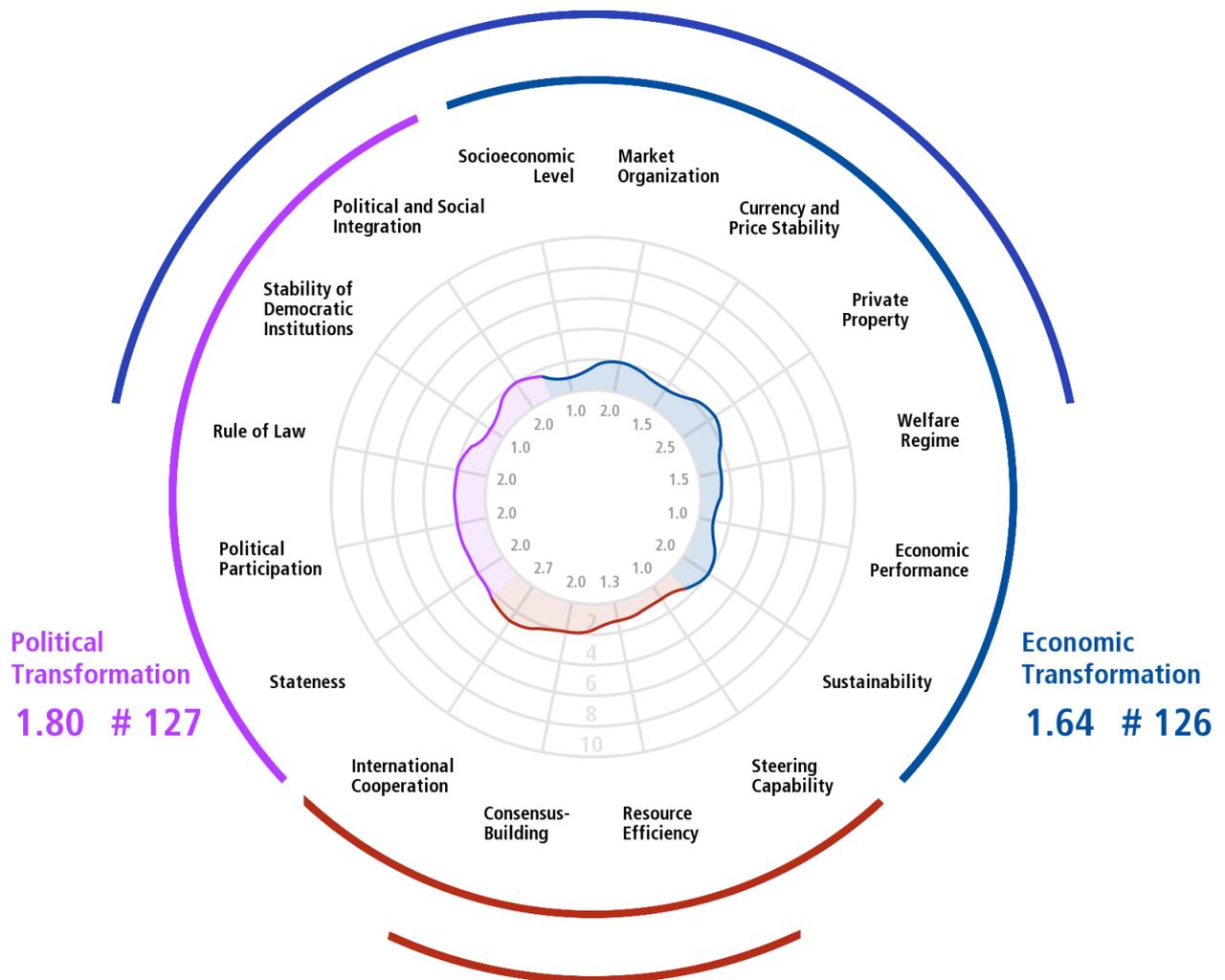


# Yemen

## Status Index

**1.72 # 127**

on 1-10 scale out of 129



**Political Transformation**  
**1.80 # 127**

**Economic Transformation**  
**1.64 # 126**

## Governance Index

**1.70 # 126**

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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## Key Indicators

Population	M	27.6	HDI	0.482	GDP p.c., PPP \$	2508
Pop. growth <sup>1</sup>	% p.a.	2.5	HDI rank of 188	168	Gini Index	36.7
Life expectancy	years	64.7	UN Education Index	0.383	Poverty <sup>3</sup>	% 52.2
Urban population	%	35.2	Gender inequality <sup>2</sup>	0.767	Aid per capita \$	56.9

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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

This assessment period saw Yemen descending into a humanitarian catastrophe, devastating much of the country's infrastructure (particularly in the north), economy and political system, and threatening to destroy social cohesion and the fragile national identity. After Huthi rebels captured wide parts of the capital Sanaa and laid siege on the presidential palace in early 2015, President Abd Rabbu Mansour Hadi and his cabinet stepped down. President Hadi fled to Aden in February, and when the Huthis advanced on Aden, he fled to Saudi Arabia in March 2015. By requesting Saudi government support, he triggered a Saudi reaction towards a (perceived) Iranian threat on Saudi's southern border.

A Saudi-led-coalition (SLC) of nine Arab and African states began "Operation Decisive Storm" on 26 March 2015. This was followed by "Operation Restoring Hope" since 22 April 2015. Meant to last only a few weeks, massive air raids and an air and sea blockade, supported by Arab, African and Columbian soldiers and mercenaries on the ground, have turned into a war of attrition. Energy shortages, a liquidity crisis, social and structural destruction, smuggling and lawlessness are the main threats to the already small formal economy. According to the U.N.'s High Commissioner for Human Rights, "extremely serious violations of international law, including possible war crimes, have been documented."

As a result of the conflict, 2.1 million Yemeni children suffer from severe malnutrition mainly due to what experts have described as a "weaponization of the economy" by the conflicting parties. About 10,000 Yemenis have been killed and about two million continue to be internally displaced as of early 2017. About two-thirds of the population is in need of humanitarian aid. In spite of all this, the alliance of Huthi rebels and former President Salih and his followers (publicly acknowledged in April 2015) still controls large areas in the north, including the capital Sanaa. The country has two governments now: the Huthi-backed National Salvation Government based in the capital Sanaa and a government following internationally recognized President Hadi, based in Saudi Arabia and the "temporary capital Aden." Although both employ regular and irregular

forces, neither has the power to win the war, let alone to govern the whole country. With the end of negotiations between the Hadi government and the Huthi-Salih alliance in August 2016, the political process came to a halt. While the areas controlled by the alliance of Huthi rebels and followers of former President Salih contain the majority of the population, areas with oil and gas resources are outside their reach. Having set up their own political structures in the capital, the Huthi-Salih alliance is pushing for a de facto split of the country. Ironically, they may find themselves aligned with some of their opponents, for example, the southern separatist movement.

The Hadi government, on the other hand, keeps referring to three essential documents: UNSC resolution 2216 (2015), the results of the National Dialogue Conference 2013/2104 and the 2011 Gulf Cooperation Council (GCC) Initiative. As the internationally recognized government, its chances of raising the necessary funds to rebuild Yemen after the war are much higher than those of the Huthi-Salih alliance.

While the population is suffering from the stalemate, al-Qaida in the Arabian Peninsula (AQAP) and the Islamic State group (IS) have taken the chance to extend their domains and refine their strategies, mainly in areas under nominal control of President Hadi.

## History and Characteristics of Transformation

In 1990, the Yemen Arab Republic (YAR, North Yemen) and the People's Democratic Republic of Yemen (PDRY, South Yemen) merged into the Republic of Yemen (RoY). In spite of economic and political differences, both systems had shared single party rule, the Yemeni Socialist Party (YSP) in the south and the General People's Congress (GPC) in the north.

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

The 1994 disaster left the southern elite encouraging anti-northern sentiments and the northern political elite with the understanding that political pluralism could result in separatism. This attitude continued to determine domestic policies. The post-war coalition government of GPC and YCR amended the constitution immediately, abolished the Presidential Council, and made Shariah the sole source of legislation, as had been the case in YAR. Press freedom was restricted, many NGOs and parties lost their funding, and the regime silenced critical voices by labeling them separatists.

Mounting debts and high inflation were addressed by a structural adjustment program in 1995 that was practically abandoned due to noncompliance in 2002. However, the Yemeni riyal was floated in 1995, and Yemen could reduce its debts with the Paris Club group of creditors. The Yemeni government appeared to return to its path of political liberalization with parliamentary elections in 1997. However, YSP boycotted these elections and GPC won an absolute majority. YCR, a coalition partner in government since 1993, became the dominant opposition party, but never fulfilled the same counterbalancing function as had the YSP. Consequently, incumbent President Ali Abdullah Salih won 96.2% of the votes in the first direct presidential election in 1999. Further constitutional amendments in 2001, approved by referendum, extended the presidential and parliamentary terms and weakened the position of the parliament vis-à-vis the executive. When parliamentary elections were held for the third (and so far last) time in 2003, GPC gained 229 of 301 seats.

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

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

These proposed amendments might have been the straw that broke the camel's back. When the Arab Spring reached Yemen in early 2011, Salih found that he had alienated too many former allies. Whether or not the Yemeni Youth Revolution that began in January 2011 was instigated by the Sheikh family al-Ahmar and General Ali Muhsin al-Ahmar (not related to the Sheikh family), it provided the perfect setting to depose Salih. Slow economic development, rising discontent in

the south against “northern domination,” intensifying activities by Yemeni and Saudi militants, and the context of regional protests against long-serving Arab presidents put Salih under immense pressure.

