EMPOWERING LOCAL AUTHORITIES TO LEAD ECONOMIC DEVELOPMENT IN YEMEN

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EXECUTIVE SUMMARY

This policy brief outlines a set of recommendations aimed at empowering local authorities in Yemen to effectively provide services and lead local economic development. The aim is to analyze and draw lessons from three ongoing tracks that seek to empower local authorities in Yemen, while also addressing the challenges and opportunities associated with these efforts.

The analysis concludes that building consensus between the central government and local authorities is of paramount importance for the successful empowerment of local authorities. It is imperative to address political concerns and achieve a minimum level of political consensus in order for these efforts to move forward. Furthermore, it is crucial to overcome challenges related to financing, to enhance transparency and accountability, and build local capacity.

The Development Champions Forum therefore recommends the importance of establishing clear and precise guiding principles for the distribution of powers and authorities between the center and local authorities. It also emphasizes leveraging the potential of the private sector to drive economic growth, create job opportunities, provide services, and invest in local communities. Lastly, it encourages partnerships between international organizations, donors, and local authorities towards empowering local authorities in providing services and local economic development.

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1. INTRODUCTION

Local authorities in Yemen navigate a multifaceted and ever-evolving environment that has been profoundly shaped by the repercussions of the conflict. The legal framework for their operations is established by Law 4/2000 Concerning the Local Authority, and its amendments. However, the landscape has undergone significant transformations since the outbreak of the conflict, presenting formidable obstacles to the functioning of local authorities. The ongoing conflict in Yemen has imposed additional burdens on local authorities, particularly in areas under the control of the internationally recognized government. Amidst the fragmentation and weakening of central institutions, political disputes, and diminishing revenues, local authorities are entrusted with the critical task of providing basic services to the citizens in their respective areas. Yet, they find themselves bound by pre-war legislative and legal structures that curtail their powers, restrict access to resources, and limit their operational scope. [1]

The ongoing conflict in Yemen has brought about notable shifts in resource allocation, impacting each governorate in varying ways. For instance, oil-producing governorates have obtained a Presidential decree to allocate 20 percent of oil export revenues from these governorates into a development account for each governorate, while other governorates have received a similar percentage of customs revenue. Although these decisions do not have a legal basis in the laws or the constitution and no expenditure rules and procedures were specified, these newfound resources have provided some degree of support to local authorities in these governorates, enabling them to fulfill public service requirements and carry out development projects. However, these efforts are still plagued by significant inadequacies in complying with standards of governance and transparency. In contrast, several other governorates have been severely impacted by the lack of such resources. Funding for development investments from the central budget has nearly ceased in these governorates, with allocations primarily directed towards salary disbursements and essential operational expenses.

Amidst the undeniable magnitude of the challenges at hand, it is crucial to acknowledge the existence of promising opportunities for positive change. Local authorities can capitalize on the current situation to adopt innovative solutions, enhance cooperation, and attract investment. By harnessing the unique strengths and resources of each governorate, a collaborative approach can be formulated to drive economic development and improve the quality of public services.

In this context, the Development Champions Forum (DCF) held its tenth meeting in Cairo from 2 to 4 December 2023, where it discussed opportunities to empower local authorities to lead local economic development. This paper serves as one of the outcomes of the Forum, shedding light on the current situation of local authorities in areas under the control of the internationally recognized government (IRG). It delves into the various dynamics of their work and examines the existing efforts to empower local authorities, aiming to provide realistic recommendations to address challenges and seize opportunities to enhance the efficiency of service provision to citizens and unleash local economic development.

2. CURRENT EFFORTS

This section outlines the efforts being made for the empowerment of local authorities through the documentation of three ongoing tracks, as follows:

A. The Empowerment of Local Authorities Project

In a progressive step, the IRG Prime Minister, acting upon the directives of the President of the Presidential Leadership Council (PLC), formed a preparatory committee in January 2023 to prepare for the first consultative conference with local authorities. According to the Prime Minister’s decree, the conference aimed to identify the main challenges and issues facing local authorities, outline the framework of the relationship between the central state, local authorities, and development partners during the transitional phase, and develop a roadmap for promoting local development and governance, as well as developing and managing financial resources and programs to build the capacities of local authorities.[2] This project became known as the Local Authorities Empowerment Project. According to the head of its technical committee, the project aims to develop a roadmap for empowering local authorities in the governorates to achieve sustainable economic development with community participation, engaging the private sector to create employment opportunities, and defining the relationship between the central government, local authorities, and the private sector.[3] The implementation of this project has been planned to commence in Aden, Hadramawt, and Taiz in the initial phase before its expansion to other governorates.


