



RETHINKING
YEMEN'S ECONOMY

*Beyond the Business as Usual
Approach:*

LOCAL GOVERNANCE IN YEMEN AMID CONFLICT AND INSTABILITY



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ACRONYMS

AQAP	Al-Qaeda in the Arabian Peninsula
CBY	Central Bank of Yemen
DLDP	District Level Decentralization Program
EPRDF	Ethiopian People’s Revolutionary Democratic Front
HIC	Hadramawt Inclusive Conference
HTC	Hadramawt Tribal Confederation
IDPs	Internally displaced persons
INGO	International non-governmental organization
LACs	Local administrative councils
LAL	Local authorities law
LDAs	Local development associations
MENA	Middle East and North Africa
NCBP	National Capacity Building Program
NDC	National Dialogue Conference
NLGC	National Local Governance Strategy
PDRY	People’s Democratic Republic of Yemen
SCSS	Sana’a Center for Strategic Studies
STC	Southern Transitional Council
UAE	United Arab Emirates
DLDSP	Decentralization and Local Development Support Program
UNDP	United Nations Development Program
OCHA	Office for the Coordination of Humanitarian Affairs
UMP	Urban Management Program
YAR	Yemen Arab Republic
YR	Yemeni Rial
YSP	Yemeni Socialist Party

EXECUTIVE SUMMARY

Local councils are among Yemen's most important state institutions. Responsible for providing basic public services to millions of Yemenis, local councils represent official governance and the Yemeni state for vast swathes of the population. The intensification of the conflict since March 2015, however, has undermined the councils' ability to operate effectively in most areas of the country. The councils depend heavily on central government financing and, to a lesser degree, local sources of revenue such as taxes on basic utilities and telephone usage. As such, Yemen's precipitous economic collapse, the subsequent decline in government revenues and the incapacitation of the Central Bank of Yemen (CBY) have compromised local councils' ability to operate. The nonpayment of civil servant salaries and Yemenis' decreased purchasing power contribute to Yemen's alarming humanitarian crisis while limiting local councils' ability to extract local sources of revenue.

Generally speaking, a shortage of revenues has left local councils across Yemen unable to operate anywhere near to their full capacity. The most obvious exceptions to this rule can be found in Marib and Hadramawt governorates, which enjoy relative stability and comparatively greater economic resources. These local councils are functioning at a much higher level than their counterparts. Some local councils, such as those in Ibb and Hadramawt governorates, have also received donations from Yemeni businessmen that have helped to continue operations to some extent.

The increased violence and instability since March 2015 have also largely overwhelmed local police and the judiciary — institutions that previously provided a degree of local order. As a result, local councils have been afforded little protection in their operations. As the state's ability to provide either security or public services has eroded, civilian trust in either local councils or the state itself has fallen. In many areas this absence of effective official governance has created fertile ground for non-state actors to assert their authority, including over local councils. The autonomy and maneuverability of local councils in Houthi-controlled areas is restricted by the Houthis' adoption and implementation of a centralized mode of governance, in which local-level processes such as the distribution of revenues or humanitarian aid are controlled by the Houthis at the center. In the areas under Houthi control, Houthi supporters closely monitor local council activity.

Although interference in local councils is arguably more consistent in Houthi-controlled areas, local councils also face interference elsewhere. Aden is a prime example: local councils in the southern coastal city are vulnerable to interference from competing armed militias that form part of a broader power struggle between southern secessionists and the internationally recognized Yemeni government.

Given the central role that local councils previously played in providing

public services to their communities, the currently reduced capacity of local councils is cause for much concern as the conflict rages on and Yemen's economic and humanitarian crises deepen. Although the majority of local councils in Yemen are not fully functional, local councils remain important instruments for the communities they represent, particularly in coordinating humanitarian relief efforts with local and international non-governmental organizations. Throughout the conflict, local council members have also been directly involved in local mediation and dispute settlement. They have leveraged their deep knowledge of complex local socio-political, economic and tribal dynamics to coordinate ceasefires, prisoner exchanges, and the safe passage of essential commodities and humanitarian aid across frontlines. Thus, irrespective of how the conflict progresses, it is imperative that local, regional and international actors not only seek to prevent local governance structures from collapsing, but also plan to enhance the capacities of local councils in post-conflict scenarios.

