming its militias.

Without access to the country’s oil reserves, Ansar Allah reverted to very creative taxation, extortion, kidnapping, confiscation and embezzlement of humanitarian aid to fund its networks and supporters. While claiming the moral high ground in Yemen and abroad, Ansar Allah’s leadership increasingly has to react to reports of extortion, kidnapping and rape, committed by its members and followers.

While Hadi, Ansar Allah and the STC are playing the blame game, the civil war rages on. SLC air raids and naval and aerial blockades continue and SLC-supported militias and military units fight among each other. Meanwhile, Ansar Allah continues to receive Iranian support, launches missile and drone attacks against Saudi Arabia and is about to acquire access to the governorate of Marib and its oil resources.

The World Bank estimated reconstruction costs at \$20 – \$25 billion in 2020. GDP growth has been negative, inflation high and poverty rampant. However, the prisoner exchange, agreed upon in Stockholm in 2018, has begun and U.N.-led negotiations over a cease-fire in exchange for a

buffer zone along the Saudi border continue (“Joint Declaration”). However, U.N. technicians have not yet been able to inspect the ailing “Safer” oil tanker containing more than a million barrels of crude oil that might spill into the Red Sea any time.

Logistical and security issues strangle the private sector and may force commercial banks, mostly still operating from Sanaa, to close or relocate. This in turn would further impede imports, including of food and fuel.

Already, U.N. organizations warn of an imminent famine: 80% of the population of approximately 30 million people need some kind of humanitarian assistance. Millions have been displaced, lack access to clean water or health and education facilities.

In spite of substantial civil engagement and hundreds of donor-funded trainings for NGOs (mostly pre-2015), the capacity of civil society is low, due to the suffocating political and security context. Human rights violations are not limited to politically active citizens, though. Especially in Ansar Allah-controlled areas, they include kidnapping for ransom and extortion.

While political violence, malnutrition and diseases like malaria, cholera and dengue fever plague the Yemeni population, neither the internationally recognized government in Riyadh and Aden, nor the Ansar Allah-controlled government in Sanaa are up to the looming challenges emerging from new COVID-19 variants.

However, governance in Yemen mostly relies on commitments between individuals and on agreements between social and political actors, rather than governments. While this has contributed to the current crisis, it also makes Yemeni society more resilient at times when there is no government.

History and Characteristics of Transformation

When the former Yemen Arab Republic (YAR, North Yemen) and the People’s Democratic Republic of Yemen (PDRY, South Yemen) merged into the Republic of Yemen (RoY) in 1990, rising economic pressure and emerging 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 leaderships entered into open warfare, with the northern leadership emerging victorious in July 1994. The postwar coalition government involving the GPC and al-Islah amended the constitution immediately, erasing many political and personal freedoms.

The 1997 elections, which yielded the GPC an absolute majority, were boycotted by the YSP. Al-Islah thus became the dominant opposition party. Incumbent President Ali Abdullah Salih, in office as the North’s president since 1978, won 96.2% of the votes in the first direct presidential election in 1999.

After the GPC had further consolidated its absolute power with a sweeping victory in the 2003 (so far last) parliamentary elections, the Houthi family in northern Sa'dah started an on-and-off rebellion, mainly for reasons having to do with economic and political marginalization. Meanwhile, the opposition (al-Islah, YSP and some smaller parties) succeeded in building a common platform, thus limiting the regime's ability to play these groups against each other. Government-opposition negotiations after Salih's renewed election as president in 2006 agreed to postpone parliamentary elections until April 2011. By January 2011, however, this dialogue had officially failed as GPC again submitted wide-ranging constitutional amendments to parliament.

Sluggish developments in terms of political and economic transformation contributed to the Yemeni Youth Revolution, which began in January 2011 and put immense pressure on Salih. His heavy-handedness with protesters and his efforts to outwit his opponents as well as the international community, backfired. After the U.N. Security Council (UNSC) had passed Resolution 2014, Salih 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 and finally hijacked the popular protests.

While the first phase (90 days) of the transition was instituted comparatively smoothly, implementation of the second phase, which were supposed to end with elections in February 2014, faced delays. A 10-month long National Dialog Conference (NDC) produced 1,800 recommendations. However, influential members of the southern Hirak movement boycotted the NDC and refused to accept a six regions federation – rather than a separate southern state or a two-region federal system. “Ansar Allah,” the Houthi's major political force, also rejected the six-region model because it would have cut them off from the port of Hudaidah. Without having a mandate, the NDC extended President Hadi's term when elections had to be postponed.

In September 2014, meanwhile aligned with former President Salih, Ansar Allah invaded Sanaa, and in January 2015 it took over the presidential palace. President Hadi eventually escaped to Saudi Arabia, leaving behind a failed state and inviting the Saudi government to intervene militarily. On March 26, 2015, the SLC launched its “Decisive Storm” operation, renaming it “Restoring Hope” shortly thereafter, with the aim of re-installing President Hadi.

The ensuing developments quickly resulted in a humanitarian catastrophe for the Yemeni population as the Yemeni state, society and economy went into a tailspin. These developments amounted to an economic disaster for Saudi Arabia, whose reputation also suffered. Although direct civilian casualties are on the decline, the United Nations has estimated that 233,000 Yemenis had died by the end of 2020 as a result of the fighting and the lack of food and health care. International efforts to solve the complex set of conflicts have had only limited effects (consultation rounds under the auspices of the U.N. Special Envoy for Yemen in Geneva and Biel 2015, Kuwait 2016 and Stockholm 2018). Similarly, the United Nations' efforts to get the conflicting parties to sign a joint declaration for a ceasefire that would entail economic and humanitarian support and the resumption of the political process, has also had only limited impact.

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

Transformation Status

I. Political Transformation

1 | Stateness

There is no state monopoly on the use of force. Yemen's borders are even more porous than in the past and the internationally recognized government of President Hadi is faced with an increasing number of contenders.

In the northwest, where approximately 70% of the population lives, Ansar Allah has controlled state institutions since 2014. However, even areas in the southeast, nominally under the control of the Hadi government, are heavily contested. The United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA) support sometimes-competing political and military forces, employ mercenaries and set up their own militias, which fight al-Qaeda on the Arabian Peninsula (AQAP), Ansar Allah or each other. This applies to the "temporary capital" Aden, which is under control of the Southern Transitional Council (STC, established by members of the Southern Movement in 2017), as well as remote areas like al-Mahrah and the island of Soqatra. There are autonomous military units (Tarik Salih, west coast) and private militias (e.g., Hamud al-Mikhlaifi, Taizz). Other governorates, like Marib and Hadhramaut, are developing into independent statelets.

The UAE withdrew its troops in 2019 after having installed and equipped various militias in the south, totaling up to 90,000 fighters. Whether the latest government, set up in December 2020 and including five members of the STC, will manage to control these militias remains to be seen.

AQAP and the Islamic State in Yemen (ISY) seem to be weakened. But in spite of ongoing U.S. drone attacks, AQAP has maintained some strongholds and continues to fight UAE-funded militias in Abyan, for example.

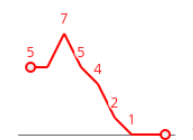
The country is awash with arms, changing hands across political divisions in large quantities. While significant quantities of them were looted from security forces (the United States lost track of arms supplied to Yemen prior to 2015, worth about \$500 million), others are smuggled in via the Red Sea and the Indian Ocean. Some also reportedly come in through Omani territory. Though plausible, such reports should be taken with a grain of salt because the SLC tries to justify its military and political interventions in the Yemeni-Omani border area.

Question
Score

Monopoly on the
use of force

1

'06 '22 10



How porous the borders are became clear once more in October 2020, when the Islamic Republic of Iran sent Hasan Irlou, a Revolutionary Guard military adviser, to Sanaa, ostensibly to serve as ambassador. Indirectly, Iran thus acknowledged Ansar Allah as legitimate state authority.

The legitimacy of the nation-state is widely challenged. Supported by the UAE, parts of the Southern Movement are pushing for a return to Yemen's pre-unification status (i.e., two separate Yemeni states). The STC announced self-administration in April 2020, but recalled the announcement in July of that year. However, while the STC is financially potent, very vocal, highly visible and supported by UAE-sponsored militias, it is unclear to what extent it actually represents the population. Not all Yemenis in former PDRY areas support the Southern Movement, not all parts of the Southern Movement demand complete separation from the Republic of Yemen, and not all regions in the south feel represented by the Southern Movement, especially when they belong to the few governorates rich in natural resources (oil and gas). The governors of Hadhramaut, Shabwah, al-Mahrah, Socotra and Abyan rejected the STC's declaration of self-administration, while the governorate of Hadhramaut experienced pro-government demonstrations in August 2020. In April 2017, Hadhramaut laid out clear conditions for remaining in a federalized Yemen or becoming part of an independent southern state, during the UAE-sponsored Hadhramaut Inclusive Conference.

Since 2019, STC representatives have participated in Saudi-sponsored negotiations that resulted in a power-sharing agreement between Hadi and the STC. Implementation of the Riyadh Agreement resulted in some progress toward peace, when both sides agreed on a joint cabinet in December 2020, although the agreement's security and military features (including disarmament of militias) have been largely ignored. When the ministers of the Unity Cabinet arrived in Aden, the airport was attacked (ostensibly by Ansar Allah) and more than 20 people were killed.