Violent reactions to the protests – hundreds of protesters were killed – and his efforts to outwit his opponents as well as the international community weakened Salih’s position further. After the UNSC had passed Resolution 2014, Salih accepted the Peace Initiative of the Gulf Cooperation Council (GCC). After 33 years, Ali Abdallah Salih handed over presidential powers to Vice-President Abd Rabbu Mansour Hadi on November 22, 2011.

While the first phase (90 days) of the transition was instituted smoothly, though not completely, implementation of the second phase, supposed to end with elections in February 2014, faced delays. The 10-month long National Dialogue Conference (NDC), comprised of 565 members from most segments of society, produced 1,800 recommendations. However, it was boycotted by influential members of the southern movement Hirak who also refused to accept the post-NDC decision to establish a federal system with six regions – rather than a separate southern state or a two-region federal system. The Huthi movement, which had become a major political force now aligned with former President Salih, also refused the six-region model because the regional borders would split the territory they controlled. In September 2014, the Huthis took over Sanaa. A “Peace and National Partnership Agreement” intended to settle the conflicts between the major political actors failed. The Huthis reacted to Hadi’s attempts to proceed with the constitution in January 2015 by taking over the presidential palace. President Hadi eventually escaped to Saudi Arabia, leaving behind a truly failed state.

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. The borders are porous, as illustrated by the influx of African migrants and militants from Arab and non-Arab countries.

In spring 2015, it became apparent that the U.S. could not account for its military aid to Yemen (\$500 million since 2007). Much of the military equipment delivered to Yemen since 2001, provided to support the former president as an ally in the war against terrorism, made its way to various rebels and militants: Huthis, security forces loyal to former President Salih, al-Qaida in the Arabian Peninsula (AQAP) and, since April 2015, IS.

Militants claiming to belong to either AQAP or IS have temporarily seized territory in several southern governorates (e.g., Mukallah, Abyan and al-Baidha) nominally under the control of President Hadi. They also regularly carry out operations elsewhere, for example, in Sanaa and Aden. After more than a decade of drone attacks (60 in 2015 and 2016 according to the Long War Journal), the U.S. conducted its first ground operation since 2014 against AQAP in January 2017, killing about as many civilians, including children, as suspects.

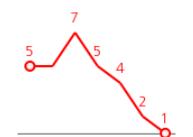
Traditionally weak, state institutions including the security apparatus have been further undermined by the warring parties. The Saudi-led-coalition (SLC), supported by advisors from the U.S. and U.K., controls the airspace and exerts a naval blockade. The Hadi government has no support base in the north and even struggles to control the “temporary capital Aden” and some areas in the south-east. Meanwhile, the Huthi-Salih alliance has established its own government in the capital Sanaa and controls most northern governorates. Elsewhere, individual governors may be preparing to establish their own fiefdoms.

Question  
Score

Monopoly on the  
use of force

1

'06 '18 10



Political, tribal, regional and sometimes religious identities compete with national identity, and political elites in Yemen have promoted tribal, political and regional agendas.

After having been exploited by the ruling elites for decades, the concept of nation-state has lost much of its credibility. During the Salih regime, his Sanhan tribe and affiliated tribal elites dominated the army and security apparatuses as well as the economy, which had been originally the domain of Shafi'i families from the central regions. The perception that particular groups had captured the Yemeni state was the main factor weakening the legitimacy of the nation-state, especially in the former PDRY areas ("the south").

Likewise, the Huthi movement that emerged in the governorate of Sa'dah has been alienated from the Yemeni state they had become familiar with (until 2010) primarily in form of military campaigns against them. The same applies for many of the tribes, for example, in the Marib governorate.

Regardless, in 2011, most popular critique and grievance concerned the lack of a neutral nation-state based on the rule of law and equal citizenship, not the nation-state itself. Unfortunately, even after the demise of Salih, clan-based relations and favoritism still dominated decision-making.

So, even while the North-South divide seemed to diminish for a short time during the 2011 revolution, resistance to what is considered colonization by the north increased. Some southern groups, such as the Hirak faction led by Ali Salim al-Baidh, refused to participate in the National Dialogue Conference in 2013-2014, and in late 2014, Hirak leaders called northern officials to leave the south. As a consequence of such incitement, attacks against citizens originating from northern governorates (sporadically reported since 2010) spread since autumn 2014. Reportedly, about 2,000 Yemenis originating from the north were expelled from the south in 2016. Hundreds of checkpoints have been set up all over the country, making overland travel very difficult and thus limiting personal contacts between Yemenis of different regions.

Citizenship is withheld from children born to a Yemeni mother and a non-Yemeni father. Since 2003, legal exceptions exist when the non-Yemeni father dies or the Yemeni mother is divorced from her non-Yemeni husband. In this case, the children are eligible for Yemeni citizenship.

There is no reliable data on the perception of the nation-state among the general population. However, all conflict parties manipulate public opinion and several individual reports suggest that remaining neutral in the conflict has become very difficult. Therefore, it can be assumed that the concept of the Yemeni nation-state has lost further ground since 2015. Moreover, the emergence of two governments in 2016

State identity

2



– one in Aden/exile and one in Sanaa – has brought Yemen closer to falling apart into at least two states.

The rich cultural heritage of the country could be an important element to reconstruct national identity. Perhaps this is among the reasons why AQAP and IS attack holy sites and mosques of Zaidis, Sufis and Ismailis. In the same context, SLC airstrikes have hit such a number of archaeological sites – be it the famous Marib dam or the old city of Sanaa – that some archaeologists suspect it is being done on purpose.

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

Islamic scholars have shaped public opinion in crucial questions such as women’s rights, form of the state (federal/central) and the National Dialogue Conference where many religious leaders were among the deputies. Preachers influenced by Saudi-type Wahhabism, like Abdelmajid al-Zindani, who was not invited to the NDC, claim that Koran and Sunna are above the constitution. The Huthis, unlike Sunni Salafists, do not seem to have a problem with the concept of secularism or federalism per se. Rather, in the areas under their control they fight everything they consider Saudi-Wahhabi influence, including political activists and specific content in school books.

The new draft constitution, meant to be put to referendum in 2015, might have officially reduced the influence of religious dogmas on legal and political institutions. But even without the war, its enforcement would have been very limited. While the state could function as a secular order with modern institutions, the combination of growing Islamist radicalization of various types and the political influence of the Saudi-led coalition has strengthened the influence of religious dogmas vis-à-vis a secular order.

With the exception of Aden, state-building in the modern sense in both Yemeni republics only began in the 1960s, and unification in 1990 put additional stress on the underdeveloped structures. Since the outbreak of violent conflict in summer 2014, and especially since the beginning of the SLC air strikes in March 2015, the limited administrative capacities of the Yemeni state and the deficits in providing basic services have amplified the country’s humanitarian crisis – one of the world’s most severe.

Even prior to the war, state infrastructure was limited in scope and effectiveness in most areas. While it began to extend beyond maintaining law and order, there still was a physical shortage of courts, police stations, social services, and appropriately

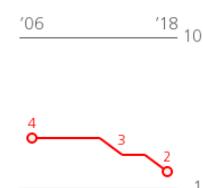
No interference of religious dogmas

3



Basic administration

2



trained state employees, particularly in rural areas. The provision of services could not keep up with the population growth and the influx of refugees. For example, according to the World Bank, only half of the population had access to sanitation and water sources in 2012 (more recent data is not available). Decentralization, with municipal elections in 2001 and 2006, amendment of the local authority law, and indirect election of governors in 2008, was limited and hampered by a lack of financial and human resources. Already the violence that accompanied the political unrest in 2011 left some public facilities damaged, and acts of sabotage against the electricity system and oil pipelines occurred regularly.

The World Bank's Public Sector Management and Institutions Cluster average, as part of its annual Country Policy and Institutional Assessment (CPIA), in Yemen was 2.90 in 2011 (1 is low and 6 is high) and 2.80 in 2012 and 2013. By 2015 (latest available data) the score was down to 2.40.

With the SLC air raids targeting airports, harbors, roads, clinics, schools, water facilities and factories, damage to infrastructure amounts to billions of U.S. dollars. "Revolutionary Committees" meant to control state institutions further hinder the state's capacity to implement its policies and deliver a minimum of services in areas under Huthi control. International relief organizations report similar encroachments, and there are reports that humanitarian aid items are being sold in the market.

According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimates in late 2016, almost 19 out of 26 million Yemenis are in need of some form of humanitarian assistance and 14 million experience food insecurity. Two million children cannot attend school and Yemen has the third highest malnutrition rate in the world. About three million people have been, or are still, internally displaced by violent conflicts in recent years.

## 2 | Political Participation

Between 1993 and 2006, parliamentary, municipal and presidential elections were held, albeit without ever changing the ruling elite and with an increasing number or irregularities, especially in the electoral register. Since 2006 there have been no elections except the presidential elections – with Abd Rabbu Mansour Hadi as the only candidate – in February 2012.

A referendum on the new constitution and parliamentary and presidential elections, originally scheduled for 2014, were postponed when it turned out that the time frame of the GCC Implementation Mechanism was too tight. The NDC agreement on a new electoral system (closed proportional representation) was not followed by the amendment of the election law (issued in 2001 and amended last in 2008) that is

Free and fair elections



based on the first-past-the-post system and thus disadvantages smaller parties, women and minorities.