Prior to the onset and intensification of the current conflict, several parties had advocated in favor of a new, decentralized model of governance in Yemen. For example, such calls were made during the National Dialogue Conference. The conflict has inadvertently set a process of decentralization/regionalization in motion, whereby Yemen has become increasingly fragmented; local interests, local demands, and local actors are in the ascendancy. In the absence of central state authority, a number of effective local, self-governance models have emerged, notably in Marib and Hadramawt governorates. At some stage a new system of governance will arguably need to be drawn up to reflect the new realities on the ground. Local councils are among the best-equipped and best-established institutions to support such a shift away from the previous centralized model.

Key Recommendations

- Regional and international stakeholders should coordinate efforts to restore the Central Bank of Yemen to a fully functioning unified national entity, able to facilitate the payment of public sector salaries and the operational costs of local councils regardless of the council's location or leadership.
- The international community should provide technical assistance and take constructive measures to develop a mechanism between the warring parties to allow for the nationwide collection and redistribution of state revenues — such as taxes and customs — with a view to re-establishing public services in all areas.
- The internationally recognized Yemeni government should allocate additional funding for local councils. The Social Fund for Development (SFD) should be used as an intermediary institution to channel allocated revenues to local authorities and jointly to implement projects re-establishing the delivery of public services.

- International donors and international non-governmental organizations (INGOs) should include local councils as key players in channeling financial support to, and empowering them in liaising with, other local actors. Such inclusion would leverage local councils' deep understanding of local contexts, increase the councils' legitimacy and encourage communities to unite under formal government structures. Financial support to local councils should also include an oversight mechanism to avoid the misappropriation of funds.
- The Yemeni government should issue temporary regulatory instructions to officially devolve more powers to the governorate and district level. These instructions should:
 - authorize local councils to access and develop sustainable resources at the local level and spend the associated revenues on their needs;
 - allocate a share of sovereign resources to each governorate based on transparent financing criteria;
 - ensure local councils have sufficient administrative powers to supervise service provision, govern effectively and deter local patronage networks;
 - allow local councils to nominate leaders to formal positions in local security services and supervise the performance of these services.
- International stakeholders should support local capacity-building programs to empower local judiciary and professionalize local security services.
- Regional stakeholders should refrain from intervening in the activities of local judiciary and security services, or creating parallel competing entities that would undermine state legitimacy.
- All stakeholders should promote bottom-up, inclusive forms of local governance to curb the appeal of non-state actors.
- A comprehensive assessment should be undertaken to identify the groups and individuals in control at both the governorate and district levels — including evaluating their local support base and ability to provide public services — to inform and develop strategies for the restoration of state functions post-conflict.

INTRODUCTION

This white paper provides a broad historical and geographical overview of the development of local councils across Yemen, including the challenges that these councils have faced and continue to face.

In an attempt better to understand and contextualize decentralization and local governance in Yemen, the first section of this white paper reviews existing conceptualizations and experiences of decentralization and local governance, specifically in regard to the Middle East and North Africa (MENA). It also reviews case studies of local governance in two countries whose experience with decentralization is comparable to that of Yemen: Ethiopia and Syria. Ethiopia attempted to develop local governance after a long, drawn-out conflict, while the nature and extent of the development of local governance in Syria during a violent civil war also provides lessons for Yemen. Both countries provide some indication of the potential challenges and solutions for local governance in Yemen.

In the second section, the white paper provides a historical account of Yemen's own decentralization efforts since 2000, when the Local Authority Law (LAL) was introduced, leading to the creation of local councils. Since their inception, local councils have become among Yemen's most critical governing institutions. As will become clear, then-President Ali Abdullah Saleh and the central government in Sana'a only introduced the LAL and subsequent policies, such as the National Local Governance Strategy (NLGS) in 2008, to appease opposition to the centralization of power in Sana'a following the rise of Ansar Allah (the Houthis) in Yemen's north, and Hirak (the Southern Movement) in the south.

