



**RETHINKING**  
YEMEN'S ECONOMY

# IMPROVING RELATIONS BETWEEN CENTRAL STATE INSTITUTIONS AND LOCAL AUTHORITIES

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Rooftop view of the Old City of Sana'a, taken  
on July 2007 ,12 // drsno / Flickr



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## EXECUTIVE SUMMARY

Local councils are responsible for spearheading development projects and providing basic public services to Yemen's population of more than 30 million people. The councils are particularly important in rural areas, where about 70 percent of Yemen's population lives.

In July 2018, the Rethinking Yemen's Economy initiative published a White paper that explored how the collapse of Yemen's economy and the fragmentation of central government institutions during the war affected local councils. This new White Paper builds on those findings by examining how local governance has evolved in the intervening years, with a focus on the relationship between local authorities and the central governments in Sana'a and Aden. This White Paper also incorporates new research on local governance in Yemen since 2018.<sup>[1]</sup>

The findings of this paper broadly reflect governance trends witnessed in various parts of Yemen during the war. In Houthi-controlled areas, the central government in Sana'a has restricted the autonomy of local authorities as part of efforts to consolidate political control and redistribute revenues to the war effort. In Houthi-run parts of Hudaydah governorate, for example, the central government in Sana'a tightly controls virtually all aspects of local governance.

In areas nominally controlled by the internationally recognized government, the story is more mixed. Local authorities in the oil-producing governorates of Marib and Shabwa have gained unprecedented autonomy from the central government and used newfound revenues from oil and gas sales to fund government work and provide services.

However, in other governorates like Aden, local government autonomy has been crippled by political infighting and a shortage of revenues. Despite their proximity to central government institutions in Aden, local officials have struggled to carry out their basic duties. In parts of Hudaydah controlled by the internationally recognized government, local authorities receive negligible support from the central government, relying instead on the Saudi-led coalition and its partners on the ground for funding and support.

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[1] Since 2018, the Berghof Foundation's multi-year "Supporting Stabilisation in Yemen" project has published seven reports on the theme of strengthening inclusive governance and peacebuilding in Yemen. See <https://berghof-foundation.org/work/projects/yemen-strengthening-inclusive-local-governance>. Accessed April 12, 2021.

## INTRODUCTION

More than six years into the war, the structure and functioning of local government in Yemen looks markedly different from one governorate to the next. Some governorates have come to resemble miniature states. Almost all of the local authorities in Yemen's 22 governorates face some common challenges: no new civil servants have been hired during the conflict; civil servant salaries have not been paid regularly or at all for years; economic conditions are worse in rural areas of Houthi-controlled areas than in cities;<sup>[2]</sup> and rule of law has been replaced by rule by decree.

The relationships between central and local governing bodies have also changed dramatically during the war. Many central government institutions, such as the Central Bank of Yemen, have split apart. As a result, local authorities at the governorate and district levels have lost the financial and administrative support they previously relied on from the central government.

To examine the relationships between local and central authorities across the country, this paper examines governorates within the sphere of influence of the three main warring parties: the armed Houthi movement, the internationally recognized government and the Southern Transitional Council (STC). In Houthi-controlled areas, the paper focuses on the capital Sana'a and the northern half of Hudaydah governorate. In areas nominally controlled by the internationally recognized government, the paper looks at Marib, Shabwa and the southern half of Hudaydah governorate. The interim capital of Aden, which comes under the control of the STC with limited presence of the internationally recognized government, is also explored.

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[2] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020.

## RESEARCH METHODOLOGY

The authors used qualitative research methods to explore the relationships between local and central government. In November and December 2020, structured interviews were conducted via phone and/or WhatsApp with two local authorities (one Houthi-aligned, one independent) in Sana'a city (Amanat al-Asimah governorate), one independent security specialist in Amanat al-Asimah, two local authorities (one Houthi-aligned, one from the internationally recognized government) in Hudaydah governorate and one local official in each of Aden and Shabwa governorates (both aligned with the internationally recognized government). The interviews were based on questionnaires that inquired about the relationship between local and central institutions on five themes of governance: Personnel, Finance, Project Planning and Implementation, Oversight and Justice. Follow up questions were submitted in semi-structured interviews via phone and WhatsApp between January and March 2021. The researchers supplemented these perspectives with findings from recent studies on local governance in these governorates as well as in Marib governorate.

## BACKGROUND

Six years of war have fragmented the Yemeni state and weakened the links between central government institutions and the local councils at the governorate and district level that provide basic services to millions of Yemenis. The recent triggers of the ongoing governance crisis trace back to the political instability that led up to and followed the 2011 Yemeni uprising. The situation was exacerbated in September 2014, when the armed Houthi movement seized control of Yemen's capital Sana'a and expanded militarily to the south, east and west. Days after Houthi-aligned forces reached the internationally recognized government's newly declared interim capital of Aden in late March 2015,<sup>[3]</sup> a military coalition of Arab states led by Saudi Arabia and the United Arab Emirates intervened to restore the government of President Abdo Rabbu Mansour Hadi to power in Sana'a. The spreading civil war disrupted the work of local councils.

In mid-2015, national oil and gas exports stopped, leading central government institutions to restrict financial support to their local counterparts.<sup>[4]</sup> As major sources of revenue dried up and the military conflict widened, the warring parties in Sana'a and Aden fought over control of institutions like the Central Bank of Yemen (CBY). The authorities in each capital promoted conflicting policies through competing branches of these institutions. With waning financial and administrative support from central institutions, local authorities were forced to find new sources of revenue to continue providing basic public services. At the same time, other war-related problems, including deteriorating security, damaged public infrastructure and the spread of diseases, increased the burden on local authorities.

The war has exposed the institutional weaknesses of Yemen's local governance structure. Long before the outbreak of civil war in September 2014 and the military intervention of the Saudi-led coalition in March 2015, local authorities in Yemen struggled from insufficient support and limited autonomy from the central government in Sana'a. Yemen's current system of local governance was established in 2000 with the

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[3] Mohammed Mukhashaf, "Saudi-backed Yemen forces take Aden port from Houthis - residents," Reuters, July 15, 2015, <https://www.reuters.com/article/yemen-security-aden/saudi-backed-yemen-forces-take-aden-port-from-houthis-residents-idINKCNOPP18F20150715>. Accessed February 2, 2021.

[4] "In 2014, approximately 70 percent of the national budget came from Yemen's oil and gas resources... In 2015, there was a 54 percent year-on-year decrease in state revenues for the annual budget." Wadhah al-Awlaqi and Maged al-Madhaji, "Challenges for Yemen's local governance amid conflict," Sana'a Center for Strategic Studies/DeepRoot Consulting/CARPO, Rethinking Yemen's Economy Policy Brief 06, July 2018, [https://devchampions.org/publications/policy-brief/-Challenges\\_for\\_Yemens\\_Local\\_Governance\\_amid\\_Conflict/](https://devchampions.org/publications/policy-brief/-Challenges_for_Yemens_Local_Governance_amid_Conflict/). Accessed February 2, 2021..

introduction of the Local Authority Law (LAL), which allowed for the first direct elections of the local councils in 2001.<sup>[5]</sup> The law granted local councils at the governorate and district levels the authority to provide basic public services and run other aspects of daily matters in these communities. The local councils were also given the power to collect their own sources of revenue through various taxes and fees, such as those added to electricity, water and telephone bills.<sup>[6]</sup>

However, at the same time the LAL devolved power to the local councils, it also constrained these institutions.<sup>[7]</sup> The revenue sources over which local councils were given direct control – such as taxes and fees – were not enough to fund local government operations. To make up for this shortfall, the central government created revenue-sharing arrangements, including a 30 percent allocation from three national funds – Roads and Maintenance Fund, Youth and Sports Fund, and Agriculture and Fisheries Fund – to the Ministry of Local Administration, which then distributed the revenues to local councils across the country. Additionally, local councils were entitled to a percentage of national airline ticket sales and mobile phone bills, as well as direct annual subsidies<sup>[8]</sup> from Sana’a.<sup>[9]</sup> A 2003 report by the United Nations Development Programme in Yemen estimated that local councils were dependent on the central government to cover about 85 percent of their expenses,<sup>[10]</sup> while a more recent report put

[5] For a detailed discussion of the legal framework governing Yemen’s local authorities, see Ahmed Mohamed Al-Mawari, “Legal Assessment of the Local Authority System in Yemen and Proposals for Development,” Berghof Foundation, May 2018, <https://berghof-foundation.org/library/legal-assessment-of-the-local-authority-system-in-yemen-and-proposals-for-development>. Accessed April 24, 2021.

[6] “Article No. 4 of 2000, Concerning the Local Authority [AR & EN],” Republic of Yemen Ministry of Legal Affairs and Parliamentary Affairs, August 2000, pgs. 39-42, <https://www.ifes.org/sites/default/files/el00247.pdf>. Accessed February 2, 2021.

[7] Joshua Rogers, “Local Governance in Yemen: Theory, Practice, and Future Options,” Berghof Foundation, June 2019, <https://berghof-foundation.org/library/local-governance-in-yemen-theory-practice-and-future-options>. Accessed April 17, 2021.

[8] Interview with a Sana’a-based public official involved in the work of local authorities, November 21, 2020. According to the official, annual subsidies to local councils have been suspended since 2007, when they amounted to 15 billion Yemeni rials.