With the beginning of the war in March 2015 the issue of political participation dropped off the political agenda. However, the Hadi government still plans to reform the electoral system and the Huthi-Salih backed “government” in Sanaa promised parliamentary and presidential elections to be held in late 2017.

Yemen’s political representatives lack democratic legitimacy as the terms for all elected decision-makers have run out. This made it even easier for armed veto powers such as tribal and military strongmen, militants, and regional actors to push them aside. That there are no democratically elected political representatives does not mean that there are no political institutions, however.

President Hadi was elected in 2012 for two years. In 2014 the NDC extended his term until new elections could be held. But – even under the GCC agreement – the NDC did not have the mandate to do so, and Hadi missed the opportunity to have parliament back-up the NDC decision. In early 2015 he resigned, only to withdraw his resignation in February and escape to Saudi Arabia in March 2015 where he stayed for the better part of 2015 and 2016. However, if elections cannot be held, Article 114 of the current constitution calls for a caretaker president, for example, during war or natural catastrophe.

Parliament (majlis an-nuwwab) was last elected in 2003 for four years with an extension of another two years, that is, its term has run out. The first time parliamentarians convened in 2016, after almost two years, was to give a vote of confidence to the “government” of the Huthi-Salih alliance that is not internationally recognized but controls major parts of the country, including the capital.

Many governors, intended to be elected by the local councils since 2008, have been replaced by President Hadi or the Huthis (or both) and their legal status is dubious.

Finally, the term of the local councils, last elected in 2006, has also run out. Nevertheless, they keep working in many parts of the country.

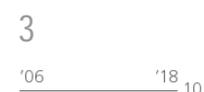
Legally, there are few restrictions on parties or social organizations. The 2001 constitution allowed citizens to organize themselves along political, professional and union lines and to form associations (Art. 58). As well, the new draft constitution guarantees assembly rights and explicitly refers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

Nevertheless, intimidation, threats, harassment and excessive force have been used by both the state and armed non-state actors alike against those whom they deem threatening or opposing. While the previous political leadership constantly and

Effective power to govern



Association / assembly rights



systematically tried to disable opposition groups and violated assembly rights, it lost control of the state in 2011.

After a few years of almost unlimited freedom of association and assembly, since 2014, state and non-state actors increasingly use violence against demonstrators, civil society organizations and the media (lootings, beating, kidnapping/arrests), as documented by international and sometimes even local organizations.

Making use of assembly rights has become increasingly dangerous. The SLC repeatedly bombed larger gatherings, including weddings and funeral halls. The Huthi-Salih coalition, on the other hand, tries to control civil society. It forces NGOs to ask for permission when conducting activities and to host members of the security apparatus at their events. As in the Salih era, the red line is not clearly defined. This method has been described as the “power of discretion” and keeps civil society in a constant state of alert.

While there are few legal restrictions to freedom of expression and freedom of information is protected by law (Information Law of 2012), protection against abuse is missing. Particularly in areas controlled by the Huthi-Salih alliance, political activists and members of political parties considered close to the SLC have been abducted and arrested. The Yemeni NGO Studies and Media Economic Center reported 275 cases of violations of media freedom, including 11 journalists killed in 2016 alone. Others have been abducted or arrested by militias and terrorists, and in many cases their fate is unknown.

Many websites and TV channels had their offices raided and/or were duplicated, that is, there is an original and a copy, a strategy that was already used under the Salih regime in the 1990s. Throughout the last two years, access to information via internet has been restricted due to dozens of websites blocked, interruption of service, and lack of electricity. The Egyptian and the Saudi government stopped broadcasting TV channels (via their satellites) controlled by the Huthis within days after the beginning of operation “Decisive Storm.”

The rate of internet users (roughly 25%) in a country with half the population under the age of 18 is fairly low, due to the shortage of electricity, high subscription fees and high illiteracy.

Hence, in the World Press Freedom Index 2016 Yemen ranks 170 out of 180 countries.

Freedom of  
expression

3

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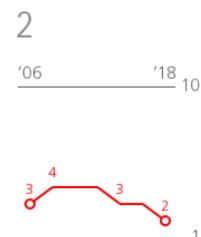


1

### 3 | Rule of Law

The separation of powers, traditionally weak, has reached an all-time low since 2011. Under the GCC Implementation Mechanism, parliament and the council of ministers were to decide by consensus. If consensus could not be reached, decisions were to be taken by the president. President Hadi, however, seemed to interpret this regulation as a free ticket to completely ignore the parliament in Sanaa, which is clearly more loyal to Salih, who still heads the GPC, than to Hadi as it approved the Salih-backed Supreme Political Council in August 2016 and gave the vote of confidence to the Huthi-Salih backed “government” in December 2016.

Separation of powers

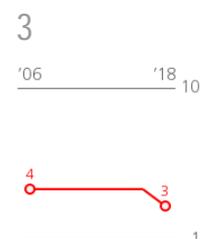


The third power, the judiciary, has not played any measurable political role since the beginning of the conflict in 2014-2015.

The current as well as the draft constitution of 2015 provide for the separation of powers. Given the increasingly informal governance system, the rule of law – including a functioning system of checks and balances – will be very hard to establish whatever the future political system of the country looks like.

There is no reliable data to allow a statement on the independence of the judiciary. However, it is safe to assume that two years of war have further eroded not only its independence but also its function.

Independent judiciary



Prior to the war, the judiciary was institutionally differentiated but its functioning was restricted by corruption, the intervention of veto powers, the executive and a lack of resources. Especially in rural areas, legal cases are still dealt with by traditional elites – or not dealt with at all – simply as there are no functioning courts. Also, there have been reports about “Popular Committees” (appointed by the Huthis) assuming the role of mediators in smaller conflicts. The judiciary’s functions are further restricted by the application of customary laws in tribal areas.

While judges are generally hesitant to challenge powerful individuals, there have been cases where the judiciary did not shy away from challenging the president. In 2013 an administrative court declared the presidential decree appointing the new board of the national anti-corruption body void. That verdict was confirmed by an appellate court in November 2014. In January 2016, however, the house of the presiding judge in a “trial against traitors” (Hadi) was hit by a SLC airstrike, killing him and several family members.

If the new draft constitution comes into force, it aims to strengthen the position of the judiciary vis-à-vis the other state powers. Preparations to increase the independence of the judiciary began in November 2012 when the cabinet approved amendments to the Judicial Authority Law (Law 1 of 1991). However, this amendment was never adopted by parliament.

The rule of law in Yemen is undermined by political corruption. Accountability is not granted and political alliances make any prosecution highly unlikely. High-ranking public servants and politicians could never be taken to court, as Law 6 of 1995 protects them. Public demands for the abolition of this law, which explicitly exempts high-ranking office holders from prosecution and contradicts the United Nations Convention Against Corruption (UNCAC), have been swept away by the violent conflicts dominating the political agenda since 2014. As Yemen ratified the UNCAC in 2005 and finished a gap analysis in 2013, the basics for the legal prosecution of high-ranking office holders need to be included in any new constitution.

Prosecuting in court those who have committed human rights violations, particularly in 2011, was impeded by a domestic immunity that was granted to the former president and his allies under the GCC Initiative. The immunity law of January 2012, strongly criticized by the U.N. High Commissioner for Human Rights, has not been amended. However, the draft constitution of 2015 explicitly forbids immunity from judicial oversight for any administrative act or decision and from accountability in cases involving public funds.

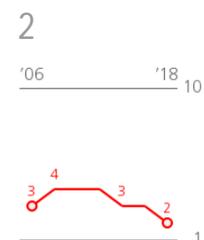
The U.N.'s failure to enforce a commission for a neutral enquiry into potential war crimes (opposed by Saudi Arabia and its allies) in 2016 may indicate that human rights violations, as well as other office abuses, committed since 2014 will not be prosecuted in order to ensure cooperation of SLC members and powerful elites in political settlement negotiations.

Whether all citizens have the same civic rights is a matter of interpretation of Shariah. The 1994 amendments to the 1991 constitution restored Shariah as the sole source of legislation, which affects women and the country's tiny Jewish and Baha'i minorities.

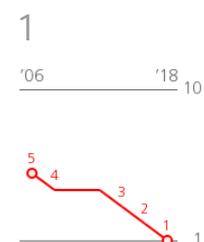
The draft constitution of 2015 makes Shariah "the source of legislation" while stressing that the power of interpretation is exclusively with the legislative authority (Article 4). Article 128 is a bit more specific: "Women have full civil, political, economic, social and cultural rights without discrimination. The state shall be committed to empower women to exercise the rights of equal citizenship, and protect them from of all forms of violence, all inhuman practices and enable them to reconcile between their family duties and the requirements of their jobs. Legislation shall be enacted accordingly to realize these aims." Given that currently dozens of laws severely discriminate against women (particularly the 1992 personal status law, last amended in 2003), these provisions sound promising.

The Muhammashin (Yemenis of mainly African origin, previously called Akhdam) are discriminated against without any legal basis. Civil society organizations have increased efforts to integrate Muhammashin, at least into their own activities.

#### Prosecution of office abuse



#### Civil rights



Yemenis born abroad (Muwalladun), especially when one parent is of African origin, also face discrimination.

The government not only fails to protect marginalized social groups from discrimination, but it also fails to protect children from child labor, recruitment, trafficking and underage marriage.

So far, parliament has refused to set a minimum age for marriage, and while female lawyers and judges are allowed to work, women's access to legal institutions is limited due to traditional role models. However, the committee that was responsible for the nomination of presidential candidates in 2006 accepted female candidates.