Attention will then be cast on the 2011 anti-Saleh protests and, after Saleh stood down in February 2012 after 33 years in office, the subsequent transitional period that was meant to pave the way for a new socio-political order. Of particular interest are the discussions that were held over the reconstruction of the state and the installation of a new system of governance during the National Dialogue Conference (NDC) — a central component of the political transition. Even more significant in many ways was the unveiling of a highly controversial federal map by Saleh's successor, President Abdo Rabbu Mansour Hadi, in February 2014 — a month after the conclusion of the NDC in January 2014. The controversial federal map came to represent one of the major flashpoints that emboldened the Houthis' military expansion in 2014,

with the groups armed fighters from Sa'ada edging closer to and then entering Sana'a in September of that year.

In March 2015, Yemen's internal conflict took on a regional dimension with the Saudi-led coalition's military intervention in support of the internationally recognised Yemeni government, headed by Hadi. More than three years have passed since then, with Yemen locked in a political and military stalemate while peace efforts continue to falter.

The authors examined the impact of the ongoing conflict on local governance, touching on: the rise of non-state actors that have filled the security vacuum in many areas; the collapse of the Yemeni economy and how this has hindered the ability of local councils to function, particularly in regard to providing basic services and addressing Yemen's humanitarian crisis; and the fragmentation of Yemen, with Marib and Hadramawt governorates, and south Yemen more broadly, making their own respective pushes for greater autonomy. Despite concerns associated with the overarching conflict, many in Yemen attach great importance to local developments, actors, and dynamics.

While the conflict has largely had a negative impact on local governance across Yemen — particularly in the areas formerly under the joint control of the now fractured Houthi-Saleh alliance — Marib governorate is an exception to this rule. The central Marib governorate, which is nominally under the control of the internationally recognised Yemeni government, has quietly become a success story in terms of local governance in Yemen. While not completely removed from the conflict, Marib has become one of Yemen's most stable governorates due to tight security and a booming local economy. Not only are basic services being provided, but local infrastructure development projects are also being implemented.

Irrespective of what may or may not happen as the conflict continues to rage, it is imperative that local, regional and international actors seek to not only prevent local governance structures from collapsing, but also plan in advance for how they can potentially enhance the capabilities of local councils in a post-conflict scenario.

With the support of the Sana'a Center for Strategic Studies (SCSS) research team, the authors conducted the research for this paper between July 2017 and March 2018, utilising primary and secondary sources. Primary data was obtained from interviews held with current local council and community leaders, as well as several experts. The authors also attended a meeting in Amman, Jordan on October 1–3, 2017, put on under the auspices of the Rethinking Yemen's Economy

(REY) initiative. Here the authors met with the REY Development Champions in order to receive their feedback on the paper’s preliminary research findings and structure, in the aim of adding their knowledge to the analysis.

The authors also conducted a comprehensive review of secondary, open source information, including previous publications that focused on topics such as the legislative and institutional framework of local councils in Yemen; relevant challenges that local councils faced prior to, during and after 2011; and the NDC — with a specific focus on the discussions that were held during the NDC on the proposed introduction of a federal model in Yemen.

Conducting an in-depth field survey that examines the different local councils across Yemen was beyond the scope of this paper due to circumstances outside of the authors’ control. For example, various active conflict zones in Yemen limited the ability to conduct such a survey. The authors note that domestic and international policy makers would clearly benefit from follow-up research that maps out local governance at both the governorate and district level; such research should highlight the nature and level of involvement of local councils as well as any influential local actors and key local interests/demands.

LITERATURE REVIEW

Conceptualization of Local Governance and Development

Strong local governance is often viewed as synonymous with inclusive democracy, effective service provision and full accountability.^[1] There is an assumption that the more authority the citizenry has, the more likely it is that services are provided in an effective and targeted manner. In this view, decentralization and local governance encourage local politicians to engage more with their respective local communities.^[2] As a result, local politicians are more easily held accountable if they fail to deliver services or to act upon previous pledges. Effective forms of local, decentralized governance are also often viewed as a

[1]Pranab Bardhan, “Decentralization of Governance and Development,” *Journal of Economic Perspectives* 16, no. 4 (Fall 2002): 185-205, doi: 10.1257/089533002320951037; Michiel S. De Vries, “The Rise and Fall of Decentralization: A Comparative Analysis of Arguments and Practices in European Countries,” *European Journal of Political Research* (October 2000): 193-224, doi: 10.1023/A:1007149327245.