[9] For a detailed discussion of financial resources and challenges local officials face, see “Local Revenue and Resource Allocation,” Berghof Foundation, May 2018, <https://berghof-foundation.org/library/local-revenue-and-resource-allocation>. Accessed April 16, 2021; “Article No. 4 of 2000, Concerning the Local Authority [AR & EN],” Republic of Yemen Ministry of Legal Affairs and Parliamentary Affairs, August 2000, pg. 42, <https://www.ifes.org/sites/default/files/el00247.pdf>. Accessed February 2, 2021; Interview with a Sana’a-based public official involved in the work of local authorities, November 21, 2020.

[10] United Nations Development Program, Decentralisation and Local Development Support Program (DLDSP)–Pilot Phase (Sana’a: UNDP Program Document, 2003). Cited by Floor Beuming, “The Merger of the Dagger and the Rifle: Failing Integration of Former South Yemen into the Unified Republic of Yemen,” p. 75. (cited by Sarah Phillips, “Yemen’s democracy experiment in regional perspective: Patronage and pluralized authoritarianism,” New York: Palgrave Macmillan, 2008, pg. 78).

the figure at 90 percent.<sup>[11]</sup> Since the start of the current conflict, the collection and distribution of revenues has varied widely across the country and allocations from the central government have stopped partially or completely depending on the area, making it difficult to determine the current degree to which local authorities rely on the central state to cover their expenses.

The LAL also effectively gave the central government veto power over decisions made by local councils. Although the local councils in each governorate and district were popularly elected every five years, they remained under the direction of governors and district directors, who were appointed by the central government (See figure 1). In 2008, then-President Ali Abdullah Saleh relented to public pressure and allowed local councils to elect governors, although the latter remained accountable to the central government.<sup>[12]</sup> However, by the time the next gubernatorial election was scheduled in 2012, Saleh had transferred authority to his deputy Hadi, who has since appointed governors by decree.

Another way in which the autonomy of Yemen's local councils has been limited by the LAL is through the presence of administrative "executive organs," or local offices of central government ministries at the governorate and district level. While the LAL states that the executive organs are accountable to local councils, the fact that they also answer to the central authorities they represent has made it difficult for the councils to implement decisions autonomously.<sup>[13]</sup> This ambiguous delineation of authority fostered coordination problems that paralyzed the work of local officials.<sup>[14]</sup>

As the war has progressed, central government support for local councils has eroded or stopped, forcing local councils to find new

[11] For a detailed discussion of financial resources and challenges local officials face, see "Local Revenue and Resource Allocation," Berghof Foundation, May 2018, <https://berghof-foundation.org/library/local-revenue-and-resource-allocation>. Accessed May 14, 2021.

[12] Leonardo G. Romeo and Mohamed El-Mensi, "The Difficult Road to Local Autonomy in Yemen: Decentralization Reforms between Political Rationale and Bureaucratic Resistances in a Multi-party Democracy of the Arabian Peninsula." In Jorge Martinez-Vazquez and François Vaillancourt (Eds.), *Decentralization in Developing Countries: Global Perspectives on the Obstacles to Fiscal Devolution*. Edward Elgar Publishing. 2011. <https://www.elgaronline.com/view/9781849805087.00020.xml>. Accessed February 2, 2021.

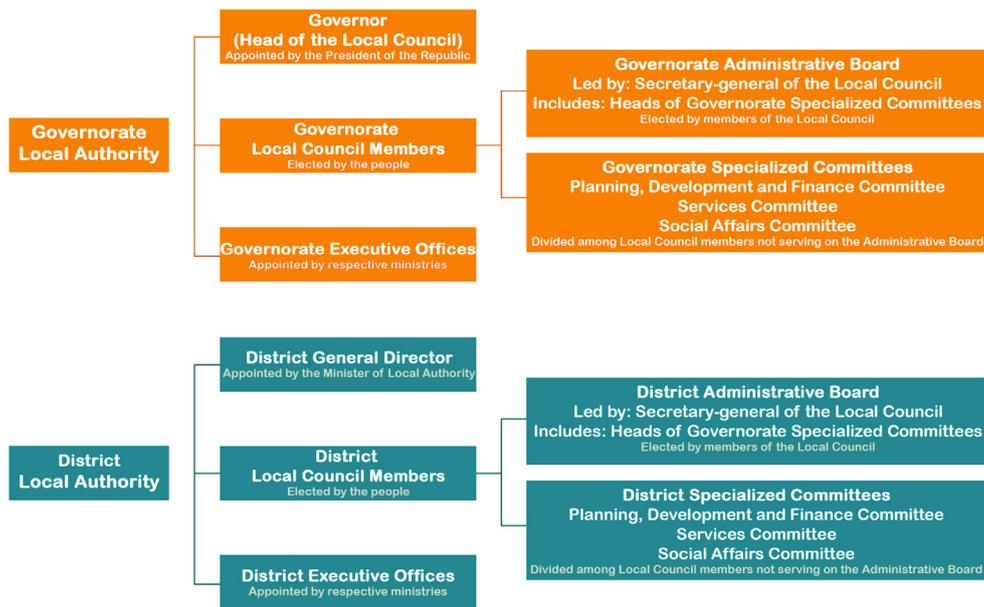
[13] Ibid.

[14] Badr Basalmah, "Local Governance: Engine for Stability in Yemen," Berghof Foundation, May 2018, <https://berghof-foundation.org/library/local-governance-engine-for-stability-in-yemen>. Accessed April 20, 2021.

sources of revenue and seek out new ways to govern.<sup>[15]</sup> Although greatly weakened in many areas, local councils remain critical institutions of governance with a nuanced understanding of the issues facing local communities, how to provide them with basic services and where to channel humanitarian and development aid. More significantly, they are the only components of the national state that are just partially divided, as is the case in Taiz, Abyan and Hudaydah, making governorates and their local councils the most appropriate foundation upon which to restore the national state.

Figure 1.

### Organizational Structure of Local Authorities



Source: Sana’a Center for Strategic Studies (2020) <sup>[16]</sup>

[15] Wadhah al-Awlaqi, Maged al-Madhaji, “Beyond the Business as Usual Approach: Local governance in Yemen amid conflict and instability,” Sana’a Center for Strategic Studies/DeepRoot Consulting/CARPO, Rethinking Yemen’s Economy White Paper 02, July 2018, [https://devchampions.org/files/Rethinking\\_Yemens\\_Economy\\_No2\\_En.pdf](https://devchampions.org/files/Rethinking_Yemens_Economy_No2_En.pdf). Accessed February 2, 2021.

[16] Omar BaHamid, “Wartime challenges facing local authorities in Shabwa,” Sana’a Center for Strategic Studies, October 10, 2020, [https://sanaacenter.org/files/Wartime\\_Challenges\\_Facing\\_Local\\_Authorities\\_in\\_Shabwa\\_en.pdf](https://sanaacenter.org/files/Wartime_Challenges_Facing_Local_Authorities_in_Shabwa_en.pdf). Accessed April 19, 2021.

## CONSTANT FRAGMENTATION:TWO GOVERNMENTS AND THE STC

The struggle between the Hadi government and the Houthis over control of central state institutions in the early years of the war disrupted the payment of civil servant salaries and undermined the ability of local councils to provide public services.<sup>[17]</sup> The institutions that were moved to Aden then came under additional strain when the STC started to challenge the Hadi government.

In September 2016, a cash liquidity crisis made it difficult to pay civil service salaries. Against the advice of its own experts, the government of then-Prime Minister Ahmed bin Dagher decided to relocate the CBY headquarters to Aden without prior arrangements to transfer the central revenues collected in Sana'a with it, and yet promised to continue paying all civil servant salaries nationwide.<sup>[18]</sup> The transfer of CBY signaled a new dimension of the war in which the internationally recognized government sought to reclaim control over central government institutions based in Houthi-held Sana'a.<sup>[19]</sup> While the Hadi government managed to resume payment of some civil servant salaries from Aden, the ensuing struggle over the CBY led to diverging fiscal and monetary policies that each side has weaponized as part of the broader conflict.<sup>[20]</sup> The ongoing devaluation of the currency, and the widening gap in the exchange rate between Houthi- and government-controlled areas, are clear examples of the effects the divergent CBY policies have had on Yemen's population.<sup>[21]</sup>

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[17] For an overview of the role of civil servant salaries in the economy, see Mansour Ali Al Bashiri, "Economic Confidence Building Measures – Civil Servant Salaries," DeepRoot Consulting/CARPO/Sana'a Center for Strategic Studies, Rethinking Yemen's Economy Policy Brief 11, March 18, 2019, <https://devchampions.org/publications/policy-brief/civil-servant-salaries/>. Accessed July 21, 2021.

[18] Prime Minister Ahmed bin Dagher appointed a committee to evaluate the proposal to transfer the CBY headquarters from Sana'a to Aden. The five-member committee included Minister of Finance Monasser al-Quaiti and was chaired by Minister of Planning and International Cooperation and well-known economist Mohammed al-Maitami. The Sana'a Center learned that the committee's report, submitted to the prime minister and a copy of which was passed to then-CBY governor Mohammed bin Humam, strongly advised against transferring CBY, warning that such a move would be harmful to the national economy. Bin Dagher then appointed another committee, chaired by Minister of Local Administration Abdul Raqib Saif Fath, that endorsed the decision to transfer CBY.