In addition to legal disadvantages, discrimination against women and minorities is related to shortcomings in the rule of law, the persistence of traditional roles and the struggle for dominance over limited resources. In 2011, the international community sent a strong signal by awarding political activist Tawakkul Karman the Nobel Peace Prize.

Prior to the war, there were a few efforts to take members of the security forces to court for human rights violations. Since then, the topic has completely disappeared from the government's agenda.

The GCC Implementation Mechanism provided for a transitional justice system, and preparations for an independent human rights commission were underway for years. Due to the violent conflicts neither the transitional justice system nor the human rights commission have been established.

There is no indication that the Yemeni government (whether in Aden or in Sanaa) has the will and the capacity to systematically prosecute human rights violations committed by the various security apparatuses and militias. An extraordinarily high number of human rights violations occur when violence is used against protesters or during attempts to fight AQAP. Also, the Baha'i minority has been repeatedly targeted with detention and harassment in Huthi-controlled areas.

Children's rights were severely undermined during the war. The inclusion of the Saudi-led coalition in the U.N. Secretary-General's annual "list of shame" 2016 for grave violations against children during armed conflict, was short-lived, however (the list includes Huthis, government forces, pro-government militias and AQAP). Saudi Arabia was removed from the list after it had allegedly threatened to withdraw substantial financial support to the U.N.

By the same token, Saudi Arabia and the Hadi government derailed initiatives by individual U.N. member states to set up an independent inquiry commission to follow up on accusations of war crimes.

#### 4 | Stability of Democratic Institutions

Some democratic institutions, such as parliament and local councils on the governorate and district levels, do exist but they are subject to – sometimes massive – intervention and manipulation and have a number of shortcomings, including expired terms, inadequate funding and lack of qualified personnel. On the national level, democratic institutions have degenerated to mere tools of the conflict parties.

Parliament was last elected in 2003, and its performance has been limited by subnational interests and clientelism. With the GCC initiative it was rendered completely powerless because unless parliament (and cabinet) reach a consensus, the decision rests with the president. Parliament's term has run out. In 2016, it only convened at the demand of the Supreme Political Council set up by the Huthi-Salih alliance. Hadi did not even try to get a vote of confidence for the current cabinet. As the General People's Congress, dubbed Salih's party, holds a two-thirds majority since the last elections, parliament is still able to reach a quorum even though the majority of southern parliamentarians has boycotted the sessions for years.

In late January 2017, President Hadi issued a decree to transfer the parliament from Sanaa to Aden. Even though the official news agency added parties that have never run in elections to parliament, it is unlikely that parliament can reach a quorum in its new location.

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

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

#### 5 | Political and Social Integration

The political process is dominated by violent conflict and the party system is currently unable to articulate and aggregate societal interests. Party membership often depends on clientelistic networks, party programs have not been reformed or even been discussed for years, and political rifts paralyze even the GPC (Hadi never managed to depose Salih as head of the GPC). Some new parties appeared in 2011 (most prominent are the Rashad Party and the Justice and Building Party), but given that elections could not be held for more than 10 years, they never had a chance to get

Performance of democratic institutions

1

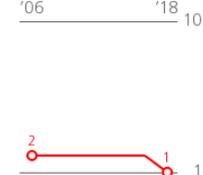
Year	Score
'06	2
'18	1



Commitment to democratic institutions

1

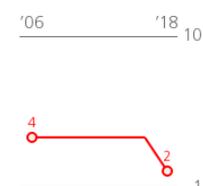
Year	Score
'06	2
'18	1



Party system

2

Year	Score
'06	4
'18	2



seats in parliament. In light of the overall political situation, broad based civil political activity is simply impossible. Bigger gatherings are risky as they might be attacked by various conflict parties.

Thus, only five parties are represented in the dysfunctional 301-member parliament, and most of them have fielded candidates in all three parliamentary elections since 1993. The leaders (and to a lesser extent the members) of the Yemeni Congregation for Reform (YCR, also “Islah,” which includes among other factions the Yemeni branch of the Muslim Brotherhood) and the Yemeni Socialist Party (YSP) found common ground in a joint reform program of five parties (Joint Meeting Parties, JMP) in 2005 and coordinated activity in the 2006 presidential and municipal elections. From 2006 to 2011, opposition parties were constantly engaged in negotiations with the ruling party, without success. Their links with youth protesters who took to the streets in early 2011 were weak, not least because a generational change at the parties’ leadership level is overdue. However, that YCR emerged as the dominant party in the protest movement became clear in April 2011, when they were able to segregate youth protesters according to gender in “Change Square” in Sanaa.

While polarization between the JMP and the GPC peaked in summer 2011, the two groups found themselves as partners in the National Reconciliation Government from December 2011 until September 2014. During the conflict that followed, most JMP leaders sided with the Hadi government. However, major parts of Hadi’s own party, the GPC, still follow former president Salih.

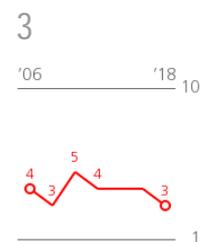
As some parties and political actors, such as Islah or the Huthis, frame the current conflict in sectarian language, they are actively contributing to widening the gaps between different societal and political groups.

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

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

Such interest groups are however almost entirely based in major cities, whereas three-fourths of the population live in rural areas. There have been cases, though, where farmers have approached human rights groups to complain about human rights

Interest groups



violations committed by local dignitaries. Also, several urban based NGOs have established networks, sometimes reaching into the rural areas, and efforts to find support for the results of the NDC and the new constitution led to a stronger focus on the rural areas throughout 2014.

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

In other areas, smaller movements have emerged, e.g., the Tihama Movement. However, it became involved in violent conflict after the Huthis occupied parts of the Tihama in 2015.

The National Reconciliation Government (2011-2014), supported by the international community, involved representatives of as many parties as possible. However, all cabinet members belonged to the "old establishment" and given that many marginalized groups are organized in a way that does not allow them to identify representatives (such as the youth movement), these efforts have at times created additional conflicts. In addition, the Huthi movement was excluded. This served them well as they could present themselves as the only real opposition in 2014 and supporter of the 2011 revolution.

There is no recent data on the approval of democracy.

Data from the Arab Barometer in 2013 shows that the percentage of those who agree or strongly agree that "democracy is the best political system" decreased from 83% in 2011 to 73%, most likely due to disappointed expectations after the Arab Spring. According to an analysis published by the Arab Center for Research and Policy Studies in 2012, about 75% of Yemeni respondents believe that, despite shortcomings, democracy was better than other government systems. This is consistent with the results of previous polls, for example by the Yemen Polling Center in 2010, in which more than 75% of respondents believed that democracy is important for the development of the country, and more than 60% were convinced that democracy would be, or at least partly would be, a solution to the country's problems.

Given the data above, the advent of mass protests in 2011 and the protests against armed militias in 2014, one may conclude that the approval of democratic norms and procedures is strong, at least among younger generations and in spite of disappointment with actual political developments.

Approval of  
democracy

n/a

'06 '18 10

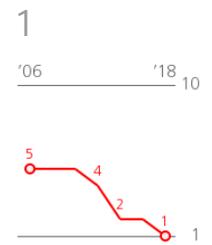
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In the past, there was a heterogeneous and fragmented set of autonomous, self-organized groups, associations and organizations. However, self-organization is rarely formalized and usually restricted to members of the same family, village, tribe or region. The fault line between north and south is still deepening. Attacks on “northerners” living in the south, first reported in 2010, are on the rise, especially since autumn 2014.

NGOs can bridge social and regional gaps and rising regionalism only to a limited extent. Political parties do not fulfill their role at all. President Hadi and the Huthis employ informal popular committees, thus transferring the political conflict to the local level.

Overall, trust among the population seems to have decreased, though reliable data is not available.

#### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

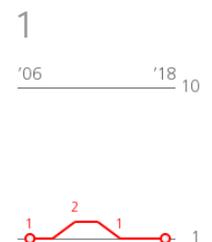
Yemen ratified the international Covenant on Economic, Social and Cultural Rights in 1987 and guarantees equal access to public services by law. While the state has never been able to sufficiently provide those services, in some areas, public services are no longer available at all since early 2017.

After rising to rank 154 out of 187 countries in the Human Development Index (HDI) in 2014, Yemen dropped back to rank 160 out of 188 in 2015, the latest available data. As data was collected in 2014, it does not reflect the situation after almost two years of war.

Even before open conflict, social exclusion was quantitatively and qualitatively extensive and structurally ingrained, mainly due to poverty, a general lack of education, gender-related income inequality and social barriers, for example, for the Muhammashin. And while the majority of the population was excluded from market-based socioeconomic development in the past, no positive development can be expected under the current circumstances. More than two million Yemenis were internally displaced as of early 2017, at least 80% of the population is in need of humanitarian aid and half the population experiences food insecurity. Since summer 2016, the country can only import half the food needed to feed the population (Yemen imports 100% of its medicine, 90% of its wheat, rice etc., and 70% of its fuel). As of early 2017, the situation was likely to deteriorate dramatically because the SLC was

#### Question Score

#### Socioeconomic barriers



preparing a massive attack on Hudaidah, the harbor city through which most commodities come to the northern governorates.