Religious dogmas have been part of the legal and political spheres for centuries, and the Shariah has officially remained the sole source of legislation except in the People's Democratic Republic of Yemen (1967 – 1990) and in the Republic of Yemen (1990 – 1994). The draft constitution of 2015 avoids the term "only source of legislation" but still makes Shariah "the source of legislation," leaving interpretation to the legislative authority. In practice, religious, customary and state laws of varied origin regulate public and private life. Islamic scholars have shaped public opinion in crucial questions such as women's rights, form of the state (federal/central) and the National Dialog Conference (NDC) where many religious leaders were among the deputies. Preachers influenced by Saudi-type Wahhabism, like Abdelmajid al-Zindani, who was not invited to the NDC, claim that Qur'an and Sunna are above the constitution.

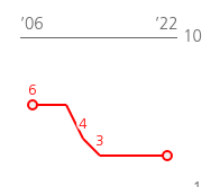
State identity

2



No interference of religious dogmas

3



During the NDC, Ansar Allah, unlike Sunni Salafists, did not oppose the concept of secularism or federalism *per se*. This changed after Ansar Allah gained control of most of northwest Yemen. The group became more religiously erratic in its conduct and has persecuted tiny religious minorities in an Islamist Iranian style. Specifically, they fight everything they consider Saudi-Wahhabi influence, including political activists and specific content in school textbooks.

The new draft constitution of 2015 might have officially reduced the influence of religious dogmas on legal and political institutions. But even without the war, its enforcement would have been very limited. While the state could function as a secular order with modern institutions, the combination of Islamist radicalization (Zaydi or Sunni) and Saudi Arabia's political influence has strengthened the position of religious dogmas *vis-à-vis* a secular order. A rise in religious fundamentalism (in both Sunni and Zaydi forms) in a manner that impacts on the daily lives of people leads to religious dogmas having different weights in different areas. AQAP even applies hudud (corporal punishment according to Islamic law), while gender segregation is increasingly enforced in regions under the control of Ansar Allah (northwest Yemen) or al-Islah (Marib). Moreover, Ansar Allah's interpretation of zakat violates the principle of equality.

Almost six years of war have left their mark on the basic administrative structures of the state, which were already deficient. These cannot keep the peace or maintain law and order.

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.

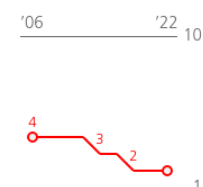
Ansar Allah diverts taxes and fees (e.g., in al-Hudaidah) to its own coffers to finance its operations and – ostensibly – to pay some public sector salaries. In spring 2020, it reinterpreted the zakat law and introduced a new 20% tax on some businesses. The Houthi family and other families claiming descent from 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 Sanaa Strategic Center.

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. The public sector can no longer provide electricity, for example, in Sanaa.

Clinics, hospitals and schools are either closed or function on a very low level due to import restrictions, logistical challenges, unpaid salaries, internal displacement, mines, airstrikes, targeted attacks and an unknown number of COVID-19 cases. If

Basic
administration

2



they do provide services, they are often dependent on national and international NGOs and humanitarian organizations. According to UNDP’s Human Development Report 2020, there are seven hospital beds per 10,000 Yemenis.

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

One of the major service providers, the Social Development Fund (SDF), continues project implementation in almost all governorates with international donor funding.

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 term, which expired in 2014, was never ratified by the electorate or the legislature.

Voter registers were manipulated in the past and have not been updated for years, the Supreme Commission for Elections and Referendum is under 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.

Despite the absence of elections, parties in conflict still fight for control over institutions, especially parliament. In 2015, Ansar Allah announced parliament’s dissolution. Nevertheless, like the Hadi government, it has gathered members of parliament within its respective spheres of influence, claiming to have parliament’s backing. In March 2020, the Ansar Allah-controlled Specialized Criminal Court in Sanaa 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 Sanaa and appointed its own governors and “supervisors” to government entities on the national and local levels. Meanwhile, the STC seems to follow a similar strategy.

Free and fair elections



Effective power to govern



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

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. The U.N. Security Council Panel of Experts reported cases of rape. Ansar Allah even organized a female militia, inspired by the Women's Basij organization in Iran, exerting social control over and violence against female protesters.

The SLC repeatedly bombed larger gatherings, including markets, weddings and funeral halls. UAE-supported forces arrested and tortured Yemeni citizens in "secret prisons." In Aden, majority female security forcefully dispersed demonstrations by the detainees' female relatives.

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

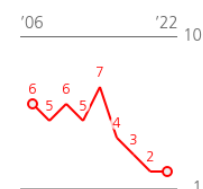
Labor unions – already weak before 2014 – have lost further ground due to the breakdown of the formal economy.

In response to COVID-19, temporary night curfews were enacted in some areas such as Hadhramaut and Sanaa, and printed newspapers banned in mid-March 2020 for three weeks to prevent the further spread of the virus through the distribution networks. Tangible impacts on already very limited association rights were however not reported.

Freedom of expression is denied, media is controlled and manipulated by the combatting parties. Access to many websites is blocked. Thousands of citizens have been arrested, sometimes released for ransom. Local journalists, including citizen-journalists, and human rights activists are detained arbitrarily, kidnapped, beaten or killed. Radio stations and media offices have been closed, plundered and bombed. International and regional media is almost entirely locked out (no visas) or banned from reporting. In 2017, the SLC even prevented the United Nations from bringing journalists into the country. According to Amnesty International, the SLC is "effectively imposing a media blackout. This ban was also extended to human rights organizations."

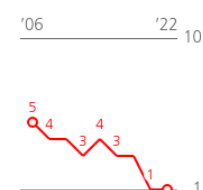
Association /
assembly rights

2



Freedom of
expression

1



However, organized by the Sanaa Center for Strategic Studies, international media representatives visited areas under nominal Hadi government control (Marib/2017, Hadhramaut/2018 and Shabwah/2020). At the local level, well-established NGOs continue to train journalists and monitor human rights violations.

Trying to present itself as actively fighting COVID-19, the internationally recognized government temporarily banned printed newspapers in March 2020 (decree 6/2020).

3 | Rule of Law

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

Six years into the war, there are no longer any legitimate state powers that could be subjected to the law. Parliament and the judiciary are split between the combatting parties and unable to control the various “executives.” Ansar Allah issued a Constitutional Declaration already in early 2015 and has since developed a parallel government, consisting of a Supreme Political Council (roughly equivalent to a presidential council and replacing the Supreme Revolutionary Committee officially abolished in 2019) and a network of “supervisors” to control formal state institutions on the national and local levels, the private sector and civil society organizations. Without the cooperation of the security apparatus, it would be hard to achieve such extensive control. Ansar Allah not only copies former President Salih's system, it perfects it.

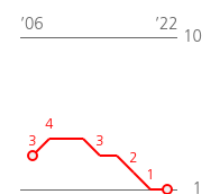
The judiciary is institutionally differentiated but not independent. The few recent reports about the judiciary in Yemen suggest that like other state institutions it has fallen prey to the conflict parties. Courts cannot function independently from whatever group holds power in the respective area and sometimes militias assume the role of the judiciary. Courts and judges are by-passed, replaced or even targeted.

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. The sheer number of human rights violations indicates that in many regions the judiciary cannot fulfill its role.

Specialized courts issue an increasing number of death sentences, though they do not always seem to follow up on the implementation of their rulings. Ansar Allah turned the Specialized Criminal Court (SCC) in Sanaa, originally set up to deal with cases of terrorism, into a tool to suppress political opponents, journalists and religious minorities. Court rulings against Ansar Allah's political opponents and their allies, for example, are often accompanied by property confiscation, revealing

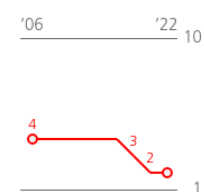
Separation of powers

1



Independent judiciary

2



the underlying motives for the verdicts. Consequently, the Supreme Judicial Council in Aden declared the courts in Ansar Allah-controlled areas illegitimate.

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

The only case of an officeholder who was dismissed after he had been widely accused of corruption was Prime Minister Ahmed bin Daghr in 2018. However, he did not have to fear legal consequences as Hadi dismissed him officially due to “neglect” and “inability” in a move that was likely meant to appease the STC and the UAE. In January 2021, Hadi appointed him Head of the Shura Council (advisory body).

On a lower level, public offices, including prisons, have been “privatized,” as the salaries of public sector employees (including security forces) are paid irregularly or not at all.

In its January 2020 report, the U.N. Group of Eminent International and Regional Experts (Panel of Experts) concluded that, due to “the lack of any accountability, national wealth and external aid are increasingly either diverted or lost owing to corrupt practices by officials of the government of Yemen and the Houthis.”

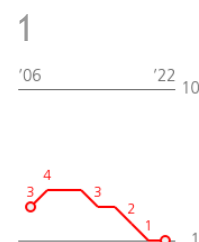
In some areas, office abuse has taken extreme forms. The director of the Criminal Investigation Department in Sanaa, Sultan Zabin, was accused of torture and various crimes against women, but not prosecuted. Though the cases have been documented in the Panel of Experts’ report (2021), the accusations were domestically brushed off as rumors spread by political opponents. Already in early 2019, the panel reported to the UNSC that “individuals who were held captive by Houthi forces for the purpose of being exchanged for Houthi fighters detained by the government of Yemen.”