[19] Mansour Rageh, Amal Nasser and Farea Al-Muslimi, "Yemen Without a Functioning Central Bank: The Loss of Basic Economic Stabilization and Accelerating Famine," Sana'a Center for Strategic Studies, November 2, 2016, <https://sanaacenter.org/publications/main-publications/55>. Accessed February 2, 2021.

[20] For a discussion of the economic drivers of the war, see "Economic Priorities for a Sustainable Peace Agreement in Yemen," DeepRoot Consulting/CARPO/Sana'a Center for Strategic Studies, Rethinking Yemen's Economy Policy Brief 20, June 2, 2020, [https://devchampions.org/publications/policy-brief/Economic\\_Priorities\\_for\\_a\\_Sustainable\\_Peace](https://devchampions.org/publications/policy-brief/Economic_Priorities_for_a_Sustainable_Peace). Accessed July 21, 2021.

[21] "Yemen Economic Bulletin: Widening Exchange Rate Disparity Between New and Old Banknotes," Sana'a Center for Strategic Studies, September 9, 2020, <https://sanaacenter.org/publications/analysis/11562>. Accessed February 2, 2021.

As the Hadi government continued to relocate and rebuild central government institutions in Aden, a group of pro-secession leaders across southern Yemen sought to form a government of their own. Launched in May 2017, the UAE-backed Southern Transitional Council (STC) further complicated the relationship between central government institutions and local authorities – this time within southern governorates nominally controlled by the Hadi government. The STC’s senior leadership included the former governors of Aden, Shabwa and Hadramawt, all of whom were fired by Hadi from their previous roles. In late January 2018, STC-aligned forces briefly seized control of Aden.

The anti-Houthi alliance unraveled in August 2019, when the STC wrested control of the interim capital in Aden from the Hadi government and pushed into neighboring Abyan and Shabwa governorates. Saudi Arabia intervened to halt the fighting and brokered a power-sharing plan in November 2019 known as the Riyadh Agreement, aimed at integrating the STC politically and militarily into the Hadi government. More than a year after the signing of the agreement, a power-sharing government including the STC was formed in December 2020. Other economic, security and military arrangements outlined in the deal have yet to be implemented.

The power struggle in and around Aden has undermined security and complicated the work of government at all levels. In late April 2020, during devastating flooding across southern Yemen, the STC declared a state of emergency and announced that it would implement self-administration in the governorates of the former South Yemen.<sup>[22]</sup> Justifying the move by blaming Hadi officials for the nonpayment of salaries and the deterioration of basic services across the south,<sup>[23]</sup> the STC attempted to restore basic services to affected populations. As part of its foray into self-rule, the separatist body issued a decree ordering all government institutions to redirect revenue deposits from the CBY to an account at the National Bank of Yemen.<sup>[24]</sup>

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[22] Mohammed Ghobari and Mohammed Mokhashef, “Yemen separatists announce self-rule in south, complicating peace efforts,” April 25, 2020, <https://www.reuters.com/article/us-yemen-security-south/yemen-separatists-announce-self-rule-in-south-complicating-peace-efforts-idUSKCN228003>. Accessed February 2, 2021.

[23] “STC announces self-administration,” Office of the General Administration for Foreign Affairs of the Southern Transitional Council in the European Union, April 25, 2020, <https://stc-eu.org/en/stc-announces-self-rule/>. Accessed February 2, 2021.

[24] “Yemen Economic Bulletin: STC’s Aden Takeover Cripples Central Bank and Fragments Public Finances,” Sana’a Center for Strategic Studies, June 17, 2020, <https://sanaacenter.org/publications/analysis/10219>. Accessed February 2, 2021.

By July, however, the STC abandoned the self-rule experiment as part of a deal with the Hadi government to revive talks to implement the Riyadh Agreement.<sup>[25]</sup> Hadi appointed a new governor of Aden, Ahmed Lamlas, the former Shabwa governor who joined the STC in 2017 and was later dismissed from his post by Hadi. The successive bouts for control of Aden have divided central government institutions there, leading to decreased and sporadic financial and administrative assistance to local councils while exposing the local authorities to regular interference by armed actors.

In Houthi-controlled areas, local councils have also experienced both shrinking resources and capacity due to the collapse of the economy. However, Sana'a-based Houthi authorities have increasingly consolidated control over all levels of government, leaving local councils with less autonomy than before the war. All sources of revenue entitled to local authorities in the LAL are now sent to Sana'a, and parallel institutions created by the Houthis have undermined the work of the local councils.<sup>[26]</sup> For example, early on in the war, Houthi authorities in Sana'a deployed supervisors (mushrifeen) to monitor the work of all state institutions, including the collection of taxes and fees by local councils. While the supervisors have not made substantial changes to the operations of the local councils, they represent a parallel structure of governance that undermines the autonomy of the councils.<sup>[27]</sup>

A UNDP assessment of local governance in 2019 found that local authorities in Houthi-controlled Hajjah governorate had experienced the greatest restriction in autonomy from central authorities in Sana'a out of the six governorates surveyed. Local officials in Aden governorate reported a slight loss of autonomy vis-a-vis the central government in Aden, while local officials in Marib and Hadramawt experienced the greatest increases in autonomy.<sup>[28]</sup>

Against this backdrop, local governments have taken different approaches to governance uniquely suited to their circumstances.

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[25] "Yemen conflict: Southern separatists give up on self-rule," BBC, July 20, 2020, <https://www.bbc.com/news/world-middle-east-53579115>. Accessed February 2, 2021.

[26] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020.

[27] Adam Baron, Andrew Cummings, Tristan Salmon, Maged al-Madhaji, "The Essential Role of Local Governance in Yemen," Sana'a Center For Strategic Studies, September 10 2016, <https://sanaacenter.org/publications/main-publications/3770>. Accessed February 2, 2021.

[28] "Rapid Local Governance Diagnostic in Yemen: Main Findings Report," UNDP, September 2019, [https://yemenlg.org/wp-content/uploads/2019/09/Local-Governance-Diagnostic\\_UNDP.pdf](https://yemenlg.org/wp-content/uploads/2019/09/Local-Governance-Diagnostic_UNDP.pdf). Accessed May 18, 2021.

## LOCAL AUTHORITIES IN HOUTHI-CONTROLLED AREAS

The overarching trend concerning local authorities in Houthi-controlled areas since the previous Rethinking Yemen's Economy report published in July 2018 is that the central government in Sana'a has continued to roll back decentralization efforts implemented over the past two decades. Under Houthi rule, local councils are prevented from collecting and disbursing revenue in the ways outlined in the LAL, and their autonomy and responsibilities continue to be curbed and largely transferred to informal parallel institutions controlled by the central government in Sana'a. Houthi-appointed supervisors continue to closely monitor the activities of the councils, although some of them have been formally appointed as governors, district directors or other leadership positions in local government since about mid-2019.<sup>[29]</sup>

Houthi authorities in Sana'a have continued to demand new sources of locally-collected revenue. For example, zakat, an "Islamic tax" or financial obligation imposed on all Muslims who meet the necessary wealth criteria, generally constitutes about 90 percent of most districts' revenue, and amounted to nearly 20 billion Yemeni rials (YR) annually in Houthi-controlled areas in the early years of the war when it was under the authority of the Ministry of Local Administration.<sup>[30]</sup> In mid-2017, Houthis issued a decree<sup>[31]</sup> redirecting zakat collections to a special bank account that local authorities could not access. In May 2018, the Houthi-run Supreme Political Council established a new body, the General Authority of Zakat (GAZ), which centralized control of zakat duties and further stripped the local authorities of their rights to use zakat revenues for development, as outlined in LAL.<sup>[32]</sup>

[29] Rogers, Joshua, "Changing Local Governance in Yemen: District and governorate institutions in the areas under Ansar Allah's control," Berghof Foundation, December 2020, <https://berghof-foundation.org/library/changing-local-governance-in-yemen>. Accessed May 14, 2021. Rogers identified three phases of Houthi power consolidation over local governance during the war. From early 2015 to late 2017, the Houthis deployed supervisors throughout local institutions, which remained under the control of the Houthis' then-ally the General People's Congress (GPC). After the Houthis killed GPC leader and former President Ali Abdullah Saleh in December 2017, supervisors started to exert more control within the largely GPC-run institutions. Since about mid-2019, some supervisors have been formally appointed as governors, district director, or to other leadership positions in local government.

[30] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020; For a breakdown of revenue sources and statistics in each governorate, see "Local Revenue and Resource Allocation," Berghof Foundation, May 2018, <https://berghof-foundation.org/library/local-revenue-and-resource-allocation>. Accessed April 16, 2021.

[31] Samir al-Sanani, "Economic supervisors to collect it ... That is why the Houthi militia is looting Zakat money [AR]," News Yemen, May 23, 2018, <https://www.newsyemen.net/new/31463>. Accessed May 21, 2021.

[32] "President Mashat issues a decision to establish a General Authority of Zakat [AR]," Yemen Press Agency, May 1, 2018, <http://www.yagency.net/42380>. Accessed February 2, 2021; "Yemen Economic Bulletin: Tax and Rule – Houthis Move to Institutionalize Hashemite Elite with 'One-Fifth' Levy," Sana'a Center For Strategic Studies <https://sanaacenter.org/publications/analysis/11628>. Accessed February 2, 2021.