Still, the private sector provides clean water, food, education, health service and energy to those who can afford it. The country's Gini coefficient, last measured in 2005, was 37.7 (compared to 33.4 in 1998). It can be expected that the gap between rich and poor has widened considerably in the meantime.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	40415.2	43228.6	37733.9	<b>27317.6</b>
GDP growth	%	4.8	-0.2	-28.1	<b>-9.8</b>
Inflation (CPI)	%	11.0	8.1	-	-
Unemployment	%	17.6	17.5	18.1	<b>17.1</b>
Foreign direct investment	% of GDP	-0.3	-0.5	0.0	<b>-2.1</b>
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-1530.5	-1488.3	-3026.0	-
Public debt	% of GDP	48.2	48.7	66.7	<b>85.4</b>
External debt	\$ M	7569.8	7818.0	7287.2	<b>7065.8</b>
Total debt service	\$ M	269.9	356.1	355.4	<b>139.8</b>
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	13.1	12.2	13.2	<b>13.3</b>
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.4	1.3	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.1	4.0	-	-

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

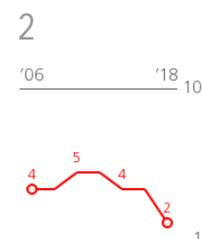
While large parts of the public sector are paralyzed by the war and the private sector is suffering - already by late 2015 half of the private sector companies had laid off staff or reduced salaries – the regulatory framework in place before the war is still there. Decree 19 of 1999 regulates market competition, monopoly prevention and commercial deception. Private companies can operate freely and have shown remarkable resilience, thus qualifying as partner organizations for some international donors. Due to the SLC's air and naval blockade, smuggling goods into the country has become more profitable than ever, and the informal sector is likely to have grown. Also, there are rumors that import and export licenses are only granted to those who are "loyal" to the respective power holders, providing some companies with the chance to dominate the market.

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. The organization is attached to the Ministry of Industry and Trade, and chaired by the minister. Yet, Yemen's patronage system during the Salih regime led to a situation where loyalty was systematically rewarded. In January 2013, the CPMPO Executive Director publicly criticized existing monopolistic structures in basic food industries, such as in wheat, flour and especially in sugar, where five large companies had an import and sale oligopoly.

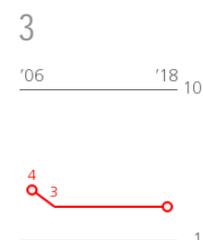
A new law on monopolistic and anti-competitive behavior has been under preparation at least since 2013, according to Yemen's 2013 report on its accession to the World Trade Organization. The same report provides some further information on the situation of monopolies. It states that monopolies had been established for fixed-line telephone services (the Public Telecommunication Corporation), international telecommunication services (TeleYemen), electricity production and distribution (the Public Electricity Corporation), and water and sewage (the Public Corporation of Water and Sanitation). It says that Yemen had no plans to break up the existing monopolies, but would allow private sector participation gradually to ensure universal access to essential services. International and national telecommunication services via satellite were provided by TeleYemen and the Public Telecommunications Corporation, respectively. However, mobile telecommunications services, including international mobile personal telecommunications services via satellite (GMPCS), were open to foreign participation.

That said, the WTO report stated that all market access limitations on telecommunications would be lifted by January 1, 2015. There is no indication that this actually happened.

Market-based competition



Anti-monopoly policy



With the SLC blocking commercial flights to Sanaa airport and controlling and sometimes preventing imports via air, sea or land, foreign trade has been severely hampered since March 2015. Before that, foreign trade had been liberalized to a large extent.

Yemen applied for WTO membership in April 2000 and the government liberalized foreign trade and reduced tariffs. After almost a decade and a half of negotiations, Yemen became the 160th WTO member in June 2014. However, the country still boycotts goods and 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 are not expected to produce a result any time soon.

Overall, the government's capacity to further liberalize foreign trade is hampered by the war, and other priorities dominate the agenda. In late 2016, the Huthi-Salih "government" even announced plans to create revenues by raising new customs duties. How this is to be achieved is unclear given air and naval blockades, destruction of infrastructure (including Hudaidah harbor) and lack of access to the Aden harbor.

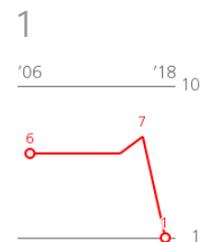
The financial sector is generally underdeveloped and the banking sector is burdened with non-performing loans (almost 25% already in 2014). Accordingly, getting credit in Yemen is very difficult as reflected in the Doing Business Index 2017 of the World Bank (ranked 175 out of 190 states).

According to the World Development Indicators, only 64 of 1,000 Yemenis above the age of 14 had an account with a commercial bank in 2014. Already in 2015, Yemeni banks had temporarily suspended withdrawals of foreign currency deposits. As the liquidity crisis of summer 2016 and the rising level of currency in circulation outside banks indicate, trust in the banking sector is shrinking.

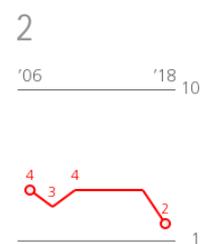
According to the Yemen Socioeconomic Update, the banking sector comprised 17 banks (incl. Yemeni banks, branches of foreign banks, Islamic banks and joint venture banks) in 2015. Moreover, there are hundreds of licensed exchange offices.

According to a 2013 World Bank report, the regulatory system is very weak and the credit risk management is not sufficient. Nevertheless, the sector is regulated by a number of laws and regulations, for example published on the website of the Central Bank of Yemen (CBY). In 2007, the first microfinance bank was established, and a

Liberalization of foreign trade



Banking system



leasing law was introduced. Under discussion for some years, a stock exchange has not been established.

Nevertheless, until President Hadi decided its relocation to Aden 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 (YER) rather stable.

In July 2016, the Hadi government started transferring oil rents to a Saudi bank rather than to the CBY which had been paying the salaries of all public sector employees throughout the war, regardless of political affiliation or location. The Hadi government also cut the CBY off from cash reserves outside Yemen.

## 8 | Currency and Price Stability

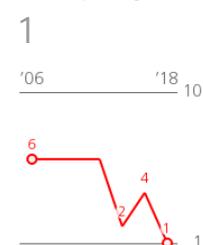
As of early 2017, it seems as if Yemen has no fiscal policy at all. The Central Bank of Yemen (CBY) was one of the few institutions that had managed to keep its independence until September 2016 when President Hadi ordered to move the CBY from Sanaa to Aden – against the advice of international institutions. By late 2016, the CBY was still paralyzed, public sector employees had not received their salaries for almost half a year and foreign reserves were down to half a billion U.S. dollar. In 2015, banks had already stopped transferring foreign currency out of the country and temporarily “hard currency” was only available on the black market. The official exchange rate, down from YER 215/\$1 to YER 250/\$1 since 2016 probably does not reflect the real depreciation of the YER.

In early 2017, Hadi’s Prime Minister Ahmed bin Daghr announced the expected arrival of 200 billion YER, printed in Russia and meant to pay public sector employees.

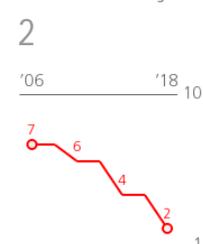
The Ministry of Planning and International Cooperation reported an inflation rate of up to 30% in 2015 and less than 10% in 2016. However, data collected by Yemeni NGOs suggests that prices are very volatile, especially for fuel and gas, and vary widely across the country.

For many years, international financial institutions (IFI) kept pressure on reluctant Yemeni governments to follow an economic stability policy (including the cutting of fuel subsidies and lowering expenses for salaries in the public sector) to decrease inflation and the fiscal deficit. While macroeconomic data was kept stable (such as external debt) or even improved temporarily (such as the current account balance), this policy did not have a positive impact on the population. It did not even pay off for the government, as poor economic prospects, especially for young people, were one of the causes of the political upheaval in 2011.

### Anti-inflation / forex policy



### Macrostability



As of early 2017, public finances are in a disastrous state. Since summer 2016 the banking sector has been plagued by a liquidity crisis. In autumn 2016, the central bank was paralyzed by President Hadi's decision to move it to Aden. Also, the dependence on hydrocarbon exports, long identified as a risk for macrostability, has been fully exposed: Revenues from hydrocarbon exports (oil and gas) that once made up two-thirds of state revenue and nearly 90% of export revenue have almost disappeared. Only in summer 2016 and in January 2017 was the Hadi government able to export smaller quantities (3 and 2 million barrels) of crude oil after the Masila oil fields resumed production at a low level in summer 2016. Hence, fuel subsidies were finally cut and civil servants and security forces went unpaid for months.

While the low international oil price reduces state income from oil exports on the one hand, it also reduces the expenses for fuel on the other. Due to limited refinery capacities, Yemen has to import petroleum products. The Aden refinery that used to cover domestic needs to some extent until 2015 resumed operations in September 2016. However, like other parts of the Yemeni infrastructure, it was damaged during the war.

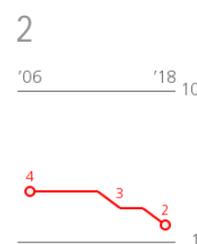
Given the war and the focus on short-term political stability, macroeconomic data is not expected to improve radically. The budget deficit keeps rising and the expenditures for public debt services are higher than those for water, health, education and social protection. An IMF loan of \$553 million, approved in 2014, was cancelled, and many donors have suspended their aid. Other donors keep working at low profile, and the World Bank approved a \$450 million grant in January 2017. However, donors find it difficult to disburse their pledges under the current circumstances, thus focusing almost entirely on delivering much-needed humanitarian aid.