Hence, in 2020 the panel recommended that the UNSC should take the Yemen file to the International Criminal Court.

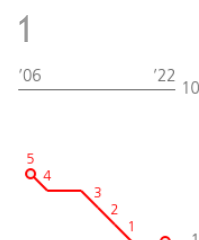
Civil rights are codified by the constitution and laws but are systematically violated. Examples from areas nominally under the control of the Hadi government are the UAE-run detention facilities and indiscriminate killings and arrests. In areas controlled by Ansar Allah as well as those that are under the control of the SLC, there are numerous cases of perceived opposition members being subject to arbitrary detention, and children being recruited to fight in conflicts. Moreover, Ansar Allah persecutes, arrests and expels members of the country’s tiny Bahai and Jewish minorities.

The erosion of state institutions – and their consequent inability to protect civil rights, equal access to justice, etc. – particularly affects women and traditionally marginalized groups such as the Muhammashin (mostly black Yemenis suffering

Prosecution of
office abuse



Civil rights



from social exclusion and deep-seated poverty). Social norms that formerly protected women are eroding as well. Gender-based violence, along with child marriage and child labor, have increased. Amnesty International called Yemen “one of the worst places in the world to be a woman” in 2019. As in previous years, Yemen ranks last on the Global Gender Index 2020. The U.N. Panel of Experts reported in 2020 that it “identified an extensive network involved in political repression under the guise of curbing prostitution” in Ansar Allah-controlled areas. That said, the erosion of norms and role models could offer new chances for women to participate in the (formal) economy and the local and national political sphere, when and if such spheres exist. The new cabinet of December 2020 was criticized for being all male.

Another highly vulnerable group sometimes subject to extreme violence and not protected by either ruling faction in Yemen are African (mostly Ethiopian) migrants. In 2019, 138,000 people from the Horn of Africa crossed the 29-km wide Red Sea, a number that declined due to COVID-19 to 34,000 in 2020, but is expected to rise again after the renewed violence in Ethiopia’s northern province of Tigray.

As Amnesty International observed, mechanisms to protect civilians are not up to the task. This applies to the National Commission to Investigate Alleged Violations of Human Rights, set up by the Hadi government in 2015, as well as the SLC’s Joint Incidents Assessment Team. Repeatedly the U.N. Panel of Experts concluded that the violations committed by the various conflict parties may amount to war crimes.

4 | Stability of Democratic Institutions

Remnants of institutions elected in the 2000s (e.g., the parliament and local councils on the governorate and district levels) still exist. However, they are subject to sometimes extensive intervention and manipulation, and have a number of shortcomings, including expired terms, inadequate funding and lack of qualified personnel. On the national level, democratic institutions are fragmented and degenerated to mere tools of the conflict parties. The 301 members of parliament were last elected in 2003 for six years.

Subnational interests and clientelism have always limited parliament’s performance. The GCC initiative rendered parliament completely powerless because unless parliament and cabinet reach a consensus, the decision rests with the president. Hadi did not even try to obtain parliament’s approval for extending his term or secure a vote of confidence for his last cabinets.

Between 2016 and 2019, parliament mainly convened at the demand of the Supreme Political Council in Sanaa. As the General People’s Congress acquired a two-thirds majority in 2003, parliament was still able to reach a quorum even

Performance of democratic institutions



though the majority of southern parliamentarians has boycotted the sessions for years. With the GPC split after Salih was killed by Ansar Allah in December 2017, and with many GPC leaders having fled abroad or been arrested, parliament is now unlikely to reach a quorum, which would make its votes valid. In late January 2017, President Hadi decreed to transfer the parliament from Sanaa to Aden – but parliament continued to convene in Sanaa under the control of Ansar Allah. In early 2019, a new attempt was made, among other things, to replace the speaker, Yahya al-Ra'i (GPC), who is “under the control of the Iran-supported Houthi militia,” according to al-Khaleej Online. The number of members of parliament loyal to President Hadi is unknown. Whether a quorum was reached at the session in Sayun in spring 2019 is unclear, as no list of participants was published. However, that the Ansar Allah-controlled Specialized Criminal Court sentenced 35 members of parliament to death (in absentia), in spring 2020, indicates that the number of members affiliated with President Hadi is fairly low.

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

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

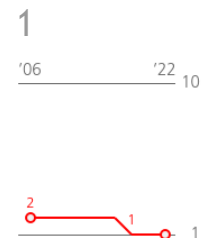
With the exception of parts of the local administration, the current civil war has rendered these institutions irrelevant. Until early 2015, with parliamentary elections scheduled to take place after the constitutional referendum, the executive was the only power that could claim democratic legitimacy to some extent. Since then, acceptance of the executive's democratic legitimacy has further declined and is openly challenged nationwide. On the national level, civil society, demanding political participation and the rule of law, has no chance of prevailing against local, regional and international armed forces' and militias' contempt for democratic institutions.

5 | Political and Social Integration

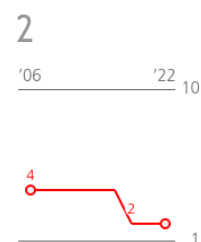
As the political process is dominated by violent conflict, there is no forum for political parties anymore and the party system has ceased to exist.

In any case, party membership often depends on clientelistic networks and parties have not held internal elections or updated their programs for years. The General People's Congress (GPC) has dissolved into several factions since 2014. It split when Ali Abdullah Salih sided with Ansar Allah against Hadi, and then again when some GPC leaders stayed loyal to Ansar Allah even after the death of Salih and other GPC leaders.

Commitment to democratic institutions



Party system



Al-Islah has always been composed of several wings (a tribal wing, the Muslim Brotherhood, etc.) but has not split. Members still supporting Hadi and/or linked to the Muslim Brotherhood are persecuted by Ansar Allah and UAE mercenaries alike. When Qatar reestablished ties with Saudi Arabia and the UAE in late 2020, many Islah leaders (including Abdelmajid al-Zindani) left Qatar for Turkey.

Finally, the Yemeni Socialist Party had to give way to the Southern Movement (in particular the STC).

Despite some positive developments prior to the war, the topography of interest groups is limited, and important social interests are under-represented. NGOs, in particular those concerned with human rights and anti-corruption, flourished and were increasingly organized and differentiated until 2015. Many donors ran capacity development programs and supported NGO activities.

After 2015, many NGOs shifted their focus from governance to humanitarian aid or service provision at the local level, 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 and arrest.

In addition, NGOs are at risk having their bank accounts frozen and are under very close supervision in Ansar Allah-controlled areas. In areas the STC controls, militias and bureaucrats loyal to the STC make decisions regarding issuing NGO permits and allowed activities and occasionally arrest NGO staff.

Militias and dozens of checkpoints across the country make it difficult for NGOs from different regions to pool their resources and cooperate on specific topics. Nevertheless, there still are NGOs organizing cultural events at the local level and beyond.

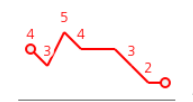
Unions are generally weak, mainly as a result of successful co-optation under the Salih regime, the small and decreasing size of the formal sector and political polarization within organizations in recent years.

The Southern Movement is fragmented in terms of objectives, leadership and means. Objectives range from demands for a two-region federal system to separation from the north.

Interest groups

2

'06 '22 10



A survey conducted by Arab Barometer in 2018 found that more than half of respondents preferred democracy to other political systems. In 2020, the Center for Applied Research in Partnership with the Orient (CARPO) conducted interviews in Yemen and concluded that young people still hope for “inclusive, accountable and transparent forms of governance and an effective rule of law, which protects and promotes human rights and freedom of expression.”

Approval of
democracy

n/a

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Yemen has a long history of voluntary and self-organized groups, associations and organizations. However, self-organization is rarely formalized and usually restricted to members of the same family, village, tribe or region. Charities and other NGOs are still active, most of all in the humanitarian sector. In addition, many Yemenis, including those of tribal origin, have migrated within the country. Over the course of two generations, many people have moved from Aden, Taiz, Marib or other governorates to Sanaa, for example. And more recently, thousands of internally displaced persons (IDPs) have settled in the governorate of Marib. In any case, most IDPs have found refuge with their relatives or friends in other regions, which can be taken as an indicator for solidarity at least on the level of the extended family.

n/a _____ 1

Social capital

2

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Extremely worrying are attacks against Yemenis from northern governorates who live in the south, the rising political polarization and the increasing tendency to frame political antagonisms in religious terminology. The belligerent rhetoric of the parties to the conflict (“aggressors”/“mercenaries”/“militias”) will leave a mark, especially on young people. Travel restrictions and other limitations on interaction will further weaken the level of trust among citizens living in different parts of the country.

Donor-funded projects designed to foster community resilience and strengthen local civil society organizations have a long history and may now be more relevant than ever before.

II. Economic Transformation

6 | Level of Socioeconomic Development

While Yemen has never been able to sufficiently provide public services, in some areas those services are no longer available at all. In the Human Development Index (HDI) 2020, Yemen ranks 179th (out of 189 countries).

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

Yemen needs to import 100% of its medicine, 90% of its wheat and rice and 70% of its fuel. Due to the SLC's air, land and maritime blockade, the country could only import half the food needed to feed the population. Still, the private sector provides clean water, food, education, health service and energy – to those who can afford it.