Authorities in Sana'a said they would compensate local officials with alternative sources of revenue, but they have yet to do so.<sup>[33]</sup> In 2019, zakat contributions totalled YR43 billion (US\$75 million), according to the UN Panel of Experts on Yemen.<sup>[34]</sup> The reason for the significant increase in zakat contributions compared to earlier in the war is that since 2017 Houthis have demanded more, collected the funds by force and prevented merchants from keeping 25% of the alms they owe to distribute themselves, which was the norm.<sup>[35]</sup> The early findings of a UN investigation into GAZ have shown that Houthis are diverting zakat contributions to pay for the war effort and for the personal enrichment of Houthi leaders.<sup>[36]</sup>

Finding alternative ways to generate revenue has been challenging for these local councils, as Houthi authorities have attempted to monopolize revenue collection.<sup>[37]</sup> Houthi authorities closely monitor local council activity to ensure they collect and distribute revenue and external humanitarian aid as directed by the central government in Sana'a.<sup>[38]</sup>

The last time the approximately 875 employees in the Sana'a-based Ministry of Local Administration were paid by the Houthi-controlled central government was early 2021, a half-salary owed from March 2018.<sup>[39]</sup> The internationally recognized government suspended regular salary payments to Houthi-controlled areas starting in late 2016, when the CBY headquarters was moved from Sana'a to Aden.

In Sana'a city (Amanat al-Asimah), local authorities are provided with enough funding to cover minimal operational and security costs, emergencies and the provision of critical services. To put the financial

[33] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020.

[34] "Letter dated 22 January 2021 from the Panel of Experts on Yemen addressed to the President of the Security Council," Security Council, January 25, 2021, <https://undocs.org/en/S/2021/79>. Accessed February 2, 2021.

[35] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020.

[36] Ibid.

[37] "Legalized looting: Houthis increasingly tax populace to fund the war," Almasdar Online English, February 26, 2020, <https://al-masdaronline.net/national/393>. Accessed February 2, 2021.

[38] Wadhah al-Awlaqi, Maged al-Madhaji, "Beyond the Business as Usual Approach: Local governance in Yemen amid conflict and instability", Sana'a Center for Strategic Studies/DeepRoot Consulting/CARPO, Rethinking Yemen's Economy White Paper 02, July 2018, [https://devchampions.org/files/Rethinking\\_Yemens\\_Economy\\_No2\\_En.pdf](https://devchampions.org/files/Rethinking_Yemens_Economy_No2_En.pdf). Accessed February 2, 2021; Wadhah al-Awlaqi, Maged al-Madhaji, "Challenges for Yemen's local governance amid conflict," Sana'a Center for Strategic Studies/DeepRoot Consulting/CARPO, Rethinking Yemen's Economy Policy Brief 6, July 29, 2018, [http://sanaacenter.org/files/Rethinking\\_Yemens\\_Economy\\_policy\\_brief\\_6.pdf](http://sanaacenter.org/files/Rethinking_Yemens_Economy_policy_brief_6.pdf). Accessed February 2, 2021.

[39] Interview with a Sana'a-based public official involved in the work of local authorities, November 21, 2020.

situation in perspective, the Ministry of Local Administration has had a monthly budget for operational expenses of about YR2.5 million since 2016, compared to YR25 million per month in 2014.<sup>[40]</sup> “There is truly a state of paralysis within the administrative process,” one civil servant in Sana’a told the Sana’a Center.<sup>[41]</sup> “It is nearly impossible to adhere to the stipulations in civil service laws, regulations, and other laws related to civil service.”

More recently, Houthi-appointed officials have started to bypass local councils in the implementation of development work. Instead of following the existing laws delineating the roles of the state and local governments in development projects, Houthi authorities have adhered to a policy document released in 2019: The National Vision for Building the Modern Yemeni State.<sup>[42]</sup> Since the creation of the National Vision, which introduced new mechanisms and procedures to prepare, implement and monitor local development projects, existing institutions responsible for development have been weakened or sidelined. For example, governorate offices of the Ministry of Planning and International Cooperation (MOPIC) were previously in charge of coordinating the transfer of funds between external donors and local councils.<sup>[43]</sup> In late 2019, those responsibilities were transferred from MOPIC to the newly created Houthi-run Supreme Council for the Management and Coordination of Humanitarian Affairs and International Cooperation (SCMCHA).<sup>[44]</sup> The creation of SCMCHA further centralized the power of Houthi authorities in Sana’a to collect financial resources that the LAL earmarked for local authorities.<sup>[45]</sup> In addition to MOPIC, whose name was recently changed to reflect its redefined duties,<sup>[46]</sup> the Ministry of Local Administration and the Ministry of Finance have been marginalized at the local level by entities created as part of the National Vision.<sup>[47]</sup>

[40] Ibid.

[41] Ibid.

[42] Interview with a Sana’a-based public official involved in the work of local authorities, November 21, 2020.

[43] Adam Baron, Andrew Cummings, Tristan Salmon, Maged al-Madhaji, “The Essential Role of Local Governance in Yemen,” Sana’a Center For Strategic Studies, September 10 2016, <https://sanaacenter.org/publications/main-publications/3770>. Accessed February 2, 2021.

[44] “Sana’a cancels the humanitarian affairs authority and the international cooperation sector [AR],” Yemen Press Agency, November 7, 2019, <http://www.yagency.net/211254>. Accessed February 2, 2021; “Houthis admit stealing 120 tons of WFP food in last-minute plea to avert humanitarian aid freeze,” Almasdar Online English, February 14, 2020, <https://al-masdaronline.net/national/332>. Accessed February 2, 2021.

[45] “Article No. 4 of 2000, Concerning the Local Authority [AR & EN],” Republic of Yemen Ministry of Legal Affairs and Parliamentary Affairs, August 2000, pg. 41, <https://www.ifes.org/sites/default/files/el00247.pdf>. Accessed February 2, 2021.

[46] “The issuance of a decision to amend the name of the Ministry of Planning and define its functions,” Saba News Agency, April 19, 2021, <https://www.saba.ye/ar/news3137157.htm>. Accessed May 18, 2021.

[47] Interview with a Sana’a-based public official involved in the work of local authorities, November 21, 2020.

In Sana'a, police stations operate at reduced capacity largely due to the nonpayment of salaries. The Criminal Investigation Department (CID) has suspended much of the work of its forensic laboratories, in large part due to a lack of technical supplies, including chemicals banned under the Saudi-led coalition blockade. The Special Security Forces (SSF), which are charged with guarding major cities, are still operational but their work has been affected by interference from non-governmental security agencies controlled by the Houthi forces.<sup>[48]</sup>

The judicial system in Sana'a continues to function, but is overloaded with a backlog of cases. Recently, Houthi authorities formed special committees consisting of representatives from the courts, CID, security forces and intelligence services to evaluate the functioning of the judiciary. They noted that most court cases involve land disputes, so they formed specialized committees to deal with these issues and others, such as tax collection on real estate transactions, and expedite their resolution.<sup>[49]</sup>

The Executive Office of the National Vision for Building the Modern Yemeni State has taken over some development work formerly implemented by local councils, and informal Houthi authorities and forces, including supervisors, have interfered in the work of government security forces like the SSF.

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[48] Interview with an anonymous security consultant on November 17, 2020. The SSF were previously known as the Central Security Forces (CSF). President Hadi renamed and restructured the latter as part of the political transition process following the resignation of former President Ali Abdullah Saleh in 2012. Saleh's nephew led the CSF for several years.

[49] Interview with an anonymous security consultant on November 17, 2020.

# LOCAL AUTHORITIES OUTSIDE HOUTHI-CONTROLLED AREAS

In areas outside of Houthi control, where the internationally recognized government nominally holds power, a diversity of local governance models have emerged.

## Marib

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Marib city, located about 175 kilometers east of Sana'a, has undergone a dramatic transformation during the war from a marginalized outpost to a booming urban center. In late 2015, local officials led by Governor Sultan al-Aradah set into motion a process of decentralization based on the outcomes of the National Dialogue Conference (NDC).<sup>[50]</sup> The NDC, which served as a forum from March 2013 to January 2014 to address Yemeni social and political grievances that had accumulated under the authoritarian rule of former President Saleh, proposed the creation of a federal state. Under this system, centralized power would be devolved to six regions in which local authorities exercised greater independence and governing authority.<sup>[51]</sup>

Marib's push for greater autonomy was greatly facilitated when Al-Aradah secured access to a 20 percent share of the governorate's oil and gas resources in late 2016.<sup>[52]</sup> Up until that point, the central government collected and disbursed all oil and gas revenues in the country. This new source of revenue has allowed Marib's local government to pay salaries, fund development projects, rebuild local security forces, establish a relatively stable judicial system and provide basic public services.<sup>[53]</sup>

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[50] Abdullah al-Qadri, "Marib's leaders authorize local authorities to implement only the directions of the governor and the commander of the Third Military Region [AR]," Al-Masdar Online, January 24, 2015, <https://almasdaronline.com/article/67012>. Accessed February 2, 2021; "National Dialogue Conference. Outcomes Document," Assembled by the Political Settlements Research Programme at the University of Edinburgh, <https://www.peaceagreements.org/masterdocument/1400>. Accessed February 3, 2021.