[2]Bardhan, “Decentralization of Governance and Development;” De Vries, “Rise and Fall of Decentralization.”

means of safeguarding and even improving the position of minority groups and those likely to be disenfranchised at the national level.^[3] Some studies have argued that strong local governance is conducive to an environment characterized by “flexibility, creativeness and innovation.”^[4]

According to Neil Brenner, local power dynamics and political conflict are two key factors that determine the extent to which decision-making authority is distributed from the center to the periphery.^[5] Decentralization efforts are inherently linked to the redistribution of decision-making power, and subsequently such efforts are consistently a trigger for contestation and resistance.^[6]

Eran Razin claims that there are five dimensions that determine the organization of local government: territoriality (fragmentation versus consolidation); functional responsibilities (decentralization versus centralization); political autonomy (extent of central government control); fiscal autonomy (extent of local, self-generated income versus central government grants); and electoral politics (democratic representation).^[7] From this framework, he identified four local government models: (1) the American-style model, where local government enjoys fiscal and political autonomy; (2) the Western, welfare state model, where local government has less political autonomy but many functions; (3) the centralized, developing world model, where corruption is endemic; and (4) the decentralized developing world model, where decentralization is often the product of colonialism and sometimes used as a cover for central state control.^[8]

[3] Mona Harb and Sami Attallah, *Local Governments and Public Goods: Assessing Decentralization in the Arab World* (Beirut: The Lebanese Center for Policy Studies, 2015), https://www.lcps-lebanon.org/publications/1446627069-1443012809-decentralisation_latn_web.pdf (accessed May 23, 2018).

[4] Harb and Attallah, *Local Governments and Public Goods*; Omar Hallaj, “Yemen: Between Tides of Unity and Tribal Approval” in *Local Governments and Public Goods: Assessing Decentralization in the Arab World*, ed. Mona Harb and Sami Attallah (Beirut: The Lebanese Center for Policy Studies, 2015), https://www.lcps-lebanon.org/publications/1446627069-1443012809-decentralisation_latn_web.pdf (accessed May 23, 2018).

[5] Neil Brenner, “Globalisation as Reterritorialisation: The Re-scaling of Urban Governance in the European Union,” *Urban Studies* 36, no. 3 (1999): 431-451, doi: 10.1080/0042098993466.

[6] Harb and Attallah, *Local Governments and Public Goods*.

[7] Eran Razin, “The Impact of Local Government Organization on Development and Disparities—A Comparative Perspective,” *Environment and Planning C: Government and Policy* 18, no. 1 (February 2000): 17-31, doi: 10.1068/c9865.

[8] Razin, “Impact of Local Government Organization.”

Local Governance in the Middle East and North Africa

Top-down, Authoritarian Rule

For several countries in the Middle East and North Africa (MENA) region, early forms of local governance and decentralization were the product of colonialism, whereby colonial powers sought to devolve power when necessary in order to co-opt and control local power brokers.^[9] In the post-colonial period, nascent authoritarian rulers in the MENA region drafted and implemented social welfare policies in an attempt to heighten their domestic legitimacy.^[10] Later, during the 1990s, region-wide socio-economic challenges made these self-serving social welfare policies less appealing for authoritarian rulers. In their place, these rulers seemed more inclined to implement neoliberal reforms that effectively enhanced the rulers' wealth and power at the expense of the lower stratas of society.^[11]

In the MENA region there has also been a tendency for local government reforms to heighten levels of clientelism and corruption. Lacking the more rigorous checks and balances found in countries with stronger accountability mechanisms, local elites have tended to benefit more than the local citizenry from the devolution of central authority.^[12] Decentralization reforms have also regularly failed to serve disadvantaged communities or to advance development.

The creation of an effective system of local government requires long-term commitment and political will. Central government decision-makers must be willing to empower local leaders and to facilitate other forms of local capacity building, such as the professional development of local government staff.^[13]

[9] Harb and Attallah, *Local Governments and Public Goods*.

[10] Harb and Attallah, *Local Governments and Public Goods*.

[11] Harb and Attallah, *Local Governments and Public Goods*.