The majority of the population is malnourished and cut off from access to medical facilities, a situation exacerbated by indiscriminate bombing and shelling of hospitals by all parties to the conflict. However, until early 2021, the effects of COVID-19 seem to have been rather limited as certain factors (mobility restrictions, only 3% of the population are 65 or older) seem to delay the impact of the pandemic.

Depending on the source, between two and four million Yemenis were internally displaced in late 2020. Simultaneously, at least 80% of the population was in need of humanitarian aid, and almost half the population faced acute food insecurity (IPC Phase 3 and above).

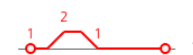
Economic indicators		2017	2018	2019	2020
GDP	\$ M	26736.1	23486.3	-	-
GDP growth	%	-5.1	0.8	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	13.2	13.0	12.9	13.4

Question
Score

Socioeconomic
barriers

1

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Economic indicators		2017	2018	2019	2020
Foreign direct investment	% of GDP	-1.0	-1.2	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	77.4	74.5	76.5	84.2
External debt	\$ M	7193.1	7036.5	7055.2	7120.8
Total debt service	\$ M	99.0	111.3	114.9	134.7
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 2021): 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

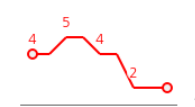
While the war has paralyzed large parts of the public sector and the private sector is suffering – already by late 2015 half of the private sector companies had laid off staff or reduced salaries – the regulatory framework in place before the war is still there. Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception. In theory, private companies can operate freely and have shown remarkable resilience, thus qualifying as partner organizations for some international donors. Due to the Saudi-led blockade, smuggling goods – including weapons – into the country has become even more profitable, and the informal sector is likely to have grown. Also, there are reports that import and export licenses as well as “preferential” exchange rates are only granted to supporters of the respective power holders, providing some companies with the chance to dominate the market.

Given all these circumstances, it has become ever more difficult to do business in Yemen. Consequently, the World Bank ranks Yemen 188th in the category “trading across borders” in its 2020 Doing Business report (which however only covers the

Market
organization

2

'06 '22 10



city of Sanaa). Establishing a business has meanwhile become easier: It takes six procedures and 40 days, with costs equaling 40.2% of per capita GNI, placing Yemen at 156th out of 190 countries.

Ansar Allah and the Hadi government both intervened to limit the prices of food and other essential goods after the value of the Yemeni riyal became extremely volatile in the second half of 2018. However, according to the U.N. Panel of Experts, essential goods have become “prohibitively expensive.”

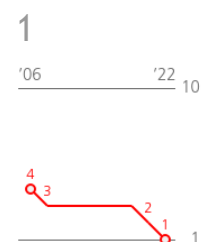
Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception, and calls for the formation of the Competition Protection and Monopoly Prevention Organization (CPMPO) to assure compliance. CPMPO was attached to the Ministry of Industry and Trade and chaired by the minister.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

A new law on monopolistic and anti-competitive behavior was under preparation, according to Yemen’s 2013 report on its accession to the World Trade Organization (WTO). The same report states that monopolies had been established for electricity production and distribution (the Public Electricity Corporation), water and sewage (the Public Corporation of Water and Sanitation), landline telephone services (the Public Telecommunication Corporation) and international telecommunication services (TeleYemen). Without breaking up the existing monopolies, Yemen would allow private sector participation gradually to ensure universal access to essential services.

However, mobile telecommunications services were open to foreign participation and all market access limitations on telecommunications were to be lifted by January 1, 2015. This never happened. Rather, existing safeguards have become irrelevant in the absence of functioning state institutions, and the regulatory framework is outdated.

As of January 2021, there are four GSM mobile phone service providers in Yemen; the biggest one (Yemen Mobile) is owned by the government.

Competition policy



It is the SLC rather than the Yemeni state that controls foreign trade and isolates the Yemeni economy from the world market. The SLC blocks commercial flights to Sanaa airport, controls and sometimes delays and prevents imports (e.g., fuel, equipment for the telecommunication sector or solar energy systems) via air, sea or land. This sometimes includes imports that have been cleared by the United Nations Verification and Inspection Mechanism (UNVIM) set up in 2016.

Prior to the war, foreign trade had been liberalized to a large extent. After almost a decade and a half of negotiations, Yemen became the 160th WTO member in June 2014. However, the country still boycotts goods and services coming from Israel, and at least until 2013, the right to import goods was reserved to Yemeni nationals. Import of alcohol, explosives, hazardous waste (Yemen became signatory to the Basel Convention in 1996) and certain types of food such as pork is still banned.

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

Yemen's simple average most favored nation tariff was 7.6% in 2017 (latest data), compared to 8.9% (world). However, the government has no capacity to further liberalize foreign trade and other priorities dominate the agenda. The Ansar Allah-controlled government in Sanaa is attempting to mitigate the shortage of food imports by seeking ways to enhance self-reliance. The Omani Mazunah Free Trade Zone, close to the border, has acquired importance for Yemeni merchants and investors.

The underdeveloped financial sector has been hit hard by economic warfare. The banking sector was already burdened with non-performing loans in 2014 (almost 25%). Meanwhile, Yemen is classified as high-risk area. Credit to the private sector declined as getting credit in Yemen is very difficult (186th of 190 states, Doing Business Index 2020).

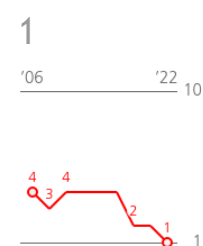
According to the Yemen Socio-Economic Update (YSEU), the banking sector comprised 17 banks (incl. Yemeni banks, branches of foreign banks, Islamic banks and joint venture banks) in 2015. In 2018, the Yemeni NGO Economic Media counted 1,350 exchange offices, most of them operating without a license from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

In 2013, the World Bank described the regulatory system as very weak and credit risk management as insufficient. Nevertheless, the sector is regulated by a number of laws and regulations. In 2007, the first microfinance bank was established, and a leasing law was introduced. Though under discussion for some years, a stock exchange was not established.

Liberalization of foreign trade



Banking system



Already in 2015, Yemeni banks temporarily suspended withdrawals of foreign currency deposits. Nevertheless, until President Hadi decided its relocation to Aden and replaced its governor in September 2016, the CBY was perceived as relatively independent in political, economic and financial terms, especially when compared to regional standards. It was also perceived as one of the few national institutions that – in spite of the war – managed to fulfill its tasks, including payment of salaries to public sector employees, debt service, issuing letters of credit and keeping the Yemeni riyal rather stable.

Although the United States released frozen assets and Saudi Arabia deposited \$2.2 billion in the CBY in 2018, Hadi's selection of CBY governors and their erratic decision-making contributed to further currency instability and import restrictions. Saudi deposits and several decrees, issued in September 2018, meant to bring monetary policy back under the CBY control, reduced inflation temporarily but could not end the liquidity crisis.

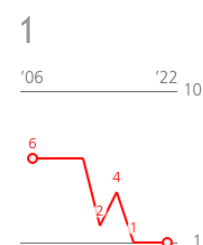
The continuous liquidity crisis, the increasing amount of currency in circulation outside banks and a population that largely has no access to or refuses to extend the use of e-payment mechanisms all indicate that trust in the banking sector is low. That Ansar Allah openly engaged in extorting banks in Sanaa and the STC – sometimes forcefully – seized public funds has not helped the situation (U.N. Panel of Experts, 2021). 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. However, 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 from checkpoints staffed with various militias looking to seize funds.

8 | Monetary and fiscal stability

The government is not able to pursue monetary stabilization. In 2016, Hadi de facto divided the CBY, with one part moving to Aden and the other staying in Sanaa. Neither part of the CBY is independent of the respective power holders. What is worse, this move contributed to establishing two separate political entities on the territory of the Republic of Yemen and turned monetary policy into an instrument of war, as the Yemeni NGO Studies and Economic Media (SEMC) put it. Remarkably, the World Bank found that the Ansar Allah-controlled government has been more successful than President Hadi's government in managing inflation and exchange rates.

There is a severe shortage of foreign currency, with currency speculation emerging as a profitable business. The CBY in Aden tried to get a handle on the exchange rate by banning the transfer of amounts larger than \$10,000 to other countries

Monetary stability



without its permission. In addition, the CBY is trying to gain access to accounts frozen abroad (and has succeeded in releasing funds previously frozen in the United States).

Exchange and inflation rates have been extremely volatile. This resulted in the multiday closure of several large businesses in 2018 because they could no longer determine the sale price of their commodities. A combination of domestic (money-printing by the Aden-based CBY or the failure of peace talks) and international (regional conflicts) factors led the exchange rate to increase from 600 Yemeni rials to \$1 to 800 rials to \$1 over two weeks in September 2018. (The riyal's value in January 2015 had been YER 215 to 1 USD). A Saudi donation to the CBY brought the exchange rate down to YER 500 to \$1 in October 2018. However, by late 2020, the exchange rate was again up to YER 600 to \$1 in Sanaa and to YER 880 to \$1 in Aden. The Yemeni SEMC even reported an exchange rate exceeding 900 rials to \$1 in December 2020.

Raising the interest rate to 27% on deposit certificates has not had any lasting effect. Neither did another round of decrees in the last quarter of 2018. In late 2020, the Adeni CBY took measures against currency speculation by blacklisting 30 private money exchange companies. Given the political turmoil in Aden, this move is unlikely to have any impact. Measures to contain the potential economic fallout from the COVID-19 pandemic have not been taken.

The government does not have a budgetary policy. It does not even seem to prepare a budget that can be monitored.