The essence of this project lies in its focus on the most pressing issues at the governorate level: services, local development, and job creation. To achieve these, local authorities are envisioned to be granted with additional powers, and the dilemma of resource allocation between the central government and local authorities will be addressed through a phased roadmap, which will provide a timeline for the delegation of authority, allocation of resources, and capacity building. While this project enjoys the advantage of direct political support from the President of the PLC, there are significant challenges that need to be addressed. These challenges include the difficulty of creating broad consensus regarding the support and implementation mechanisms of the project among the political factions represented in the PLC, as well as among the institutions and individuals concerned at both the central and local levels. Moreover, such a project requires substantial technical and financial resources to be implemented nationwide in all governorates under the control of the IRG.

B. The Taiz Case

The international community is increasingly focusing on the imperative to empower local authorities as primary drivers for sustainable economic development. This has been reflected in the Economic Framework developed by the United Nations (UN) in Yemen. This document seeks to guide UN programs in Yemen towards building resilience and transitioning from humanitarian aid to new and sustainable solutions that improve the livelihoods of all Yemenis. The framework consists of four pillars: 1- Efficient and effective humanitarian response; 2- Transitioning to sustainable development and focusing on livelihoods; 3- Paving the way for stability by enhancing working conditions through improving supply chains to reduce costs; and 4- Supporting sustainable peace through macroeconomic reforms and investment growth. It was agreed to pilot the implementation of the second pillar of the Economic Framework in Taiz Governorate, with the intention of later expanding it to other governorates.

Subsequently, the local authority in Taiz Governorate, in partnership with the UN, civil society, and the private sector, prepared and developed the Taiz Economic and Social Development Plan during the year 2023. This plan focuses on four pillars: governance and public administration, peace and security, service provision, and realizing the economic potential of Taiz. Through this development plan, Taiz Governorate aims to set a successful model for overcoming its challenges (including the challenge of limited local resources) by achieving consensus between the local authority and the central government on more effective allocation of powers and resources, and activating partnerships with donors, the private sector, and civil society.

[4] Ibid.
Within this context, a “Consultative Workshop on the Economic and Social Development Plan for Taiz Governorate 2024–2026” was held in November 2023. The workshop aimed at familiarizing participants with the development plan for Taiz Governorate, discussing its various details among all participating entities, and exploring the future prospects of economic and social conditions in the governorate, as well as the means to enhance them.[7]

The workshop yielded several outcomes, including, but not limited to, an agreement to shift the focus from emergency relief to sustainable development projects while not neglecting the needs of the most impoverished groups. In addition, the revival of the local economic council was announced, which is intended to serve as a catalyst for partnering with the private sector and improving the business environment.

It aims to launch several investment projects in partnership with the private sector in the fields of infrastructure, energy, and the provision of services through innovative mechanisms. Furthermore, the next steps for the implementation of the plan that will commence in 2024 were agreed upon.[8]

C. The Hadramawt Case

In Hadramawt, the formation of the Hadramawt National Council (HNC) was announced in June 2023 as a new entity aiming to be a political, economic, cultural, and military representative for the people of Hadramawt inside and outside Yemen. The HNC encompasses various Hadrami groups that convened for consultation in Riyadh, Saudi Arabia.