[12] Harb and Attallah, *Local Governments and Public Goods*; Simon P.J. Batterbury and Jude L. Fernando, "Rescaling Governance and the Impacts of Political and Environmental Decentralization: An Introduction," *World Development* 34, no. 11 (2006): 1851-1863, doi: 10.1016/j.worlddev.2005.11.019.

[13] Paul Smoke, "Overview of the Asia Decentralization Case Studies," *Capacity4Dev.eu*, last modified November 2015, <https://europa.eu/capacity4dev/public-pub.sector-reform-decentralisation/document/overview-asia-decentralization-case-studies-full-study> (accessed May 23, 2018).

An International Donors' Perspective

International development agencies operating in the MENA region have arguably tended to view the empowerment of local government as a vital bulwark against endemic authoritarianism, corruption and lack of transparency. These same agencies often portray decentralization as a means of furthering political and civic inclusivity as well as democratic accountability.^[14]

The prominence of decentralization in the current discourse concerning local governance reform in the MENA region is thus largely linked to the priorities of international development agencies and international donors. Due to the pressure exerted by international actors, different governments across the MENA region have at times implemented local government reforms in a rushed and ineffective manner that failed to account for local dynamics and complexities. International development agencies and donors have occasionally failed to account for how governments across the region selectively introduce local government reforms to create a veneer of progress. At times such reforms have produced results contradictory to their stated intentions. For instance, when local government reforms were implemented in a way that enhanced the power of the central authorities, local elites, or both.^[15]

There exists a perception among international development agencies and international donors that stronger local governance in the MENA region can help to address instability. In this view, a more inclusive and accountable political process enhances state legitimacy, thereby creating political stability. However, unstable MENA countries such as Yemen pose a significant challenge for local governance programming.^[16] Aside from the cyclical outbreak of conflict, international development agencies have witnessed challenges in unstable MENA countries, including the slow implementation of reforms; international donors focusing on the technical aspects of decentralization without a proper understanding of broader political considerations; obtaining the buy-in of local citizens; and dealing with weak accountability mechanisms.^[17]

[14] Harb and Attallah, *Local Governments and Public Goods*.

[15] Mostafa Jari, "Local Governance in the MENA Region: Space for (Incremental and Controlled) Change?" *Journal of Economic and Social Research* 12, no. 1 (2010): 9-32, <http://hdl.handle.net/1814/15263> (accessed May 23, 2018).

[16] Heba El-Kholy and Necla Tschirgi, *Rethinking the Approaches to Local Governance Programming in Conflict Affected Countries in the Arab Region* (New York: UNDP, 2010).

[17] El-Kholy and Tschirgi, *Rethinking the Approaches to Local Governance*.

COMPARATIVE LOCAL GOVERNANCE EXPERIENCES AMID PROLONGED VIOLENCE

Two case studies are instructive for local governance in Yemen: Ethiopia and Syria. Ethiopia underwent a period of decentralization in the aftermath of an intense, prolonged conflict that caused social, ethnic and political fragmentation — similar to what Yemen is currently experiencing. Syria shares certain characteristics with Yemen in terms of the system of rule: both countries have evolved from old authoritarian political systems that were structurally weak. Moreover, the conflicts in Syria and Yemen are similar in nature. As noted by the UNDP, in both Syria and Yemen “deep socio-cultural, economic, and political roots and internal conflicts have been intertwined with broader regional/global dynamics over which the countries have little control.”^[18]

Ethiopia: Targeted, Top-down Decentralization^[19]

In 1991 the Ethiopian People’s Revolutionary Democratic Front (EPRDF) steered the transformation of Ethiopia from a military regime, ruled by Mengistu Haile Mariam’s centralized system of governance, to a civil state built on the principle of decentralization. The EPRDF was considered by many to be the main driver in establishing the country’s constitution, ratified in 1995, which created the blueprint for devolving political, fiscal and administrative powers to the country’s different ethnic groups, regional governments and districts (locally known as woredas). The regional governments and woredas were given powers to improve democratic governance, provide public services and enhance political stability. Ethiopia’s federal model is based on nine ethnic regional states — as well as the Addis Ababa City Administration and Dire Dawa City council — that were then subdivided into zones. The zones established in some regions are not fully self-autonomous, but rather act as intermediaries between regions and woredas to ease administrative and development burdens, as well as provide technical support to the regional governments. One level down from the woreda

[18] El-Kholy and Tschirgi, *Rethinking the Approaches to Local Governance*.