Details of the budget announced in early 2018 (Prime Minister Decree 165/2018) were not made public, but then Prime Minister Ahmed bin Daghr expected a deficit of about \$1.3 billion, with government revenue at \$2.22 billion and government spending at \$3.32 billion. Bin Daghr told Reuters: "It's an austerity budget. It includes salaries for the military and civilians in 12 provinces ... Salaries in Houthi-dominated areas will be limited to the education and health sectors." As the IMF stated in December 2018: "Strengthening the transparency of the government's fiscal operations, including by publishing regular reports on budgetary developments, could help catalyze more donor support." In January 2021, the cabinet in Aden started preparation for a semi-annual plan with detailed expenses on a monthly basis.

By contrast, the Ansar Allah government presents budget proposals to the parliament in Sanaa.

Fiscal stability



9 | Private Property

The government cannot protect private property. Ansar Allah, for example, confiscates private property, raids banks, imposed a war-tax on salaries and holds hostages for ransom to fund their operations. In 2020, they started taking 20% of the products of certain industries.

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

Registering property in Yemen used to be rather easy. However, lack of documentation, fraud, and the constant and sometimes violent struggles over landownership indicate severe problems.

This not only reflects negatively on the country's investment climate but has strong political implications. One of the issues that led to the rise of the southern al-Hirak movement was the arbitrary confiscation of land by the Salih regime. This happened mainly in the south but there were also less publicized cases in Sanaa and al-Hudaidah. The problem is reinforced by judicial corruption, which often renders efforts to settle disputes over property rights futile.

Apart from Ansar Allah's general demands, there are no strategies detailing if and how citizens will be compensated for loss of family members or injuries, for their homes, farms, shops or factories destroyed by shelling or air strikes.

However, Yemen has signed several international and bilateral agreements on settlement of commercial and investment disputes that – in peace time – might substitute for the shortages of the judiciary. The concept of intellectual property rights (guaranteed by the Investment Law No. 15/2010 as well as by the Intellectual Property Rights Law No. 19/1994) is generally unknown.

De jure, private companies can act freely in principle, yet some special regulations for international companies exist (such as a ban on engaging in the weapons and explosives industry, or specific rules in vital sectors). Law 1/2008 abolished the legal requirement for a foreign business to have a Yemeni partner as well as other legal constraints.

Investment capital and profits can be transferred without limitations on amount or currency – if the banks can provide such services. Enterprises within the public and mixed sector (e.g., the Yemeni Economic Corporation) are estimated to make up about one-fourth of the country's larger companies. They sometimes played an opaque role, especially those that were controlled by relatives or in-laws of former President Salih.

Property rights

2

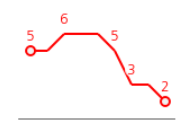
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Private enterprise

2

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However, even prior to the war, economic, political and social barriers to business development were massive. Key issues included deficiencies in infrastructure, corruption and a shortage of qualified workers.

International contracts in the hydrocarbon sector are managed by the Yemen General Corporation for Oil & Minerals, which reports to the Ministry of Oil and Mineral Resources. However, in 2015, production stopped due to the security situation. Austrian OMV was the first international oil company to restart export in 2018. Medco Energi (Indonesia) followed in 2019, according to the U.S. Energy Information Administration. Gas liquidation run by TOTAL in Belhaf (Shabwah) has been suspended since 2015.

According to a World Bank report (2019), 20% of the private sector companies closed, more than half shrunk, while the remaining 20% relocated between 2015 and 2018. Accordingly, doing business in Yemen is very difficult and the World Bank's Doing Business Index 2020 ranked Yemen 187th out of 190 countries.

10 | Welfare Regime

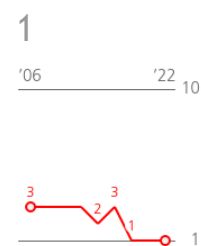
Support for the elderly, the ill, the unemployed and the internally displaced is generally provided by family, tribe and village structures or private welfare organizations – if and where they exist. The severe hardship the population is enduring since 2015 reflects on people's ability to provide for themselves, let alone for others. Of the estimated 750,000 displaced Yemenis who fled to Marib, the majority has no access to basic facilities.

Remittances, another lifeline for many families, have been on the decline 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 decline in funds. Also, social structures have become weaker in certain areas due to a process of internal displacement and migration, or as in Aden, due to historical factors.

The Social Welfare Fund, mainly financed by international donors, already ran out of money by the end of 2014. In 2017, the General Authority for Insurance and Pensions (GAIP) was unable to pay pensions to about one-third of the recipients of its benefits.

In 2016, 1.2 million Yemenis employed in the public sector did not receive their salaries, which meant at least six million people (who were dependent on these salaries) were left without any compensation. Since then, regular payment has not resumed. In early 2018, the Hadi government announced that it would withhold payments for public sector employees in areas under the control of Ansar Allah (about 70% of the population), except for those working in health care and education.

Social safety nets



One of the few public institutions, which has continued to provide at least a minimum level of welfare throughout the war, has been the largely donor-funded Social Development Fund (SDF), established in 1997.

The 2019 Yemen Humanitarian Response Plan was extended to include 2020. It is severely underfunded because Ansar Allah and others interfered in aid delivery, which made some donors cut their contributions. Nevertheless, international donor organizations played a major role in avoiding the worst consequences of the war for the civilian population. Moreover, local private sector companies often provide food, among other things, for free or even run their own charities.

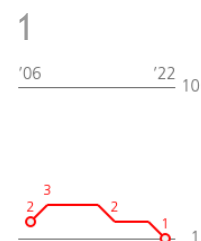
Already before the war there were few institutions to compensate for gross social differences based on poverty, gender and social status. The Muhammashin as a disenfranchised group are still mostly employed in doing menial tasks, with very limited access to basic public services. According to the criminal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

The current conflicts, internal displacement and rampant poverty have further reduced access to education for all. Girls' school enrollment, traditionally low, was increasing until 2015. Many parents are worried about the security situation or cannot afford school supplies for all their children. While boys, seen as less vulnerable and as "future breadwinners," are more likely to be sent to school and attend more years of schooling, their enrollment rates are also insufficient (mean years of schooling for boys 5.1 and 2.9 years for girls, according to the Human Development Report (HDR) 2020).

Apart from young people – half of Yemen's population aged between 15 and 24 are not in education, employment or training – the group most in need of improved access to opportunities are women. The ratio of female-to-male enrollment in primary schools is 0.9, in secondary schools 0.7, and 0.4 on tertiary level (WDI 2020). According to HDR 2020, 19.9% of Yemeni women older than 25 years have had at least some secondary education (compared to about 36.9 % of Yemeni men). Still, the female labor force declined from 11.7% in 2010 to 7.5% in 2020 (WDI 2020). Consequently, the estimated GNI per woman was \$186, while it was \$2,980 per man (GDI 2020).

Women are under-represented in the private and public sectors, especially in high government offices. The situation seemed to improve when a women quota was applied to the National Dialog Conference, four women were among the 17 members of the Constitutional Drafting Committee and – in principle – a women quota was anchored in the draft constitution of 2015. However, of the delegates that participated in the 2015 to 2016 peace negotiations only about 10% were female. In late 2018, when consultations were held in Stockholm, the U.N. special envoy

Equal opportunity



employed an eight-member Yemeni Women’s Technical Advisory Group. However, with one woman among the representatives of the conflict parties, the delegations were almost exclusively male. The cabinet as of December 2020 is entirely male.

Overall, patriarchal structures and informal decision-making in combination with gender segregation often lead to the exclusion of women from decision-making on all levels, as well as from the labor market. This is unlikely to be changed by Articles 76 and 128 of the 2015 draft constitution.

The implementation of Decree 75/2019, detailing a National Action Plan to implement UNSC Resolution 1325 on Women, Peace and Security, will need political and material support from the donor community.

11 | Economic Performance

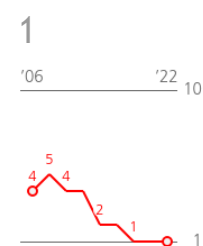
Economic performance is extremely weak. Recent data are often based on estimates and numbers vary widely. However, experts agree that the GDP has been shrinking each year since at least 2015. The cumulative contraction in real GDP between 2014 and 2019 was estimated at 45% (YSEU 51) while GDP per capita in PPP declined from \$3,434 in 2014 to \$1,931 in 2020 (IMF).

The cumulative inflation rate reached almost 150% from 2014 to 2020 (YSEU 51), while public debt as percentage of GDP has almost doubled since the start of the war (2014: 48.7%, 2019: 76.5%).

Since 2015, exporting oil and gas has become almost impossible due to the security situation. Yemen’s harbors are blocked or damaged by the SLC. Gas liquidation remains more or less suspended, but oil exports have resumed at a low level. Production rose from 12.7 million barrels in 2018 to 17.5 million barrels in 2019. With OMV and Calvalley stepping up their engagement in 2020, Yemen is expected to further increase production. However, given the high production costs compared to low global oil prices, a rise in production will not necessary be reflected in the state’s budget (if one is ever prepared).

All in all, import and export of goods and services are on the rise, according to the World Bank. For example, the import of basic food more than doubled between 2016 and 2019, although CBY reserves are depleting. Saudi Arabia deposited more than \$2 billion in 2018 but the CBY in Aden may have “lost” a large amount on opaque foreign exchange transactions (U.N. Panel of Experts 2021). By December 2019, CBY reserves were down to \$1.4 billion – or 1.6 months of imports.