[51] For a detailed discussion of the NDC Outcomes and their implications for local governance, see Abdul-Raqib Fatih, "The Importance of Local Governance in Strengthening and Supporting the Political Process in Yemen," Berghof Foundation, May 2018, <https://berghof-foundation.org/library/the-importance-of-local-governance-in-strengthening-and-supporting-the-political-process-in-yemen>. Accessed April 21, 2021.

[52] "President Hadi directs the allocation of 20 percent of oil and gas revenues for the benefit of development in Marib [AR]," Al-Masdar Online, November 16, 2016, <https://almasdaronline.com/article/86385>. Accessed February 2, 2021.

[53] Marib's 20 percent share of oil and gas revenues from January to November 2018 amounted to approximately US\$37 million, according to a balance sheet covering that period. "Letter dated 25 January 2019 from the Panel of Experts on Yemen addressed to the President of the Security Council," UN Security Council, January 25, 2019, Annex 23, p. 146, <https://digitallibrary.un.org/record/1664359?ln=en>. Accessed February 2, 2021.

Marib's increased autonomy has enabled local officials to respond to emergency situations, like the devastating floods of 2020, which prompted the STC to declare self-rule.<sup>[54]</sup>

Marib's population has grown considerably in recent years, due to a large influx of internally displaced people (IDPs) fleeing Houthi-controlled areas and other conflict zones. Some of the new arrivals have opened businesses, contributing to the economic growth and development of Marib city and the governorate in general. The local tribal population throughout Marib have largely set aside existing grievances and united against Houthi incursions.<sup>[55]</sup>

Marib's decentralization efforts have benefited greatly from the protection and support of the Saudi-led coalition, which operates a major military base east of the capital.<sup>[56]</sup> Since January 2020, the Saudi air force has vigorously defended Marib from Houthi advances into the oil-rich governorate.

Capitalizing on its unique economic, demographic and security advantages, Marib has developed into a model of decentralized local governance.

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[54] Al-Aradah allocated 100 million Yemeni rials to each district in Marib in response to torrential rains and flooding of Marib's dam. See "Al-Aradah directs to boost each directorate's account with 100 million to face the flood disaster [AR]," Saba Net, August 7, 2020, <https://www.sabanew.net/viewstory/65034>. Accessed February 2, 2021; Other southern governorates, like Aden, had to request emergency funds from the central government to deal with the floods. Despite its declaration of self-rule and control of Aden, the STC was unable to secure funding largely due to disagreements with Hadi government officials that maintained some control over state institutions, including the Central Bank's Aden branch.

[55] Ali Al-Sakani and Casey Coombs, "Marib: A Yemeni Government Stronghold Increasingly Vulnerable to Houthi Advances," Sana'a Center for Strategic Studies, October 22, 2020, <https://sanaacenter.org/publications/analysis/11778>. Accessed February 3, 2021.

[56] Ibid.

## Shabwa

In the early years of the war, three non-state actors – the Houthis, Al-Qaeda in the Arabian Peninsula (AQAP) and the UAE-backed Shabwani Elite – gained footholds in Shabwa. All of them have since been displaced by the internationally recognized government and local tribes.<sup>[57]</sup> Like Marib, Shabwa has achieved relative stability and secured some autonomy from the central government through the negotiation of a 20 percent share of oil revenues generated within its borders.

Governor Mohammed bin Adio negotiated a new relationship with the central government broadly in line with NDC’s federal vision.<sup>[58]</sup> The increased autonomy and oil revenues have allowed Shabwa’s local authorities to govern in ways that were not possible before the war. For example, in the absence of authorization from the Ministry of Finance to allocate salaries for new hires, Shabwa’s local authorities have hired workers through temporary contracts. Much of the hiring has occurred in the education and health sectors, which have experienced a significant rise in demand from factors including an influx of IDPs to Shabwa from other governorates and a growing population in the absence of new employees or facilities.<sup>[59]</sup> Although the contractors have helped to address the personnel shortages in these sectors, there remains a deficit of workers.<sup>[60]</sup>

While the newfound empowerment of local civil servants in Shabwa is most visible in the capital Ataq, there are development projects underway throughout the governorate. Local contractors have been hired to pave roads to six districts, whose town centers are only accessible by dirt roads.<sup>[61]</sup> Other infrastructure projects include extending a main road to Hadramawt governorate, restoring bridges damaged in the war and

[57] Majd Ibrahim, Nasser al-Khalifi and Casey Coombs, “Shabwa: Progress Despite Turmoil in a Governorate of Competing Identities,” Sana’a Center for Strategic Studies, November 19, 2020, <https://sanaacenter.org/publications/analysis/11930>. Accessed February 2, 2021.

[58] Interview with deputy governor of Shabwa, Fahad Al-Tawsali, on November 19, 2020. The Hadi government authorized Shabwa’s local authorities to spend the oil revenues in five sectors: electricity, water, education, healthcare, and roads.

[59] Omar BaHamid, “Wartime challenges facing local authorities in Shabwa,” Sana’a Center for Strategic Studies, October 10, 2020, [https://sanaacenter.org/files/Wartime\\_Challenges\\_Facing\\_Local\\_Authorities\\_in\\_Shabwa\\_en.pdf](https://sanaacenter.org/files/Wartime_Challenges_Facing_Local_Authorities_in_Shabwa_en.pdf). Accessed February 2, 2021; In the 2019/2020 school year, the ratio of teachers to students in Shabwa was 1:37. Given Yemen’s relatively high birth rate, more students are entering the education system each year than are graduating out of it, leading to more crowded classrooms. Shabwa’s healthcare sector is facing a similar situation: No new facilities have been built during the war and no new employees have been hired since 2012.

[60] Interview with deputy governor of Shabwa, Fahad Al-Tawsali, on November 19, 2020.

[61] The district capitals are Harib, Markha Al Tahta, Markha Al-Ulya, Daher, Al-Talh, and Arma.

building sanitation systems and a gas-generated electric power plant.<sup>[62]</sup> On Shabwa’s southern coast, near the town of Bir Ali, a proposed beach resort is under development as part of plans to revive the governorate’s tourism sector.<sup>[63]</sup> Nearby, Bin Adio recently launched a project to develop the historical Qana seaport to expand oil and gas shipments from the governorate.<sup>[64]</sup> These and other local development projects are awarded directly by Bin Adio’s office or a government committee, rather than through the official tender process which involves elected local councils.<sup>[65]</sup>

While oil revenues have helped fund some projects and operations, many local councils have struggled during the war to collect revenues for various reasons. For example, some revenues that are supposed to be shared between the central government and the governorates, like telecommunications fees, are collected in Shabwa, sent to the central government, but are not then redistributed back to the governorate. Another financial problem facing the local government in Shabwa is that revenues collected by some departments are not deposited in the local CBY branch.<sup>[66]</sup>

Local government offices have far more employees than necessary. Shabwa’s deputy governor, Fahad al-Tawsali, told the Sana’a Center that the over-employment problem, which exists in all governorates, is due to the hiring process being conducted by the central government without consideration for individual governorates’ actual needs.<sup>[67]</sup> Corruption plays a role in overhiring, as positions are also “gifted” for political reasons, rather than filled based on staffing needs.<sup>[68]</sup> Thirteen

[62] For more information on Yemen’s electricity sector during the war, see Akram M. Almohamadi, “Priorities for the recovery and reform of the electricity sector in Yemen,” DeepRoot Consulting/CARPO/Sana’a Center for Strategic Studies, Rethinking Yemen’s Economy White Paper 8, May 25, 2021, [https://devchampions.org/publications/white\\_papers/Priorities\\_for\\_the\\_Recovery\\_and\\_Reform\\_of\\_the\\_Electricity\\_Sector\\_in\\_Yemen/](https://devchampions.org/publications/white_papers/Priorities_for_the_Recovery_and_Reform_of_the_Electricity_Sector_in_Yemen/). Accessed July 21, 2021.

[63] Nabih Bulos, “Yemen is collapsing. That may be its salvation,” L.A. Times, December 15, 2020, <https://www.latimes.com/world-nation/story/2020-12-15/yemen-collapsing-may-be-its-salvation>. Accessed February 2, 2021.

[64] “Shabwa Governor launches first phase of Qana oil port,” Saba Net, January 13, 2021, <https://www.sabanew.net/viewstory/70857>. Accessed February 2, 2021.

[65] Interview with deputy governor of Shabwa, Fahad Al-Tawsali, on November 19, 2020. This mirrors the Hadi government’s move away from bureaucratic rule-making to rule by decree.

[66] Omar BaHamid, “Wartime challenges facing local authorities in Shabwa,” Sana’a Center for Strategic Studies, October 10, 2020, [https://sanaacenter.org/files/Wartime\\_Challenges\\_Facing\\_Local\\_Authorities\\_in\\_Shabwa\\_en.pdf](https://sanaacenter.org/files/Wartime_Challenges_Facing_Local_Authorities_in_Shabwa_en.pdf). Accessed February 2, 2021.

[67] Al-Tawsali said that there are about 500 personnel on the payroll at the governorate office, while the actual attendance sheet includes only 60 to 70 employees.