## 9 | Private Property

Currently the government cannot protect private property. The Huthis, for example, have confiscated private property (e.g., houses and companies owned by Ali Muhsin al-Ahmar and the al-Ahmar family in 2015) and in 2016 imposed a war-tax on salaries to fund their operations. Prior to the war, the system was already deficient even though the law formally defines property rights and regulates the acquisition of property. The investment law, issued in 2010, allows all investors 100% ownership of an investment project, including any real estate associated with it, as well as free transfer of foreign currency and employment of foreign nationals (in principle).

Registering property in Yemen is comparatively easy, according to the World Bank's Doing Business Index. However, lack of documentation, complaints about fraud, and the constant and sometimes violent struggles over landownership indicate severe problems and have negative repercussions on the country's investment climate. One of the issues that led to the rise of the southern al-Hirak movement was the arbitrary

Property rights



confiscation of land by the Salih regime, which was then given to regime loyalists. This happened mainly in the south, but cases elsewhere for example, in Sanaa or Hudaidah, exist yet receive less attention.

The problem is reinforced by judicial corruption, which very often renders efforts to settle disputes over property rights futile. However, Yemen has signed several international and bilateral agreements on settlement of commercial and investment disputes that might substitute for the shortages of the judiciary.

In general, state institutions control property rights only to a limited extent and the concept of intellectual property rights (as guaranteed by the Investment Law No. 15/2010 as well as by the Intellectual Property Rights Law No. 19/1994) is virtually unknown to the population.

De jure, private companies can act freely in principle, yet some special regulations for international companies exist (such as a ban on engaging in the weapons and explosives industry, or specific rules in vital sectors). While Law 1 of 2008 abolished the legal requirement for a foreign business to have a Yemeni partner as well as other legal constraints, economic, political and social barriers to business development remain. Key issues include deficiencies in infrastructure, corruption and a shortage in qualified workers. International companies once dominated the hydrocarbon sector, but contracts are managed by the Yemen General Corporation for Oil & Minerals, which reports to the Ministry of Oil and Mineral Resources.

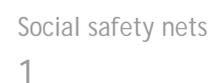
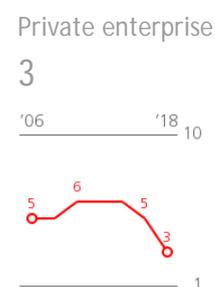
The latest version of the investment law (Law 15 of 2010) still allows a 100% ownership stake in companies to foreign investors and guarantees intellectual property rights. Investment capital and profits can be transferred without limitations on amount or currency – if the banks can provide it.

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

Doing Business in Yemen is difficult, not least due to the lack of electricity. The World Bank's Doing Business Index 2017 ranked Yemen 179 out of 190 countries. Starting a business also became more difficult (161 out of 190 countries, previously 154).

## 10 | Welfare Regime

The state is yet to provide adequate social safety nets. Support for the elderly, the ill and the unemployed is generally provided by family, tribe and village structures or private welfare organizations – if and where they exist. Such structures have often played an important role in providing social safety, but the severe hardship the



population is enduring since 2015 reflects on people's ability to provide for themselves, let alone for others. Also, social structures have become weaker in certain areas due to a process of internal displacement and migration, or as in Aden, due to historical factors.

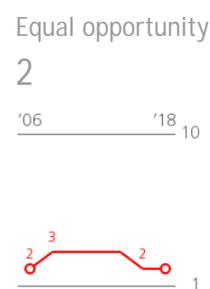
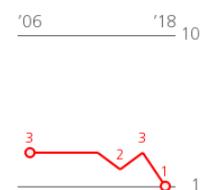
The only Yemeni institution that could provide social safety to a limited extent throughout the war is the mainly donor-funded Social Fund for Development, established in 1997. The Social Welfare Fund, also mainly financed by international donors, ran out of money by the end of 2014. When in 2016 1.2 million Yemenis employed in the public sector did not receive their salaries, at least 6 million people who were dependent on these salaries were left without any compensation.

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

The largest group that needs improved access to opportunities are girls and women. Less than 10% of Yemeni women have had at least some secondary education (compared to about 25% of Yemeni men), and mean years of schooling among women of 25 years and older is only 1.3 (compared to 3.8 among men which is also low). In addition, the income of women is more than two-thirds lower than that of men, according to HDR 2015. Until 2015, overall development was positive, though. Girls' school enrollment was on the rise, as government, donors and Yemeni NGOs were working to improve the situation. These achievements are challenged by internal displacement and rampant poverty which prevents many parents from paying for school supplies for all their children, given that the fertility rate is declining only slowly. As they are seen as future breadwinners, boys are the more likely candidates to be sent to school. However, boys' school enrollment is not sufficient either, a fact that must not be ignored.

In addition to the challenges that existed prior to 2015, access to education has been further reduced by the current conflicts. According to UNICEF the number of children who cannot attend school has risen to two million because in late 2016 at least 1,600 schools were damaged or occupied by displaced persons or combatants.

Women are underrepresented in the private and public sectors, especially in high government offices. One of the constitutional amendments submitted to parliament in early January 2011 contained a quota for women in parliament (an additional 44 seats) but the amendment was never accepted. The situation seemed to improve when a women quota was applied to the National Dialogue Conference, four women were among the 17 members of the Constitutional Drafting Committee and – in principle – a women quota was anchored in the draft constitution of 2015. However, of the



delegates that participated in the 2015-2016 peace negotiations only about 10% were female.

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

## 11 | Economic Performance

Economic performance is weak. While recent data is rare, experts agree that the GDP has been shrinking radically – up to 35% – and inflation is high.

Fuel subsidies that consumed around 30% of the national budget have been abolished by the Huthis, who had previously protested against cutting subsidies in 2014. Public debt services, salaries and wages had consumed the remaining reserves held by the CBY by summer 2016, and there is nothing left for much-needed capital investment.

According to CBY data, income from oil exports fell from \$2.6 billion in 2013 to \$1.6 billion in 2014 due to maturing of oil fields, sabotage and falling oil prices. In 2015 and 2016, exporting oil became almost impossible due to the security situation and the blockage and damage of harbors by the Saudi-led-coalition.

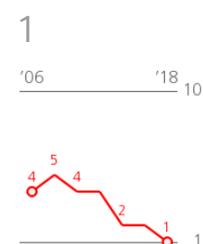
Foreign direct investment as a percentage of GDP seems stable, however as the GDP has been shrinking, so has FDI. Public debt rose to 66.7% of GDP in 2015, the highest percentage in at least a decade. The unemployment rate prior to the war was estimated at 17% (2014) and is likely to have reached an all-time high in the meantime.

The economic performance is expected to further deteriorate in light of the security challenges and political crises.

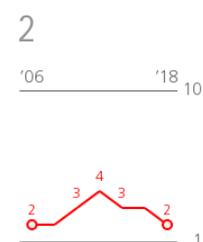
## 12 | Sustainability

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

Output strength



Environmental policy



Over the past two years, 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 for water pumps was short, the SLC targeted a desalination plant, etc.). Nevertheless, qat (a stimulant leave chewed in the afternoon) production and distribution seems to still function, depleting water resources further.

Since the 1970s, modern institutions for education and training have been established (earlier in the People's Democratic Republic of Yemen/PDRY), but as enrollment ratios indicate, these institutions are not accessible to parts of the population, especially those in rural areas. Overall enrollment rates are 97.5% primary, 48.6% secondary and 10.0% tertiary education, with sharply less female enrollment rates (female/male ratio: 0.8 primary, 0.7 secondary, 0.4 tertiary education, World Bank 2016). Literacy rates among adults (15 and older) reach an overall low 66.4%, but among the 15 to 24-year-olds the literacy rate is higher (77.8% female and 96.7% male). A decline is to be expected as, according to UNICEF, in late 2016 two million children were out of school, 350,000 of them as a result of the war.

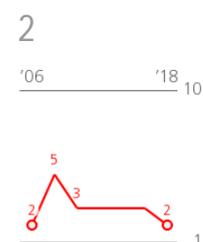
According to the Human Development Report 2015, only 4.6% of GDP was spent on education, less than the previous year. Moreover, this is no indication of the quality of the services provided. Salaries for teachers are low, many need a second job to support their families, and on average, there is one teacher per 30 students. Surprisingly, most schools and universities are still functioning and teachers still show up to teach in spite of not having been paid for months. In Huthi-controlled areas public sector employees are even forced to go to work.

The number of private education institutions is on the rise, but research and development facilities are still almost non-existent. In the face of Yemen's high population growth, educational institutions at all levels – despite substantial investment in the past – are hopelessly overburdened. Repeatedly, schools have been used to accommodate internally displaced persons, soldiers or militias. In some cases, schools have also been bombed by the SLC, last in January 2017 when several children were killed and others seriously injured.

According to Yemen's Central Statistical Organization, only about 23,000 students graduated from public universities in 2008 to 2009, along with a little more than 5,000 students from private universities (more recent data is not available). The few vocational training centers are not able to meet demand. As a result, and in spite of overall improvement, the quality of education in Yemen is low and does not meet the market demands of skilled labor.

Data on public research and technology expenditure is not available.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

The structural difficulties that constrain governance in Yemen are very high, regardless of which government or leadership. Poverty, shortage of an educated labor force, lack of electricity and damage to infrastructure (airports, harbors, roads, factories, schools, hospitals, telecommunication, etc.) are the main challenges.