Output strength



12 | Sustainability

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

On the ground, environmental concerns may have played a role at the local level, but not the national. Awareness of the fundamental problem of water scarcity has been pushed aside by the need to ensure the provision of clean drinking water to as many people as possible. At times, diesel and spare parts for water pumps were in short supply, while the SLC targeted a desalination plant and other relevant infrastructure. Nevertheless, qat (a leaf with stimulant effects) is still produced and distributed, while only half of Yemen's population has access to clean drinking water.

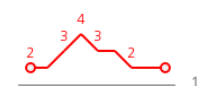
As public power grids are unreliable and diesel for generators is scarce, the use of solar power is on the rise. Unfortunately, this positive development is outweighed by a general lack of concern for environmental issues, though a few NGOs are trying to raise awareness.

Apart from environmental and health problems arising from locusts, floods, garbage and leaking sewage and oil pipelines, Yemen's most urgent environmental problem is a 45-year-old oil tanker, moored in the Red Sea, 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 Safer tanker is "at risk of leaking, exploding or catching fire," according to the U.N. Although a spill or a fire would have devastating ecological and economic effects for all states bordering the Red Sea, Ansar Allah blocked a U.N. expert team from inspecting the tanker throughout 2020. An agreement reached in late 2020 awaits implementation in early 2021. With no access to the oil fields in Marib, Shabwah or Hadhramaut, Ansar Allah might consider one million barrels of oil a major economic asset and political bargaining chip.

Environmental
policy

2

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In the face of Yemen's high population growth, educational institutions at all levels – despite substantial investment in the past – are hopelessly overburdened.

Only few Yemeni children are registered at birth (17%, UNICEF 2018). Therefore, enrollment data might not be reliable. Nevertheless, according to World Bank data, primary school enrollment rates are on the decline. They had reached 97.5% in 2013 but had fallen to 92.5% by 2016 (see also 10.2).

Enrollment rates for secondary (51% in 2016) and tertiary education (almost 10% in 2011) are low as well (latest data available).

According to UNICEF, the number of children who could not attend school had risen to two million by March 2018 because about 2,500 schools were damaged, occupied by internally displaced persons or combatants, or simply had no teachers due to unpaid salaries. By late 2020, more schools were closed, with dozens having been turned into COVID-19 centers.

According to HDR 2015, only 4.6% of GDP was spent on education, less than the previous year. It can be safely assumed that expenditures have further declined since (recent data is not available).

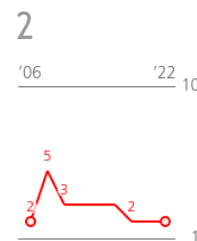
While there is statistically one teacher per 27 students (HDI 2020), salaries for teachers are low or not paid at all, many teachers need a second job to support their families. Surprisingly, unless closed to fight COVID-19, most schools and universities were still open.

Schools under the supervision of Ansar Allah have been used for recruitment and indoctrination while the SLC has repeatedly bombed education facilities. By late 2019, 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 the schools in the 16 cities it surveyed. According to the Ministry of Planning, one-third of Yemeni girls and one-quarter of Yemeni boys do not attend school regularly (YSEU 51/2020).

Prior to the war, the number of private education institutions grew. 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 still almost nonexistent and data on public research and technology expenditure is not available.

Education policy /
R&D



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 (airports, harbors, roads, 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.

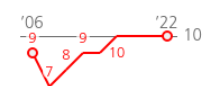
Suffering from a shortage of water and energy – and already the poorest Arab country before the war – Yemen's population has been pushed into extreme poverty. By early 2021, 24 million people were in need of some kind of humanitarian assistance, with 90% of the population having no access to electricity, up to four million people internally displaced and two million children out of school. Leadership struggles, large-scale corruption, the lack of strategy and a shortage of funds (including funds for salaries) 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 results in a brain drain affecting state institutions, as well as the private sector and civil society. Meanwhile, the migration of Africans through Yemen to the rich Arab Gulf states continues unabated.

Given the high rate of malnutrition and the prevalence of infectious diseases like cholera (more than 200,000 cases in 2020), malaria, diphtheria, measles, dengue fever, and even a polio outbreak (in Saada in August 2020), authorities cannot do much to fight COVID-19. Moreover, the Assessment Capacities Project (ACAPS) found that the fragmentation of the country prevents coordinated action to fight against the disease. Nevertheless, some (donor-funded) COVID-19 centers were set up. The authorities temporarily closed borders between governorates, locked down neighborhoods with high infection rates, restricted social gatherings and temporarily closed courts and schools. Statistics show a low and unchanging number of approx. 2,100 cases COVID-19 cases (Johns Hopkins, December 2020/January 2021) and are extremely unlikely to reflect the real number of infections.

Structural
constraints

10



1

The state has always been more or less absent in many areas of Yemen. Therefore, a large proportion of the population is quite capable of organizing their lives without a functioning government. Thus, 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 even have the capacity to broker local ceasefires.

Most of the several thousand NGOs currently registered 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 other forms of civil engagement, NGOs are characterized by a strong representation of women among leaders and activists.

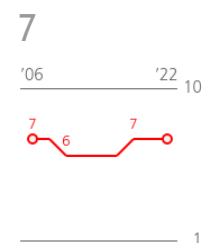
The Social Development Fund (SDF) and some donor organizations ran training programs for NGOs. But still many NGOs have very limited or no appeal to the general public, weak internal structures, depend on international donor organizations and generally lack a broad funding base. Some NGOs should be considered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

The war has further exposed the weakness of civil society. Caught between a rock and a hard place, very few NGOs were in the position to maintain independence and stay operational without the presence of donors in the country.

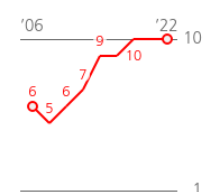
Under the current circumstances, many NGOs have either become dormant or shifted their activities toward distributing humanitarian aid on behalf of the donor community. In other cases, activists have emigrated to escape persecution. Nevertheless, civil society has the potential to promote political and economic development and some NGOs still organize workshops, trainings, art exhibitions and public debates.

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

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 controlled villages and cities in the south, and has tried to create a base among some southern tribes. SLC air raids since March 2015 and fighting between the various military units and militias have killed tens of thousands and displaced millions. The U.N. estimated the number of (direct and indirect) victims of the war at 233,000 at the end of 2020.

However, developments at the local and regional levels may promise a decline in hostility, at least in some parts of the country.

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 President Hadi’s government circulated among the donor community in summer 2016 was clearly beyond the capacities of domestic and international institutions. Government budgets have not been published since 2014. Only in January 2021 did the new government in Aden start to prepare a semi-annual plan and some strategies.

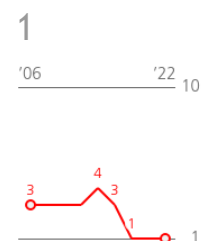
By contrast, the Ansar Allah-controlled government in Sanaa presented its own first plan in 2017, followed by its National Vision for the Modern Yemeni State 2019 – 30 and the Economic Revival and Recovery Strategy 2019 – 20.

Taken together, these plans might serve as a starting point for reconstruction, as they include vital input from Yemeni technocrats of different political affiliations.

To set priorities will remain the major challenge, however. COVID-19 clearly has not been a priority so far. While the Riyadh Agreement sets a clear focus on the distribution of offices and the security sector, it does not mention COVID-19 at all.

Question
Score

Prioritization



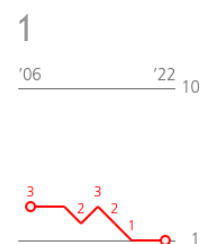
The government is not able to implement its policies on the national level to a measurable degree. Indeed, it is debatable if there are any policies other than those related to military victory or simply hanging on to regional allies and their financial resources. The parties to the conflict have been unable and/or unwilling to sacrifice their political ambitions for the sake of the Yemeni population. The only (small) light at the end of the tunnel is the agreement reached by President Hadi and the STC in Riyadh in late 2020, as the newly formed joint cabinet might have the actual capacity to implement policies, at least in some areas. 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 as of early 2021.

With most technical staff still in Sanaa, implementation would remain challenging in any case.

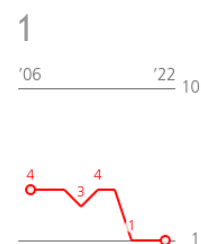
Given its dependence on Saudi Arabia (and other Gulf states to a lesser degree), the internationally recognized government has very limited freedom to act. Hence, in general, the possibility of policy learning is extremely limited. Over the last six years, President Hadi has failed to understand that he will not regain Sanaa by simply insisting on the GCC initiative, the National Dialog Conference outcomes or UNSC Resolution 2216, especially when the SLC keeps bombing northern Yemen, where the majority of the population lives. Whether the new cabinet of December 2020 will follow a different course is yet to be seen. Examining the patterns according to which Hadi appoints high-ranking politicians shows no indication of policy learning.

In contrast, Ansar Allah has learned a lot. Having emerged from a protest movement in one of the remotest parts of the poorest country in the Arab world, Ansar Allah has developed into a militia that controls major parts of 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.”

Implementation



Policy learning



15 | Resource Efficiency

There is no efficient use of budget resources. Recruitment of government administrative personnel is often based on political considerations and nepotism. Budget resources cannot be audited as no official national budget exists. With the Riyadh Agreement (2019/2020), the signatories are 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.”