[68] Omar BaHamid, “Wartime challenges facing local authorities in Shabwa,” Sana’a Center for Strategic Studies, October 10, 2020, [https://sanaacenter.org/files/Wartime\\_Challenges\\_Facing\\_Local\\_Authorities\\_in\\_Shabwa\\_en.pdf](https://sanaacenter.org/files/Wartime_Challenges_Facing_Local_Authorities_in_Shabwa_en.pdf). Accessed February 2, 2021.

of Shabwa's local departments have no buildings, Shabwa is the only governorate that does not have an administrative complex, and Ataq is one of the only governorate capital without a sanitation system, according to Al-Tawsali.

Since STC-aligned forces attempted to seize control of Shabwa's capital Ataq in August 2019, local authorities have emphasized security throughout the governorate. The Special Security Forces have been established in Ataq and police departments are functioning in all districts. These state-run security forces replaced the UAE-backed Shabwani Elite forces that were deployed throughout the governorate between 2016 and 2019 to AQAP and the Houthis. While Shabwa's security forces have enough personnel and vehicles to meet the conditions in the governorate, they have not escaped some of the challenges that other governorates are facing. For example, the Criminal Investigation Department (CID) has faced shortages of forensic equipment.<sup>[69]</sup>

The court system is functioning, albeit at reduced capacity. Prior to the war, Shabwa had one judge per district. Now each judge covers three districts. According to Al-Tawsali, the biggest problem Shabwa's judiciary currently faces is obtaining approvals from the central government to carry out rulings like death sentences. Several capital punishment cases that were concluded in the local courts over a year ago are still pending approval from authorities in the central government.<sup>[70]</sup>

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[69] Interview with deputy governor of Shabwa, Fahad al-Tawsali, on November 19, 2020.

[70] Interview with deputy governor of Shabwa, Fahad al-Tawsali, on November 19, 2020.

## Aden

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In contrast to the relative security and economic stability local authorities have come to enjoy in Marib and Shabwa, local councils in the interim capital of Aden remain caught in the middle of a years-long power struggle between STC-aligned forces and the Hadi government. They also lack sufficient revenues to provide services in the densely populated port city. While Aden's growing population represents the potential for a significant tax base and the governorate's busy seaports provide a steady source of customs fees, corruption, mismanagement and insecurity have impeded revenue collection and distorted its management.

Local councils in Aden have complained of interference from competing armed groups.<sup>[71]</sup> Following the brief capture of parts of the city by Houthi-Saleh forces in early 2015, the Yemeni national army and UAE-backed local fighters secured the city. Hadi declared Aden the interim capital and relocated his government there in mid-2015, which set the stage for a power struggle over control of the city that continues today.

Generally speaking, the conflict in Aden is between Hadi loyalists, many of whom are from northern governorates and neighboring Abyan, and UAE-backed Southern Hirak that seeks that restoration of an independent South Yemen, and most of whose members hail from Lahj and Al-Dhalea governorates and support the STC. This conflict has deepened since the previous Rethinking Yemen's Economy report was published in July 2018, further complicating the work of local authorities.

Most of the militias that the UAE trained and equipped to fight AQAP and the Houthis in southern Yemen during the early years of the war aligned with the STC by August 2019, when the pro-secession group wrested control of Aden from the Hadi government. Up until that point, much of the violence in Aden took the form of assassinations targeting security officials, religious authorities and political leaders, including Governor Jaafar Mohammed Saad in late 2015.

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[71] Wadhah al-Awlaqi, Maged al-Madhaji, "Beyond the Business as Usual Approach: Local governance in Yemen amid conflict and instability," Sana'a Center for Strategic Studies/DeepRoot Consulting/CARPO, Rethinking Yemen's Economy White Paper 02, July 2018, [https://devchampions.org/files/Rethinking\\_Yemens\\_Economy\\_No2\\_En.pdf](https://devchampions.org/files/Rethinking_Yemens_Economy_No2_En.pdf). Accessed February 2, 2021.

The multiple outbreaks of conflict between opposing security forces have greatly affected the work and the authority of the local councils.<sup>[72]</sup> During escalations of tension between political actors, the local councils have held private meetings to avoid interference by security forces. Indeed, the local security forces themselves have split along the lines of the STC-Hadi government rift, as reflected in the divisions within Aden's Security Committee, which have paralyzed the work of the body throughout the war.<sup>[73]</sup>

The situation has improved somewhat under Governor Ahmed Hamed Lamlas, who was appointed by Hadi in July 2020. Lamlas' STC credentials have enabled him to coordinate with STC loyalist security forces on the collection of taxes, fees and other forms of revenue to fund the local government. While revenue collection has not been maximized, the increased amount of funds currently available have allowed the local authorities to carry out some of their duties.<sup>[74]</sup> However, in addition to lacking a loyal military, security and tribal support base, Lamlas does not have access to a ready source of revenue (such as from oil and gas revenues) to be as influential as the governors of Marib or Shabwa.<sup>[75]</sup>

According to deputy governor of Aden for Youth Affairs, Raouf Zain, the governorate's policemen have divided loyalties, lack training and are paid less than military recruits. While the CID is operational to some extent, it has no coordination with the Ministry of Interior. There are also internal divisions within formal government institutions like the Special Security Forces. Only members of the SSF who are loyal to the Ministry of Interior continue to receive salaries from the central government.<sup>[76]</sup>

The tense security situation has deterred local institutions from carrying out their duties. Employees at the Central Organization for Control and Audit (COCA), which ensures that public funds are being

[72] "STC forces arrest Saudi-backed official after storming his home in west Aden," Almasdar Online English, February 21, 2020, <https://al-masdaronline.net/local/376>. Accessed February 2, 2021; "No progress from Saudi-led committee tasked with finding Aden's forcibly disappeared," Almasdar Online English, March 19, 2020, <https://al-masdaronline.net/national/488>. Accessed February 2, 2021.

[73] Mareike Transfeld, Mohamed al-Iriani, Maged Sultan and Marie-Christine Heinze, "Local Security Governance in Yemen in Times of War: The Cases of al-Hudayda, Ta'iz and Aden," Yemen Policy Center, CARPO, Accessed April 23, 2021, <https://www.yemenpolicy.org/wp-content/uploads/2021/04/YPG-CARPO-Local-Security-Governance-in-Yemen-in-Times-of-War-final.pdf>. As noted in the latter, "the governorate-level Security Committees bring together all heads of security and intelligence agencies that are relevant for a particular governorate."

[74] Interview with the deputy governor of Aden for Youth Affairs, Abdul Raouf Zain, on December 17, 2020.

[75] Interview with Aden-based Yemeni researcher Hussam Radman on February 11, 2021.

[76] Interview with the deputy governor of Aden for Youth Affairs, Abdul Raouf Zain, on December 17, 2020.

spent appropriately, have avoided filing reports on sensitive issues, including those related to powerful political and military officials, out of fear of retribution. For similar reasons, the Public Funds Court, which handles crimes committed by public servants or crimes affecting public funds, avoids taking sensitive cases. The cases that are referred to the central government are largely ignored.<sup>[77]</sup>

Another challenge facing local councils is that policies and regulations have not adapted to the changing situation in Aden. Aden's population has grown substantially since the war started, as IDPs have moved to the governorate from rural areas and conflict zones. Naming the governorate Yemen's interim capital in 2015 fueled an influx into Aden, as it was viewed as more stable than other areas. At the same time the population has grown, revenues that the local councils rely on to fund the provision of public services have dried up. This is due to several factors, including the diversion of qat and real estate taxes normally collected by local authorities, and residents' nonpayment of water and electricity bills.<sup>[78]</sup>

Political divisions have exacerbated revenue shortfalls, as funds that are collected are not always accessible to local councils. Throughout the war, each time a new governor took power in Aden, local revenues were shifted to different bank accounts.<sup>[79]</sup> The governorate has had six governors since 2015. "Each governor had a policy in line with the party in control, whether it was the [internationally recognized government], the Saudi-led coalition or others," Zain told the Sana'a Center. "One governor suspends it, and another governor activates the same account." Despite the physical proximity of central government institutions in Aden to local authorities in the interim capital, the disconnect between state and local government is pronounced. Like in Shabwa, local councils have turned to contractors to meet personnel demands in the absence of formal hiring by the Civil Service Ministry. Aden's local authorities have not been able to penalize or fire existing employees because political divisions prevent officials from enforcing decisions. "Now, since the situation has stabilized in favor of one party and their security forces, this has contributed to creating relative discipline, as they possess decision-making power and tools to deter violators," Zain said.

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[77] Ibid.

[78] Ibid.

[79] Ibid. For example, when STC President Aiderous Al-Zubaidi became the governor of Aden in December 2015, local revenues were diverted from the Central Bank account to a new account at the National Bank of Yemen. After Al-Zubaidi was fired in April 2017, the funds were returned to the Central Bank account. When the STC declared self-rule in early 2020, funds were diverted again to a new bank account.