On top of that, Yemen is faced with a multi-pronged refugee problem. About 200,000 Yemenis have left their country, seeking shelter in neighboring states. Tens of thousands more are stranded mainly in Egypt, Jordan, Lebanon and Europe. The figures for internally displaced persons are much higher. By early 2017, more than two million Yemenis were still displaced, seeking refuge with relatives, friends or in refugee camps. Meanwhile, about 200,000 African refugees and migrants, mostly from Somalia and Ethiopia, entered Yemen in 2015 and 2016.

As both major conflict parties are engaging irregular troops/militias, an additional challenge has emerged. These fighters need to be (re-)integrated into either the civilian or the formal security sector but the necessary funds are missing.

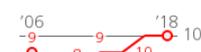
Bringing food and other items to the country seems to have become easier since the U.N. Verification and Inspection Mission (UNVIM) became operational in summer 2016.

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

Most of the several thousand NGOs currently registered are charities with a limited geographical scope but there are also several hundred, mainly urban, NGOs that had focused on issues such as combating corruption and educating the public about human rights, women's rights and press freedoms. However, under the current circumstances many are dormant or have shifted their activities towards distributing humanitarian aid on behalf of the donor community.

Structural  
constraints

10



1

Civil society  
traditions

7



1

Many NGOs have very limited or no appeal to the general public and are dependent on international donor organizations. The Social Fund for Development and some donor organizations ran training programs for NGOs, though many NGOs generally lack a broad funding base.

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

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

Conflict intensity reached one peak in Yemen in the first half of 2011 when hundreds of protesters were killed and assailants tried to assassinate then President Salih, killing several high-ranking politicians in the process.

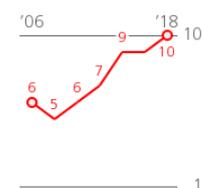
After 2011, fights between tribes and clashes between security forces and various militant groups continued. There were hundreds of assassinations and attempted assassination of members of the security forces, high-ranking politicians, political activists, journalists and intellectuals.

Conflict intensity reached another peak in 2014, when the Huthis started an offensive against those who they held responsible for the spread of 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 in summer 2014 invaded the areas of Amran and Arhab close to the capital. Supported by local tribes, they confiscated or destroyed property of the al-Ahmar Sheikh family, General Ali Muhsin and radicals like Abdelmajid al-Zindani. The number of casualties is unknown.

When the Huthis took control over the capital Sanaa in August/September 2014, the fighting claimed about another 300 lives. Also, bomb attacks against Huthi-gatherings, in Sanaa as well as in other parts of the country, have been carried out, with AQAP as the prime suspect.

SLC air raids since March 2015 and fighting between various military units and militias have killed about 10,000 Yemenis and produced about two million internally displaced persons. As – national and regional – conflict parties have been stirring sectarian and subnational conflicts, the worst might still be to come.

Conflict intensity  
10



## II. Governance Performance

### 14 | Steering Capability

Even though the country's technocrats – at least those who have not gone abroad – have developed plans and strategies, at the top level there are no strategic priorities beyond raising funds for buying loyalty and financing military operation. The last development plan ran out in 2014, and the last official budget was prepared for the same year. It served as a basis for the CBY until late 2016, when President Hadi decided to relocate the central bank to Aden, thus rendering it dysfunctional for the rest of the period under observation.

The Recovery and Reconstruction Plan that President Hadi's government circulated among the donor community in summer 2016 was clearly beyond the capacities of Yemeni and international institutions.

In January 2017, the Huthi-Salih backed government in Sanaa presented its own program but it is unclear how this would be financed.

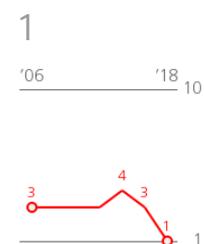
The government is not able to implement its policies on the national level to a measurable degree. Indeed, it is debatable if there are any policies other than those related to military victory or simply hanging on to regional allies and their financial resources. While, back in July 2015, the U.N. assigned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

Governance in Yemen mostly relies on commitments between individuals and on agreements between social and political actors, rather than governments. While this has contributed to the current crisis, it also makes the Yemeni society more resilient than others at times when government is absent. However, after two years of war numbers speak for themselves – roughly half of the 26 million Yemenis require life-saving humanitarian assistance.

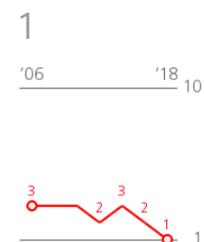
There are no indications of the government's willingness or ability to learn. In fact, given its dependence on Saudi Arabia (and other Gulf states to a lesser degree) the internationally recognized government is not even in a position to articulate independence in its affairs. Hence, a general possibility of policy learning does not exist. If anything, it is the Huthis and Salih who seem to adjust their strategies (war strategies in this case) according to the changing circumstances. Their "learning" is not conducive to Yemen's welfare or to a peaceful solution. In fact, their actions are

Question  
Score

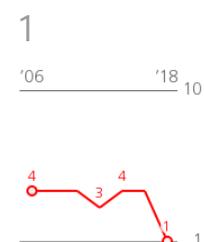
Prioritization



Implementation



Policy learning



meant to create facts on the ground that are difficult to change when negotiations eventually start.

## 15 | Resource Efficiency

There is no efficient use of budget resources. Even prior to the war, 30% of the budget was spent on public sector salaries. Meanwhile, conflict parties have added more personnel to the public payroll: Thousands of soldiers were added to the regular forces, for instance the Huthi-Salih government comprises 42 positions.

There is no manageable state budget – in fact the last budget was prepared in 2014 – and the GDP is shrinking. Seen from a macroeconomic perspective, the only positive development of the last two years is the de facto abolishment of fuel subsidies.

Public administration, traditionally not very efficient, was further hampered by air raids and fighting in many areas, as well as by lack of electricity and fuel. The capital Sanaa, for example, has been out of electricity since 2015.

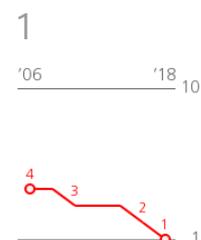
As the Sanaa Center for Strategic Studies put it: “Neither the internationally recognized government, nor the Huthi-allied rebels, have anywhere near the institutional capacity or resources necessary to address this crisis, and indeed have shown little intention of even attempting to utilize the resources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

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

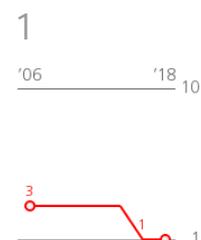
After making substantial progress until 2012, the anti-corruption regime has almost ceased to exist. The National Anti-Corruption Strategy (NACS) expired in 2014 without renewal or revision. One of the main players, the Supreme National Authority for Combating Corruption (SNACC), was already handicapped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

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 and lack of electricity.

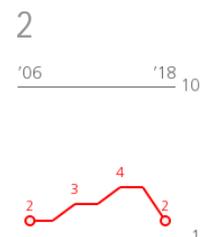
Efficient use of assets



Policy coordination



Anti-corruption policy



Civil society organizations have very limited space for action, several of them have been raided by militias, especially in areas under Huthi control. In the so-called liberated parts of the country, no steps to fight corruption have been taken.

## 16 | Consensus-Building

There had been consensus on the formal level – government parties and NGOs – as to the value of a market economy and democracy. The final documents of the National Dialogue Conference, especially of the working groups on state-building, good governance, independent institutions, rights and freedoms as well as transitional justice and sustainable development clearly reflect the ambitions of the 565 NDC delegates. While the Hadi government keeps referring to the NDC recommendations as one of the three core documents (the others being UNSC resolutions and the GCC initiative), the program of the National Salvation Government backed Huthi-Salih alliance in Sanaa refers to them to a much lesser degree.

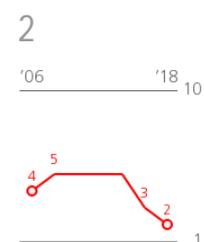
However, the trajectory of the major political actors does not indicate that establishing democracy is among their priorities. Some observers have even come to the conclusion that while civil society and part of the opposition parties do agree on the importance of democracy and market economy, the warring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

According to the draft constitution, “the national economy is a free social economy.” Other available documents suggest 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.

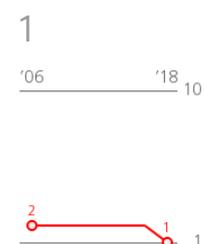
The program of the National Salvation Government in Sanaa addresses similar issues but is more focused on creating revenues and reducing dependence on external funds.

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 internal political interventions by powerful undemocratic neighbor states competing for regional hegemony.

Consensus on goals



Anti-democratic actors



Political parties can no longer bridge regional cleavages. The political leadership is clearly not in a position to depolarize cleavage-based conflicts that emerged during the Salih era when the government was frequently party to violent tribal clashes or supported pro-government tribesmen.

President Hadi missed the opportunity to implement substantial points from the lists of measures to appease the south that were prepared in the wake of and during the NDC. The war between the north and south in 1994 as well as the heavy-handed government policy thereafter had left parts of the southern population with the impression of being “colonized by the north”. Hence, segments of the Hirak calling for southern independence boycotted the National Dialogue Conference in 2013-2014.

When the Huthis attacked the Salafi center in Dammaj (Sa’dah) in 2013 and finally shuttered it, dislodging hundreds of students in the process, no decisive government intervention was observed.