Already prior to the war, 30% of the budget was spent on public sector salaries. By 2016, public debt services, salaries and wages used up the remaining reserves, and there was nothing left for much-needed capital investment.

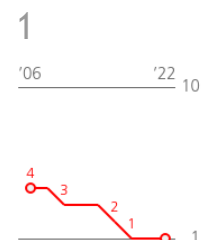
While Yemen’s GDP is shrinking, the parties to the conflict have added more civilian personnel, militias and regular forces to the public payroll (though not necessarily paying their salaries). In spring 2020, Ansar Allah began to systematically divert the religious Zakat tax, thus further crippling the budgets of local councils.

Seen from a macroeconomic perspective, the only positive development has been the de facto abolishment of fuel subsidies that consumed about 30% of the national budget. In 2014, Ansar Allah used 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, lack of electricity and fuel. Some essential institutions like the central bank were damaged by short-sighted political decision-making. Telecommunications are on the verge of breaking down, due to having become a bone of contention. It is therefore remarkable that ministries and local councils have shown resilience and are still functioning to some extent.

The international community (via U.N. organizations, and bi- and multilateral agreements) has taken over some 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 have been increasingly underfunded. By 2020, of the required \$3.4 billion, only \$1.8 billion were provided.

Efficient use of assets



The two or more parallel governments follow no nationwide policy coordination, and even within their apparatuses horizontal and vertical cooperation is lacking. 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, after two years of negotiations, the Riyadh Agreement (already signed in November 2019) is finally being implemented. A new cabinet took office in December 2020. The 24 offices were distributed among 12 ministers from the north and 12 from the south of Yemen, including five members of the STC. Though other political forces obviously perceive the agreement between the two major political camps in southern Yemen as a threat (when the ministers arrived in the “temporary capital” of Aden, the airport was attacked), the capacity of the internationally recognized government to fulfill its role has increased, at least theoretically.

After making substantial progress prior to 2012, the anti-corruption regime has almost ceased to exist. The National Anti-Corruption Strategy (NACS) expired in 2014 without renewal or revision. One of the main players, the Supreme National Authority for Combating Corruption (SNACC), was already handicapped by President Hadi’s (illegal) decisions concerning the board in 2013. Nevertheless, at least until March 2015 the revision of Yemen’s anti-corruption legislation was underway.

The Ansar Allah-controlled government is aware of corruption as a problem and 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 Sanaa) processes the financial disclosure files of high-ranking public office holders and started the process of developing a new anti-corruption strategy (2021 – 2025).

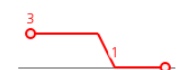
Other relevant public institutions, like the Central Authority for Control and Auditing (COCA) and the High Authority for Tender Control (HATC), managed to continue working at a reduced capacity in spite of war damage, lack of electricity and “supervision” by representatives of Ansar Allah.

No matter how good the initial intentions, under the current circumstances, the above organizations are likely be used to cover up illicit property confiscations and as political weapons. The last COCA president, appointed by Hadi in 2012, fled to Aden in early 2018, reportedly taking several sensitive files with him. According to the Riyadh Agreement, the COCA (unlike the SNACC) is supposed to be strengthened.

Policy coordination

1

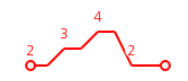
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Anti-corruption policy

2

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However, Ansar Allah started the introduction of e-payment for government transactions and to “modernize the central bank’s digital infrastructure,” according to the World Bank. 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. In other parts of the country, not even symbolic measures to fight corruption have been taken. The declarations in the Riyadh Agreement that relate to transparency and accountability await implementation.

Civil society organizations have very limited space for action. Several have been raided by militias, especially in Ansar Allah-controlled areas. Hence, on the ground, there is no auditing of public spending. The U.N. Panel of Experts 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 1.9 (out of 100) in 2019.

Interestingly, there has been no public discussion about recovering the assets (estimated to be \$30 – 60 billion) that former President Salih diverted (Yemen signed and ratified the U.N. Convention against Corruption, UNCAC).

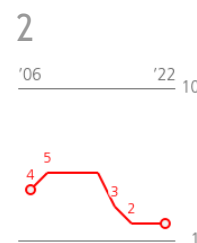
16 | Consensus-Building

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

President Hadi keeps referring to the NDC recommendations as one of the three core documents (the others being UNSC 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.”

According to the draft constitution, “the national economy is a free social economy.” Other available documents suggest that the Hadi government aims to diversify the economy, strengthen the role of the private sector and improve the business environment, while, at the same time, ensuring justice, employment, sustainability and social welfare. The programmatic documents of the government in Sanaa 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 finance their version of governance mainly through taxes and fees, President Hadi and his government remain dependent on oil and political rents.

Consensus on goals



However, the U.N. Panel of Experts regularly reports cases of “illicit enrichment” on both sides, the Aden-based government of Yemen and the Sanaa-based Ansar Allah, through the diversion of frozen assets and public funds, as well as money-laundering and corrupt practices.

Reformers – whether in the Ansar Allah-controlled institutions or in Hadi’s cabinet – have no control over anti-democratic actors. Unless supported by the international community, reformers, including ministers and parliamentarians, have no clout compared to actors with veto powers who are backed by influential military or tribal figures and leaders with assets abroad and good relations to regional powers, most obviously Saudi Arabia, the UAE and Iran. The biggest challenge Yemeni democrats have to cope with is political interventions by powerful undemocratic neighbor states competing for regional hegemony.

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

President Hadi missed the opportunity to implement substantial points from the lists of measures to appease the south that were prepared in the wake of and during the National Dialog Conference. Consequently, members of the Hirak calling for southern independence boycotted the NDC in 2013 – 2014. The decision, officially made by a committee, to divide the country into six federal states alienated Ansar Allah along with major parts of the southern movement.

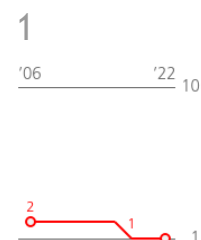
When Ansar Allah attacked the Salafi center in Dammaj (Sa’dah) in 2013, dislodging hundreds of students in the process, the government did not intervene. Some observers argued that Hadi was trying to imitate his predecessor by using Ansar Allah to weaken al-Islah and thus refrained from intervention.

Hadi’s decision to make General Ali Muhsin Salih al-Ahmar vice president in April 2016 was a clear provocation of Ansar Allah, as he was the commander of the Northwest Military Region under President Salih and thus in charge of fighting Ansar Allah until 2010. It also made clear that Hadi would follow the Saudi government to foster their networks, rather than the UAE which had supported Khalid Bahah, the vice president in 2015 – 2016.

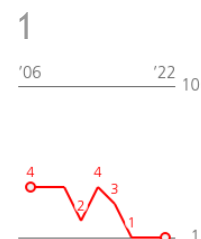
Allegations that Hadi favors his home region Abyan raise further questions about his ability to bridge existing cleavages.

Although the inclusion of STC representatives in the new government (December 2020) constitutes 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.

Anti-democratic actors



Cleavage / conflict management



Moreover, ongoing neglect of the security features outlined in the Riyadh Agreement and the risk that the STC might use the agreement to acquire complete control of the south, could lead to more violence there.

Neither party to the conflict seems interested in changing the status quo, which could entail risking the loss of power and funds.

Under the GCC Implementation Mechanism the government is bound to take the input of civil society actors into consideration. NGOs were represented in the National Dialog Conference (40 out of 565 seats) and influential civil society actors have played a significant role before, during and after the NDC. However, in many public institutions resistance to involving too many stakeholders in decision-making survived. The understanding that civil society has a role in governance is still limited, even among otherwise rather reform-minded high-ranking officials. With a number of civil society activists appointed as ministers into the 2014 government, civil society was likely to gain a stronger position when it came to agenda-setting, as well as monitoring NDC outcomes. This cannot be said with regard to subsequent governments.

Although the weakness of the government(s) and the risk of total breakdown of public services could enhance the role of civil society, the political and security situation combined with repression limit its potentials. As in the Salih era, civil society is kept on a constant state of alert and increasingly restricted. Many civil society actors have left Yemen or aligned with the conflict parties, while others have limited their activity to humanitarian aid or activities tolerated by the respective authorities and their external patrons, 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.

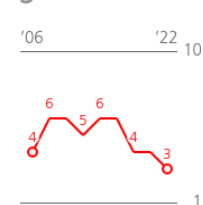
The U.N. has sponsored peace talks in Geneva/Biel (2015), Kuwait (2016) and Stockholm (2018), but only the Stockholm Agreement of December 2018 has produced limited results: Hudaidah Harbor has been kept operational and a major prisoner exchange (one of the main elements of the agreement) took place between Ansar Allah and the Hadi government/SLC in October 2020. While about 1,000 men have been released, another 15,000 are still being detained on both sides.

Moreover, the last years have produced scores more of victims of injustice, thus adding another layer to a complicated issue. The fact that war crimes might involve other states, like Saudi Arabia and the UAE, makes reconciliation decidedly difficult. As the U.N. Panel of Experts noted in its autumn 2020 report: “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, which is led by Saudi Arabia and United Arab Emirates.”

Civil society participation



Reconciliation



In the period under review, the government has not addressed any acts of injustice, historic or recent. Before the war, many political and social forces had 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 a large number of former elites who spent the last decades in exile.