The HNC operates on several principles, including: the unity of Hadramawt and the right of Hadramis to manage their economic, political, and security affairs; the recognition of political and social pluralism in Hadramawt; the right of Hadramawt to fair participation in sovereign decision-making processes and representation in parliamentary chambers, governmental, consultative, and negotiating bodies to safeguard the vital interests of the people of Hadramawt; and the commitment to ensuring that the state’s services, security, and military institutions remain neutral in any internal disputes that may harm public interests and exacerbate the humanitarian crisis in Hadramawt.[9]
During his visit to Hadramawt five days after the announcement of the HNC, the President of the PLC emphasized “the commitment of the PLC and the government to enhance the role of local authorities in Hadramawt and all liberated areas, and support their efforts to achieve security, stability, and improve services.” He further stressed the importance of prioritizing Hadramawt, including alleviating the humanitarian and service-related suffering of the people of Hadramawt, empowering them to manage their economic and security affairs, and attracting investments as a model for the desired institutional state. However, the implementation of this transition is still subject to political disagreements within the governorate and nationally and has not yet moved forward into the technical and administrative phases. Consequently, pressure has been mounting due to declining revenues and the government and local authority’s inability to reach consensus on financing the developmental needs of the governorate, particularly in the electricity sector. This led the executive board of Hadramawt governorate to announce, at the end of November 2023, a decision to suspend the deposit of the governorate’s revenues to the Central Bank in Aden, in order to fulfill the government’s commitments and deduct them directly from the revenues to meet the governorate’s needs.

3. CHALLENGES TO THE EMPOWERMENT OF LOCAL AUTHORITIES

As evidenced by the above case studies, efforts to empower local authorities in leading the economic development process face several challenges. Chief among these challenges is the resistance to change by many central institutions and decision-makers and their insistence on retaining the powers granted to them by the law, while local authorities cling to practices and powers newly acquired since the beginning of the conflict.

Other challenges include: the erosion of financial resources that were provided as central support to local authorities and accounted for 93 percent of local authorities’ resources; the lack of capacity and competence at the local level; inadequate infrastructure; and low levels of partnership with the private sector and civil society organizations. This necessitates the need for coordination and cooperation between local authorities, central government institutions, the private sector, and local and international organizations in order to address these challenges and support local economic development.


[12] A statement was issued by the local authority in Hadramawt on the official Facebook page of the Local Authority of the Hadramawt Governorate [AR], November 26, 2023.

Moreover, the ongoing political and military tensions within the political factions in Yemen further complicate the situation and hinder the ability of local authorities to effectively fulfill their responsibilities. In addition, the absence of a unified political vision among the parties represented in the PLC towards decentralization and empowerment of local authorities poses an additional challenge to the efforts being made.

4. PROPOSED RECOMMENDATIONS

Despite the aforementioned challenges, it is possible to overcome them and achieve progress that positively impacts the well-being of citizens and the essential services provided by the state. The Development Champions Forum (DCF) has issued several policy papers in the past, offering multiple recommendations regarding the empowerment of local authorities. In keeping up with the ongoing developments in the Yemeni context, the DCF focuses the following recommendations on initiating practical steps to reach a general consensus on a more effective distribution of powers, authorities and resources between the central and local levels within the framework of existing laws. Furthermore, it emphasizes harnessing the potential of the private sector and promoting partnerships between donors, international organizations, and local authorities.

Agreement on the General Trajectory for Empowering Local Authorities

Despite the various efforts exerted so far, there is no clear vision unanimously agreed upon among the members of the PLC regarding the path for empowering local authorities. Furthermore, there has been no direct meeting or discussion between the governors and the PLC or the government to agree on the general direction of the empowerment of local authorities. Therefore, the DCF recommends the following:

- The governors willing to champion the move towards empowerment of local authorities should solicit the support of relevant experts and meet to develop a unified vision of the guiding principles for empowering local authorities.

[14] For further details, please refer to the following papers:
• The championing governors should then arrange a meeting with the members of the PLC to discuss the agreed guiding principles and jointly adopt them as a basis for future work.

• The DCF emphasizes its full readiness to provide technical and logistical support for these meetings, and proposes that the following principles are considered by the governors and the PLC:

  ◦ To work within the framework of the Local Authority Law and relevant existing laws, while operationalizing Article No. 173 of Law 4/2000 Concerning the Local Authority, which states that “any provision contained in any other law inconsistent with the provisions of this law is hereby revoked.”

  ◦ To implement any agreed-upon amendments that do not necessitate new legislation, such as amendments to the regulations of the Law Concerning the Local Authority, which can be amended through a republican decree.

  ◦ To recognize the outcomes of the National Dialogue pertaining to decentralization as guidelines that can be used as a general framework governing discussions on empowering local authorities.

  ◦ To emphasize that the two cornerstones for realizing the sought-after local economic development are citizen participation representing all groups of society and partnership with the private sector.