Unlike in many other areas of Yemen, civil servant salaries are paid monthly in Aden. However, aside from a 30 percent pay raise enacted under Prime Minister Ahmed bin Dagher in late 2018, civil servant salaries have not kept up with inflation and the steady devaluation of the Yemeni rial.<sup>[80]</sup>

## Hudaydah

On Yemen's Red Sea Coast, Hudaydah governorate is divided between areas controlled by the internationally recognized government and Houthi authorities. This split provides an opportunity to make a side-by-side comparison of how local authorities working under rival central authorities have operated in the same governorate during the war.

Both areas have struggled to generate revenues in the absence of customs fees, taxes and other economic activity from the ports of Hudaydah, Salif and Ras Issa, which were impacted by the Saudi-led coalition's naval and aerial blockade, enforced shortly after its intervention in the war in March 2015. The only imports allowed into those ports are fuel and humanitarian aid shipments vetted by the UN and Saudi Arabia.<sup>[81]</sup> No new civil servant employees have been hired anywhere in the governorate.<sup>[82]</sup>

In the parts of the governorate nominally under the control of the internationally recognized government, which consists of coastal areas stretching southward from Hudaydah city, civil servants have been paid regularly over the past year. Local councils have stepped up collection of real estate taxes to help offset the drop in other sources of public funding, but none of the departments in the local government has had an operational budget since the start of the war. As a result, all of the governorate's departments in areas controlled by the internationally recognized government have been rendered inactive, except for the department of legal affairs.<sup>[83]</sup>

[80] Mansour Ali al-Bashiri, "Economic Confidence Building Measures – Civil Servant Salaries," DeepRoot Consulting/CARPO/Sana'a Center for Strategic Studies, Rethinking Yemen's Economy White Paper 8, May 25, 2021, [https://devchampions.org/publications/white\\_papers/Priorities\\_for\\_the\\_Recovery\\_and\\_Reform\\_of\\_the\\_Electricity\\_Sector\\_in\\_Yemen/](https://devchampions.org/publications/white_papers/Priorities_for_the_Recovery_and_Reform_of_the_Electricity_Sector_in_Yemen/). Accessed February 8, 2021; "Yemen Economic Bulletin: Widening Exchange Rate Disparity Between New and Old Banknotes," Sana'a Center for Strategic Studies, September 9, 2020, <https://sanaacenter.org/publications/analysis/11562>. Accessed February 2, 2021.

[81] The United Nations Verification and Inspections Mechanism (UNVIM) was launched in May 2016 to speed up the flow of commercial imports through the Saudi-led coalition blockade. "About UNVIM," UNVIM website, accessed January 21, 2020, <https://www.vimye.org/about>. Accessed February 2, 2021.

[82] Interview with the internationally recognized government's deputy governor of Hudaydah, Hashem Al-Azazi, on December 2, 2020.

[83] Interview with the internationally recognized government's deputy governor of Hudaydah, Hashem Al-Azazi, on December 2, 2020; Interview with the Houthi government's undersecretary of Hudaydah, Ali Qashr, on November 19, 2020.

Local security forces in these areas are technically part of the internationally recognized government, but their loyalties are fragmented and do not trace directly back to the central government in Aden. For example, UAE-backed commander of the National Resistance forces, Tariq Saleh, exercises influence over police forces in government-controlled areas of Hudaydah through payment of their salaries with the help of the Saudi-led coalition.<sup>[84]</sup> While Saleh is formally part of the government's chain of command, he coordinates more closely with the coalition than the Hadi government.

In Houthi-controlled parts of Hudaydah, or roughly all of the governorate's districts north of Hudaydah city, civil servants have received virtually no salaries from the Hadi government since late 2016, when the CBY was split between Sana'a and Aden. As in other areas under Houthi control, all revenue collected in Hudaydah are now considered central government resources. After sending revenues collected locally to Sana'a, central authorities provide local officials with a minimal budget for operations as well as some compensation and transportation expenses for undersecretaries and members of the local authority. In 2020, Hudaydah received an operational budget of about YR20 million.<sup>[85]</sup> The heads of all local security agencies in these parts of Hudaydah are Houthi loyalists and effectively under the control of the highly centralized government in Sana'a.<sup>[86]</sup> Most of these local security officials were formerly Houthi supervisors and have now taken official state positions, while others are GPC affiliates who have pledged loyalty to the Houthis.<sup>[87]</sup>

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[84] For a thorough discussion of fighting forces present in Hudaydah, see Mareike Transfeld, Mohamed al-Iriani, Maged Sultan and Marie-Christine Heinze, "Local Security Governance in Yemen in Times of War: The Cases of al-Hudayda, Ta'iz and Aden," Yemen Policy Center, CARPO, Accessed April 23, 2021, <https://www.yemenpolicy.org/wp-content/uploads/2021/04/YPC-CARPO-Local-Security-Governance-in-Yemen-in-Times-of-War-final.pdf>

[85] Interview with the undersecretary of Hudaydah, Ali Qashr, on November 19, 2020.

[86] Mareike Transfeld, Mohamed al-Iriani, Maged Sultan and Marie-Christine Heinze, "Local Security Governance in Yemen in Times of War: The Cases of al-Hudayda, Ta'iz and Aden," Yemen Policy Center, CARPO, Accessed April 23, 2021, <https://www.yemenpolicy.org/wp-content/uploads/2021/04/YPC-CARPO-Local-Security-Governance-in-Yemen-in-Times-of-War-final.pdf>

[87] Ibid.

# FINDINGS AND RECOMMENDATIONS

Below are the report’s findings and the short, medium and long-term recommendations for each of the four themes we have identified. Note that individual findings do not correspond to specific recommendations because the latter were not made based on the former.

Revenue collection, budgeting and public finance management	
Findings	Recommendation
<ul style="list-style-type: none"> <li>• Since the start of the conflict, the collection and distribution of revenues has varied widely across the country and allocations from the central government have stopped partially or completely, depending on the area, making it difficult to determine how much local authorities rely on the central state to cover their expenses.</li> <li>• The oil and gas-producing governorates of Marib, Shabwa and Hadramawt have secured a 20 percent share of these resources from the central government and used the revenues and their newfound autonomy from the central state to fund local governance.</li> <li>• Shabwa has experienced significant personnel shortages in the health and education sectors. The hiring of temporary contractors has not been sufficient to fill these gaps.</li> <li>• In several governorates, public projects are awarded via decree, rather than through the official tender process.</li> <li>• Political divisions in Aden have exacerbated revenue shortfalls, as funds that are collected are not always accessible to local councils. Each time a new governor has taken power in Aden, local revenues have been shifted to different bank accounts.</li> </ul>	<p><b>Short-term recommendations at the national level:</b></p> <ul style="list-style-type: none"> <li>• Restore the budgetary process and formalize the changes in allocations that have been passed by decree during the war, such as the 20 percent of sovereign revenues for Marib, Shabwa and Hadramawt, ensuring equity in allocations for all governorates under the control of the internationally recognized government.<sup>[88]</sup></li> <li>• These governorates should start conversations on how the organic decentralization that has taken place can grow into a federal framework. For example, a pilot testing platform could be created so stakeholders can talk to each other about what has and has not worked in their respective decentralization efforts and how these bottom-up approaches could adapt to a federal system.</li> </ul> <p><b>Improve accountability and reduce waste by:</b></p> <ul style="list-style-type: none"> <li>• Activating the concurrent audit of the Central Organization for Control and Auditing (COCA).<sup>[89]</sup></li> <li>• Embedding International Monetary Fund (IMF) experts in the Central Bank of Yemen (CBY) and the Ministry of Finance to advise on proper operations and monitor compliance, and report to the appropriate Yemeni and international authorities<sup>[90]</sup>.             <ul style="list-style-type: none"> <li>◦ Enforce the existing Government Bids, Tenders, and Warehouses Law.</li> <li>◦ Review payroll lists of public servants and enforce biometrics to reduce double-dipping and ghost workers.</li> <li>◦ Establish National Procurement Guidelines and a National Procurement Licensing and Registration system.</li> </ul> </li> </ul>

[88] This process should be carried out with a view to implementing a fiscal transfers mechanism to governorates that do not have sufficient sovereign revenues streams.

[89] Given the poor record of compliance and enforcement of laws in the Yemeni bureaucracy, a concurrent audit is necessary, though it slows disbursement processes.

[90] This practice has been tried before. In the early 2000’s, an IMF expert was embedded in the Ministry of Finance for two years. His presence had a marked impact on transparency and procedure compliance.