The government, as bound by the GCC Implementation Mechanism, at least officially recognized the need to deal with historical events perceived as acts of injustice. And while the Sa’dah issue and the southern issue as well as the victims of 2011 have been officially acknowledged, the transitional justice law recommended by the NDC has not been issued because there is no consensus about the period to be covered and hence the victims who are eligible for compensation. The transitional justice and the looted funds draft laws were presented to the cabinet in June/July 2014 but were never issued. In 2013, a fund was to be set up with Qatar allegedly promising \$350 million of the required \$1.2 billion.

The Commission on the Forcibly Retired in the Southern Governorates and the Commission on Land-Related Disputes, set up with UNDP support in 2014, suspended work in 2015. According to a CARPO report, about \$1 billion would be required to compensate only those who lost their job in the public sector or their property in the southern part of the country between 1994 and 2011.

If the issue is addressed again, the overall situation requires careful consideration as attempts to compensate for historic injustices could lead to further conflict and more corruption.

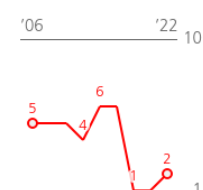
Ansar Allah prefers to ignore the Hadi government as much as possible. Rather, it addresses their demands (including for compensation) directly at the SLC, i.e., the Saudi leadership. In fact, unofficial direct talks between the Saudi leadership and Ansar Allah have occasionally led to limited ceasefires.

17 | International Cooperation

The Hadi government as well as Ansar Allah seek international support to finance immediate needs (e.g., public sector salaries or military assistance). Equally important, all parties to the conflict are eager to receive international recognition as legitimate representatives of the Yemen population or parts thereof. This may also be the reason Ansar Allah gave up its demand to tax international aid in 2020. Even so, it did not give up its claims to control (and 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 clearly can draw on more technical expertise than can the Hadi government.

Effective use of support

2



However, seeking international assistance in an effort to end the conflict is fairly limited. Only in late 2018 were the two main conflict parties ready to accept suggestions from U.N. Special Envoy Martin Griffith. At that time, Ansar Allah had cut itself from former President Salih's funds, while the SLC had advanced on Hudaidah. Simultaneously, international pressure increased against Hadi's main sponsor, Saudi Crown Prince Muhammad bin Salman, in the aftermath of the killing of prominent Saudi journalist and U.S. resident Jamal Khashoggi. Two years later, little has remained of the Stockholm Agreement – in particular, fighting in and around Ta'izz has not come to an end.

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

The conflict parties show no respect for Yemen's international human rights obligations and little enthusiasm for international cooperation efforts.

Since the current special envoy, Martin Griffith, has taken over, the main conflict parties have shown a more cooperative attitude toward the United Nations. However, they claim the U.N. is biased, disrespect U.N. staff, impede international humanitarian support to the Yemeni people and are neither credible nor reliable. Ansar Allah members even threaten and intimidate U.N. staff.

Ansar Allah frames the conflict as external aggression (by the KSA, UAE, U.S., Israel, etc.), keeps attacking Saudi territory with drones and rockets and was consequently designated a foreign terrorist organization (FTO) by the outgoing Trump administration in January 2021.

Given the circumstances, investors shy away from engaging in Yemen. Moreover, the Yemeni government stopped serving its international debts (except debts owed to the IMF and the International Development Association) in 2016.

COVID-19 reporting is so deficient that the data can be ignored.

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 signatory to the Djibouti Code of Conduct (amended in Riyadh in 2017), a regional initiative to tackle piracy around the Horn of Africa.

However, currently there is no coherent approach to cooperation with neighboring countries and each local conflict party attacks the others for having connections with regional allies.

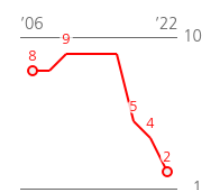
Credibility

2



Regional cooperation

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Although Ansar Allah is supported by Iranian military experts and hardware, analysts consider Iranian influence on Ansar Allah to be limited. With the arrival of Iranian Ambassador Hasan Irlou, who is connected to the Al-Quds Brigade of Iran's Revolutionary Guards and on the U.S. sanction list, in October 2020, relations between Ansar Allah and Iran are likely to intensify. Hadi, on the other hand, is fully dependent on his regional allies, in particular on Saudi Arabia.

Yemen's long-term efforts to gain admittance to the GCC have produced very limited results but the topic is still on the agenda of the Hadi government. Its relations with other countries in the SLC (mainly the UAE, the second major actor in the Saudi-led coalition, Oman, the only GCC member that chose not to join the SLC, and Qatar, no longer a member of the SLC since Bahrain, Egypt, Saudi Arabia and the UAE blockaded Qatar from 2017 through early 2021) reflect the relations between these other countries and Saudi Arabia.

For Saudi Arabia, poor and populous Yemen is primarily a security issue. In the past, security cooperation seemed generally good. For example, both states signed an extradition agreement in July 2014.

However, the decisions of the Saudi government, which significantly affect Yemen's political and economic development, lack consistency. This could either reflect a strategy to keep Yemen in a fragile state between failure and stability, on the one hand, and the conflicting strategies within the Saudi leadership, on the other.

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) continues to cause problems for both sides. In 2013, Saudi Arabia tightened the visa regulations for migrant workers and deported up to 200,000 Yemeni workers, increasing pressure on the Yemeni government and tainting the Saudi government's own reputation because many of the returnees reported human rights violations. Meanwhile a (rather expensive) solution for the remaining Yemenis in Saudi Arabia has been found.

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 rocket attacks on Saudi territory.

Relations with Iran, although occasionally strained in the past, have reached an all-time low since 2014, reflecting strained Saudi-Iranian relations. Various Yemeni governments accused Iran of supporting Ansar Allah as well as southern separatism. That said, Ansar Allah's activities (such as attacking U.S., UAE and Saudi naval ships, and Saudi territory) may harm Iran's international standing.

In late 2020, GCC members managed to reconcile. At least three of the six GCC states are cooperating with and thus have some influence on different Yemeni conflict parties: KSA supports the Hadi government, the UAE support the STC and the various southern militias, while Qatar is likely to have some influence on al-Islah and maybe even Ansar Allah. Moreover, Oman has already proven its potential as a mediator. If the GCC members agree to end the conflict(s) in Yemen, they will have improved their capacity to do so in 2020. In January 2021, Qatar offered to act as a mediator between members of the GCC and Iran. Such regional initiatives may reflect on the situation in Yemen because several GCC members and Iran support competing Yemeni factions.

Strategic Outlook

In early 2021, and despite Ansar Allah's assault on Marib, the overall situation seems to have improved slightly. Internationally, the new U.S. administration has sent positive signals to Iran. Regionally, Qatar has been re-admitted to the GCC. Hence, a rapprochement between GCC states and Iran is more likely than in the past. In Yemen, the Hadi government and the STC have taken some steps toward ending their destructive competition in the south. While the Riyadh Agreement could support the economy's recovery, including oil and gas export, it consolidated Hadi's ongoing loss of power. There is also the risk that the agreement remains a declaration of intent and that the STC will hijack the process in order to obtain control of the south.

With Iranian support seemingly limited to propaganda, training and arms supply, Ansar Allah may have overstretched itself. One of the main elements of Ansar Allah's narrative is that it defends the country against (Saudi, UAE, American, Israeli, etc.) "aggression." Encouraging its external allies and enemies to withdraw from the conflict may weaken the Yemeni conflict parties by depriving them of funds, weapons – and justifications.

Even if peace talks resume and an inclusive agreement can be negotiated, the level of political violence, human rights violations and corruption will remain high. Too many front lines have opened and too much of the social fabric has been destroyed. Well-intended efforts at peacebuilding could be counterproductive. But there are some areas where the international community could step up its support. For example, cross-regional initiatives and activities, especially among youth from different regional and political backgrounds, could enhance social cohesion.

What is beyond doubt is that massive investment is needed to fund the recovery of Yemen's infrastructure, including schools, hospitals, water and sewage systems, the oil and gas sector and telecommunications. That solar power has become very popular in Yemen offers a good starting point for further development of this sector.

In general, the private sector has taken over many services that used to be provided by the state. However, investment into the economy may have to accommodate the fact that two different systems are emerging: one tax-based (north) and the other rent-based (south).

The international community could help to depoliticize and rehabilitate Yemen's central bank. However, deposits, ideally at regular intervals, should be linked to the conduct of the domestic conflict parties. Generally, the flow of money into and out of the country needs to be monitored more closely than it currently is. As the government does not seem capable of performing this task, a solution needs to be found. Likewise, a massive improvement in border control (entailing cooperation with Oman and Saudi Arabia) and strengthening the UNVIM's presence could help reduce the flow of arms to various militias.

There is governance in Yemen but no nationwide government on the ground. President Hadi was elected for a two-year period in 2012, i.e., his term ran out in 2014. The NDC extended his term indefinitely without having the mandate to do so. Hadi's legitimacy is therefore debatable. Bombing the country and closing airports and harbors has only caused devastation without helping re-install President Hadi. Moreover, all conflict parties are likely to have committed war crimes. Thus, the potential replacement for UNSC Resolution 2216 should avoid naming any conflict party as "legitimate." A new resolution would also offer an exit option for the SLC, in particular Saudi Arabia, because the Saudi government justified its military intervention based on UNSC Resolution 2216.