  ◦ To keep in mind that the primary goal of the state is to serve its citizens. Therefore, the complementary relationship between local and central authorities in serving this goal should be stressed, and a move away from a polarized and competitive mindset encouraged.

  ◦ To emphasize that empowering local authorities commences at the district level and progresses to the governorate level. Replication of centralization at the governorate level should be avoided as it undermines the functions of districts. This can be ensured by adhering to the principle of “subsidiarity,” which should serve as the fundamental rationale for the decentralization process. According to this principle, responsibilities are delegated to the authorities closest to the citizens, unless a compelling case can be made for delegating these responsibilities to higher levels of government.[15]

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- To match responsibilities with adequate sources of revenues to fulfill them. Delegating powers and assigning responsibilities to local authorities without allocating the necessary revenue sources to meet the requirements of these responsibilities would be a recipe for failure.

- To enhance mechanisms of accountability, transparency, and anti-corruption at both the local and central levels.

- Upon reaching a consensus on the guiding principles, the governors need to identify a set of priority sectors for local economic development, such as electricity, investment, trade and industry, and education. The governors should develop a shared vision regarding the powers and financing mechanisms needed by local authorities in these sectors to drive local economic development, and this shared vision should be discussed with the relevant ministries and then presented to the PLC for approval.

- To establish a committee, consisting of the relevant ministries and local authorities, to examine the issue of revenues and present a shared vision for the development and distribution of revenues at the local and central levels in a way that enhances the resources of local authorities and enables them to provide services more effectively.

- To adopt programs designed for the empowerment of women in decision-making positions within local authorities, including the operationalization of the National Dialogue outcomes that recommended a quota of no less than 50 percent representation for women. The experience of the Social Fund for Development (SFD) in the establishment of Village Councils to enhance people’s access to services and promote their participation can be leveraged in this area.[16] These Village Councils prioritize the equal representation of men and women on their boards, with the objective of strengthening equality and galvanizing active participation in local development affairs.

Leveraging the Potential of the Private Sector

Any analysis of the state’s resources and capabilities inevitably leads to the realization that achieving local economic development in Yemen is impossible without a genuine partnership with the private sector. It is essential to leverage the potential, adaptability, and dynamism of the private sector for investment, economic growth, job creation, and service provision.\[17\]

Therefore, the DCF recommends the following:

- To establish local economic councils in the governorates that bring together local authorities, private sector leaders, and experts from civil society within the governorate, taking into consideration gender perspectives in their formation, and relying on these councils in developing local economic policies and strategies, as well as monitoring their implementation.

- To reorganize entities related to investment, such as the investment authority, land and survey authority, tax and customs authority, and any other relevant authorities within the governorates. Financial support should be provided to these entities and skilled professionals engaged to contribute to their success.

- To establish specialized departments within the security sector to address issues related to the private sector and develop local mechanisms for expediting court proceedings concerning private sector cases.

Encouraging Partnerships Among Donors, International Organizations, and Local Authorities

The empowerment of local authorities in Yemen requires substantial support and funding. Consequently, the DCF recommends the following:

- Facilitating direct communication between local authorities, donors, and international organizations, in coordination with the Ministry of Planning.

- The role of the Ministry of Planning must evolve to align with the current and desired future realities, ensuring cooperation and the efficient utilization of resources to address critical development priorities.

\[17\] For more details on addressing the desired role of the private sector in the process of economic development, refer to the following papers:


• Donors should establish and expand programs for technical assistance and capacity building for local authorities, such as the United Nations Development Programme’s (UNDP) “Supporting Institutional and Economic Resilience in Yemen” program funded by the European Union, and the German Agency for International Cooperation’s (GIZ) “Supporting Good Governance in Yemen” program funded by Germany. Such programs should focus on areas such as governance, resource management, project planning and execution, and financial management.

• Providing financial support and resources to local authorities targeting specific projects and initiatives that enhance service provision, economic development, and community participation. This may include grants and investments in infrastructure and innovative financing mechanisms.

• Deploying technical experts and providing knowledge transfer to local authorities. This could involve specialists in fields such as urban planning, infrastructure development, public service management, and economic development, taking into account women’s empowerment and environmental sustainability.

• International organizations and donor agencies should prioritize initiatives that promote long-term sustainability rather than solely focusing on short-term relief efforts. This will enhance the empowerment of local authorities to drive economic growth and provide sustainable services.
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