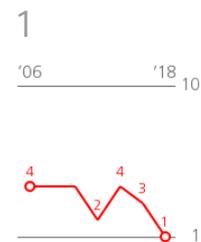
Ali Abdallah Salih’s apparent effort to groom his son Ahmad as his successor had alienated long-term tribal allies as well as members of the president’s own family or tribe occupying high positions in the Yemeni military. Among them was the former commander of the Northwest Military Region, General Ali Muhsin Salih al-Ahmar (who is not related to the Shaikh al-Ahmar family, but like the former president is from the al-Ahmar village of the Sanhan tribe). Hence, Ali Muhsin, then leader of the First Armored Division, declared his support of the protesters after the “Friday of Dignity” in March 2011. Ali Muhsin allegedly maintains close contacts with radical Sunni Islamists and was in charge of fighting the Huthis until an agreement was reached in 2010. Hadi’s decision to make him vice-president in April 2016 was a clear provocation of Ali Abdallah Salih and the Huthis. It also made clear that Hadi would follow the Saudi government to foster their networks, rather than allowing the Emirates, who had supported Ali Muhsin’s predecessor Khalid Bahah.

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

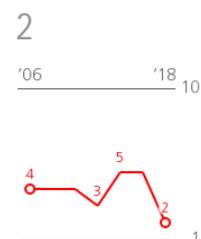
Under the GCC Implementation Mechanism the government is bound to take the input of civil society actors into consideration. NGOs were represented in the National Dialogue Conference (40 out of 565 seats) and influential civil society actors have played a significant role before, during and after the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

However, in many public institutions resistance to involving too many stakeholders in decision-making survived. The understanding that civil society has a role in governance is still limited, even among otherwise rather reform-minded high-ranking officials. With a number of civil society activists appointed as ministers into the 2014 government, civil society was likely to gain a stronger position when it came to agenda setting as well as monitoring NDC outcomes. This cannot be said about the

Cleavage /  
conflict  
management



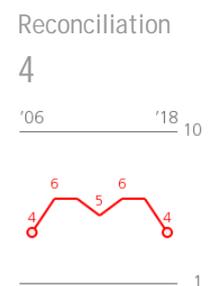
Civil society  
participation



current government. Although the weakness of the government(s) and the risk of total breakdown of public services could enhance the role of civil society, the political and security situation combined with repression limit its potentials. While many civil society actors have aligned with the conflict parties, others have limited their activity to humanitarian aid or activities that are acceptable to the respective authorities (see also the section on political participation). Nevertheless, many NGOs and activists are still working on subjects related to peacebuilding or conflict management.

The last two years have produced scores of victims of injustice, thus adding another layer to a complicated issue. Before the war, many political and social forces claimed that they have been victims of past injustice and most of them demand compensation. These include the Huthis (“Sa’dah issue”), the Southern Movement Hirak (“southern issue”), the victims of 2011 and their families, a large number of former ruling elites who spent the last decades in exile.

The government, as bound by the GCC Implementation Mechanism, at least officially recognized the need to deal with historical events perceived as acts of injustice. And while the Sa’dah issue and the southern issue as well as the victims of 2011 have been officially acknowledged, the transitional justice law recommended by the NDC has not been issued because there is no consensus about the period to be covered and hence the victims who are eligible for compensation. The immunity granted to former President Salih in 2011 turned out to be yet another stumbling block. The transitional justice and the looted funds draft laws were presented to the cabinet in June/July 2014 but were never issued. The “Commission on the Forcibly Retired in the Southern Governorates” and the “Commission on Land-Related Disputes,” set up with UNDP support in 2014, suspended their work in 2015. Whether the new constitution can improve chances for national reconciliation remains to be seen. An unanswered question is how to raise money for the funds and then ensure that it is distributed to the victims. According to a report by the Bonn-based Center for Applied Research in Partnership with the Orient (CARPO), 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. Hence, the overall situation requires careful consideration of a dilemma: attempts to address historical injustice could lead to more conflicts.



## 17 | International Cooperation

While the Hadi government as well as the Huthi-Salih alliance seek international support to finance immediate needs (e.g., salaries for the public sector), none of them follows any noticeable development strategy or shows much desire to seek international assistance to end the conflict.

Rather, Hadi's plans for the future include setting up an army of about 3.7 million teenagers and young men between 15 and 28 years of age, as he mentioned in an interview with the Saudi Gazette in May 2016.

The Hadi government as well as the Huthi-Salih alliance show little engagement in international cooperation efforts and even undermine them by deliberately displaying their lack of esteem, for example, for the U.N. The self-proclaimed "leader of the Yemeni revolution" Abdulmalik al-Huthi's objective is "to defend Yemen against the U.S.-backed Saudi aggression war," sometimes also framed as "U.S.-Saudi-Emirati aggression against Yemen." And according to Huthi spokesman Muhammad Abdulsalam, the U.N. envoy is merely covering up "the invaders' crimes and the issue of Yemen's blockade" and "is unfortunately in cahoots with the invaders."

Hadi, on the other hand, stated in the Saudi Gazette in 2016 that "the U.N. envoy Ismaïl Ould Cheikh Ahmed has not done much yet," and that his predecessor was "siding with the Huthis." In 2016, the SLC prevented the Huthi delegation from returning to Sanaa for more than a month after they had participated in U.N.-led negotiations in Kuwait.

While the Huthis are at least politically supported by Iran (and most likely also by Iranian military experts and hardware), analysts consider Iranian influence on the Huthis as limited. Hadi, on the other hand, is fully dependent on his regional allies, in particular Saudi Arabia, and cannot act independently. Hence, U.N. efforts to set up an independent commission for the inquiry of possible war crimes have been blocked by Hadi and the government of Saudi Arabia.

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

Yemen is a signatory to the Djibouti Code of Conduct, a regional initiative to fight piracy at the Horn of Africa. There are no indications of recent activities, though. Yemen's long-term efforts to gain admittance to the GCC have produced very limited

Effective use of support

1

Year	Score
2006	5
2007	4
2008	6
2018	1

Credibility

2

Year	Score
2006	6
2007	7
2008	5
2018	2

Regional cooperation

5

Year	Score
2006	8
2007	9
2008	9
2018	5

results but are still on the agenda of the Hadi government. Hadi's relations with the United Arab Emirates, the second major actor within the SLC, and with Oman, the only GCC member that chose not to join the SLC, reflect the relations of these countries with Saudi Arabia.

For Saudi Arabia, Yemen is primarily viewed as a security issue. In the past, security cooperation between Yemen and Saudi Arabia seemed generally good, for instance, both states signed an extradition agreement in July 2014.

However, decisions of the Saudi government that have major impacts on Yemen's political and economic development are not consistent. This lack of consistency could either reflect a strategy to keep Yemen in a fragile state between failure and stability on the one hand or, on the other hand, conflicting strategies within the Saudi government. After years characterized by a mix of providing and withholding financial and in-kind support to the Yemeni government, Saudi Arabia officially stopped financial aid again when the Huthis took control over Sanaa in 2014 – only to promise continuing support in early 2015, at least according to official Yemeni media. Finally, in March 2015, the Saudi government started the Operation Decisive Storm, thus not only further destabilizing Yemen but also provoking retaliation by the Huthi-Salih alliance in the form of border skirmishes and rocket attacks on Saudi territory.

In the absence of a comprehensive arrangement for Yemeni labor migrants to enter GCC states legally, illegal migration – especially to Saudi Arabia – continues to cause problems for both sides. In 2013 Saudi Arabia tightened the visa regulations for migrant workers and deported up to 200,000 Yemeni workers, thus increasing the pressure on the Yemeni government and tainting its own reputation because many of the returnees reported human rights violations.

Relations with Iran have been occasionally strained in the past but have reached an all-time low since 2014-2015, thus reflecting the strained Saudi-Iranian relations. Various Yemeni governments accused Iran of supporting the Huthi rebellion as well as southern separatism. While this is highly likely, such accusations have never been proven nor has the Iranian government acknowledged them. That said, activities of the Huthi-Salih alliance, such as attacking U.S., UAE and Saudi navy ships, might even be harmful for Iran's international relations, especially with the U.S. under President Trump.

## Strategic Outlook

As long as Saudi Arabia and Iran do not achieve some kind of rapprochement, a peaceful resolution to the conflicts in Yemen is out of sight. Also, Yemen's complicated political history has repeatedly shown that the main roots of Yemen's repeated crises – group's grievances, lack of institutional basis, and irresponsible behavior of the political elites – are hard to tackle.

Nevertheless, one of the main challenges will be to rebuild the economy after what a Yemeni analyst has called an "economic war". It might be useful to think about how to formalize the growing informal sector early on. However, the longer the conflict continues, the more difficult it will be to integrate members of various militias into a formal economy, for example.

In addition to humanitarian aid that will be required for several years, infrastructure and public services need massive investment at a time when the state has run out of funds.

On the political side, it can be expected that human rights violations and other office abuses committed since 2014 will not be prosecuted in order to ensure the cooperation of powerful elites in the political process. However, national and international actors should at least push for proper inquiry of such cases.

In the areas under "control" of the Hadi government, federalism, enshrined in the draft constitution, could turn out to be a solution for the diverging interests of the different regions and might finally see the light of day, at least in the south. But international support could be needed to ensure that any regional divisions derive from a process that includes all major stakeholders. Otherwise, violence is likely to continue.

Every time civilians are hit by SLC airstrikes, U.S. drones or on-the-ground operations meant to kill militants, the position of radicals and violent actors is strengthened. Unless this is the underlying purpose of such attacks, the methods applied in the fight against terrorism will further destabilize Yemen. In addition, there is a risk that the conflict is further internationalized, by further drawing in Iran and the U.S.

Most importantly, trust among the population needs to be re-established – an issue that could and should be addressed even in times of war.