## Revenue collection, budgeting and public finance management

Findings	Recommendation
<ul style="list-style-type: none"> <li>• In all governorates examined, revenue-sharing arrangements between the central, governorate and district levels of government, as outlined in the Local Authority Law, have been largely abandoned. Districts have been the hardest hit by these changes.</li> <li>• Local councils in rural parts of Houthi-controlled areas have been hit harder economically than those in cities because they have fewer ways to collect revenue independently and they are not prioritized for the distribution of limited funds at the central and governorate levels.</li> <li>• In Aden, corruption, mismanagement and insecurity have impeded revenue collection to fund the provision of services.</li> <li>• In Aden, local authorities have complained of shrinking revenues in part due to the diversion of qat and real estate taxes.</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize the timely disbursement of governorate allocations to the account of each governorate at the CBY, to be managed jointly by central and local authorities.</li> </ul> <p><b>Short-term recommendations at the governorate level:</b></p> <ul style="list-style-type: none"> <li>• Enforce compliance to existing fiscal regulations.               <ul style="list-style-type: none"> <li>◦ In Houthi-controlled areas, return the authority to collect zakat revenue to the local councils, as this funding source constitutes upwards of 90 percent of most districts' revenue.</li> <li>◦ Houthi authorities should dissolve institutions created during the war that replace or duplicate the authorities of existing local institutions, as outlined in the Local Authority Law.</li> </ul> </li> <li>• Develop a governorate budget and enforce compliance.</li> <li>• Enforce the registration of businesses with the Tax Authority.</li> <li>• Enforce the registration of commercial real estate.</li> <li>• Appoint licensed real estate assessors and collect real estate tax.</li> <li>• Enhance accountability               <ul style="list-style-type: none"> <li>◦ One way to create accountability at the local level is through the formation of neighborhood committees that can petition the governor. These types of participatory oversight bodies could function even if a non-democratic governance system emerges from the conflict.</li> <li>◦ In creating oversight mechanisms, consider bringing in certified forensic accountants to audit the ad hoc decentralization that has taken place in order to obtain a more detailed understanding of these changes and how they could be formalized and harmonized.</li> </ul> </li> </ul>

Revenue collection, budgeting and public finance management	
Findings	Recommendation
	<p><b>Medium-term recommendations at the national level:</b></p> <ul style="list-style-type: none"> <li>• Form a specialized parallel structure, the “National Public Finance Management Decentralization Team,” to serve as an intermediary between central and governorate level institutions and execute the task of devolving budgetary competencies at the governorate level. That should include: <ul style="list-style-type: none"> <li>◦ Drafting bylaws and procedures for governorate-level public finance management.</li> <li>◦ Training personnel.</li> <li>◦ Phasing-in the transfer of competencies to each governorate as it becomes ready to exercise these competencies.</li> </ul> </li> <li>• Issue the necessary legislation/decrees to formalize changes in revenue collection, allocation and expenditure.</li> <li>• Authorize the establishment of a “Governorate Public Finance Management Council” to manage the financial affairs of the governorate. The Council would be composed of representatives of branch offices of central institutions, including COCA and the Supreme National Authority for Combating Corruption (SNACC), and representatives of the Chamber of Commerce, key civil society organizations and community-based organizations (including district/town councils), and chaired by the chief executive officer of the governorate, i.e., the governor. These councils would be in charge of revenue collection as well as the entire budgetary cycle.</li> </ul> <p><b>Medium-term recommendations at the governorate level:</b></p> <ul style="list-style-type: none"> <li>• Establish a Project Planning and Implementation Unit (similar to the Ministry of Planning and International Cooperation combined with the Public Works Program) as the sole responsible body for projects in the governorate, focusing on controlling costs and ensuring the quality of public works and projects.</li> </ul> <p><b>Long-term recommendations at the national level:</b></p> <ul style="list-style-type: none"> <li>• Adopt a “Fiscal Equalization Formula” which organizes fiscal transfers vertically (from the central government to the governorates) and horizontally (between governorates) so as to reduce fiscal disparities between governorates to an agreed upon level.</li> </ul>

Revenue collection, budgeting and public finance management	
Findings	Recommendation
	<ul style="list-style-type: none"> <li>• Establish a stand-alone National Finance Council (NFC) to administer the fiscal equalization formula and oversee fiscal policy. The NFC would be composed of representatives of key central government organizations (CBY, Ministry of Finance, Ministry of Planning and International Cooperation, Tax Authority, etc), and sub-national units (governorates) as well as representatives of the IMF, World Bank and major donors to Yemen. The NFC would report to Parliament.</li> <li>• Place all sovereign revenue under the control of the NFC to distribute according to the Fiscal Equalization Formula.</li> </ul> <p><b>Long-term recommendations at the governorate level:</b></p> <ul style="list-style-type: none"> <li>• Establish an investment council to enhance economic growth and increase revenue. The council should be a partnership between the local government and the Chamber of Commerce, trade unions and other community-based organizations.</li> </ul>

Human resources	
Findings	Recommendation
<ul style="list-style-type: none"> <li>• In Aden, local authorities have not been able to penalize or fire existing employees because political divisions have prevented officials from enforcing the decisions.</li> <li>• The number of employees on the payroll in governorates and districts far exceed what is necessary to govern these areas. Many of those on the payroll are not qualified or do not come into the office, as their positions were “gifted” as political favors. An official in Shabwa attributes much of this overhiring to the fact that it took place in Sana’a, divorced from the realities of the governorate.</li> <li>• Because the Ministry of Civil Service has frozen all hiring during the war, many governorates have hired temporary contractors to meet personnel requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term recommendations at the national level: <ul style="list-style-type: none"> <li>◦ Establish a Civil Service Coordinating Committee, bringing together the internationally recognized government and the de facto authorities to reduce divergence between the two parties.</li> <li>◦ Halt the progressive divergence between the various parts of the country controlled by competing factions; mandate that new hires are to be made on a temporary contract basis only.</li> <li>◦ Enforce the use of biometric data to reduce double dipping and ghost workers</li> <li>◦ Allow local administrations the freedom to manage their own personnel needs.</li> </ul> </li> <li>• Short-term recommendations at the governorate level: <ul style="list-style-type: none"> <li>◦ Adhere to rule that new hires should be made on temporary contracts only.</li> </ul> </li> <li>• Medium-term recommendations at the national level: <ul style="list-style-type: none"> <li>◦ Enforce mandatory retirement and competitive hiring laws.</li> <li>◦ Complete job descriptions for personnel.<sup>[91]</sup></li> <li>◦ Long-term recommendations at the national level: <ul style="list-style-type: none"> <li>◦ Establish a Civil Service Institute to qualify civil servants.</li> <li>◦ Institute a licensing system for national-level civil servants to ensure competence.</li> </ul> </li> </ul> </li> <li>• Retrain and license current employees.</li> </ul>

[91] The basic requirement of job description for government employees was adopted by successive civil service reform plans since mid 1980’s, but was never fully implemented due to overstaffing and the common practice of using government jobs as a patronage resource.

Electricity and Water Services	
Findings	Recommendation
<ul style="list-style-type: none"> <li>In Aden, local councils complain that policies and regulations have not adapted to the substantial growth of the population due to the influx of IDPs during the war. The tax base that the local councils rely on to fund the provision of public services is now much larger than it was before the war, but large segments of the population have stopped paying taxes for services like water and electricity due to several factors, including the poor quality of the services and residents' economic hardship.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term recommendations at the national level: <ul style="list-style-type: none"> <li>Privatize electricity and water distribution networks in acknowledgment that de facto privatization has taken place in most governorates.</li> <li>Stop subsidies to the electricity sector.</li> <li>To reduce corruption, stop buying electricity from independent power producers and allow them to sell directly to consumers.</li> <li>Establish utility boards to regulate prices and service delivery.</li> <li>Stop building diesel-fired power plants and convert existing ones to natural gas or retire them altogether.</li> </ul> </li> <li>Medium-term recommendations at the national level: <ul style="list-style-type: none"> <li>Capitalize on the conversion to solar power around the country by providing solar panels at cost to consumers.</li> <li>Rehabilitate electricity distribution networks and install meters that allow consumers to sell their excess power to the network.</li> </ul> </li> </ul>

## Justice

Findings	Recommendation
<ul style="list-style-type: none"> <li>• In Aden, local councils have complained of interference from armed groups. During escalations of tension between political actors, the local councils have held private meetings to avoid interference by security forces.</li> <li>• Aden’s security forces have divided loyalties, lack training and are paid less than military recruits. While the Criminal Investigation Department is operational to some extent, there is no coordination with the Ministry of Interior. There are also internal divisions within formal government institutions like the Special Security Forces. Only forces that are loyal to the Ministry of Interior continue to receive salaries from the central government.</li> <li>• In Aden, employees at the Central Organization for Control and Auditing (COCA) and the Public Funds Court have avoided filing reports on sensitive issues, including those related to powerful political and military officials, out of fear of retribution.</li> <li>• Criminal Investigation Departments across the country have complained that they do not have the necessary equipment to carry out forensic investigations due to the import ban on certain goods enforced by the Saudi-led coalition blockade.</li> <li>• Shabwa is experiencing a shortage of judges. As a result, each judge now oversees cases in three districts. Before the war, each judge handled cases in one district.</li> <li>• The biggest problem Shabwa’s judiciary currently faces is obtaining approvals from the central government to carry out certain rulings like death sentences. For example, several capital punishment cases that were concluded in the local courts over a year ago are still pending approval from authorities in the central government.</li> <li>• In Sana’a, police stations operate at reduced capacity largely due to the nonpayment of salaries. The Criminal Investigation Department has suspended much of the work of its forensic laboratories, in large part due to a lack of technical supplies, including chemicals banned under the Saudi-led coalition blockade. The Special Security Forces, which are charged with guarding major cities, are still operational but their work has been affected by interference from non-governmental Houthi security agencies and authorities such as supervisors (mushrifeen).</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term recommendations at the national level: <ul style="list-style-type: none"> <li>◦ Respect the independence of the judiciary.</li> <li>◦ Establish a joint committee to oversee the judiciary and work to re-unify it.</li> <li>◦ Consider appointing an international entity to mediate and facilitate the functions of the judiciary.</li> </ul> </li> </ul>

## **About the Authors**

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