[19] Jin-Sang Lee, “The Process of Decentralization in Ethiopia since 1991: Issues on Improving Efficiency,” *Korea Review of International Studies* 16, no. 1 (2013): 3-16, <https://gsis.korea.ac.kr/wp-content/uploads/2015/06/16-1-01-Jinsang-Lee.pdf> (accessed May 23, 2018).

is the local neighborhood, locally referred to as the kebele. The kebele has an elected council, an executive committee and a social court. The current federal system in Ethiopia accordingly has five tiers: the federal, regional, zonal, woreda and kebele levels.

The constitution clearly emphasizes the point that the lower levels of government should be empowered to enable greater levels of engagement from local residents. The sub-national levels are accountable to both their respective communities and upper levels of government.

Ethiopian decentralization ranges from empowered, elected officials at village councils to upper level state entities. There is a vertical transfer of responsibilities and resources from central to local governments. At each level of government, there are three branches: the council, the executive committee and the judicial branch. To initiate the decentralization process, the EPRDF first began devolving power to the regional states and the two city administrations, Addis Ababa City and Dire Dawa.

Bolstering its nascent federal model further still, elections were held at the regional and district levels in 1992. General elections were also held in 1995 and in 2000, though in both instances the main opposition parties boycotted the elections.^[20] Funds were also allocated to support local education, healthcare and agriculture. The central government transferred a significant portion of the national budget to the regional governments in 1992 and then to the woredas in 2001.^[21] It is estimated that nearly 40 percent of the government budget was allocated to fund the regions after 2001.^[22]

The 2002–2003 District Level Decentralization Program (DLDP) and Urban Management Program (UMP) led to a marked shift in decision-making power from the central government to local governments. Fiscal reforms were introduced as well as capacity-development programs and institutional adjustments. The National Capacity Building Program (NCBP) fostered the establishment of the Ministry of Capacity Building that has several functions, one of which is to monitor capacity-building subprograms. In addition, similar capacity-building entities were created at the regional government level.

[20] Aberra Tesfay, “The Extent and Impacts of Decentralization Reforms in Ethiopia” (doctoral dissertation, Boston University, 2015), <https://hdl.handle.net/2144/15718> (accessed May 23, 2018).

[21] Lee, “The Process of Decentralization in Ethiopia.”

[22] Lee, “The Process of Decentralization in Ethiopia.”

Many international donors and agencies helped to fund these programs and were generally supportive of civil society initiatives in Ethiopia. Despite the successful development of local governance in Ethiopia, however, there were some challenges at the local government level as a result of the federal model. The top-down and hierarchical political structure has restricted the functionality of the woredas, as power still resides with the national and regional governments, which are heavily influenced by the dominant ruling party.

Syria: Governance without Government

In Syria, political unrest and the civil war that began in 2011 has led to increased local governance. The intervention of external actors fuelled the establishment of hundreds of Local Administrative Councils (LACs) in opposition-held territories. The origins of the LACs can be traced to the efforts made by young people to organize meetings in neighborhoods and towns across the country in 2011, which then developed into bottom-up modes of local governance. In 2012, the first local councils were founded in Aleppo and al-Zabadani. Later that year, Turkey and Qatar hosted meetings that examined the potential creation of local councils in all opposition-held areas.^[23] Representatives from opposition-held provinces and cities participated in these meetings.

The local councils that were then established varied in their levels of independence and their capacity to fill the gap left by the absence of the Syrian state. The provincial councils provided civil, legal, medical and relief services to impoverished local communities. However, these councils operated in competition with armed militias that looked to build up their levels of support among civilians in the areas they controlled by creating parallel governance structures and their own service-delivery mechanisms.^[24] LAC membership selection was determined in an informal manner by so-called *lijan al-sharaf* — honor committees — that were predominantly comprised of local elites. Women and religious minorities were poorly represented in the LACs.

International donors, including Western countries, sought to address the fact that local authorities in Syria were initially poorly equipped and lacked sufficient financial resources. Local councils were given

[23] Ghias Aljundi, “Local Governance inside Syria: Challenges, Opportunities and Recommendations,” *Institute for War and Peace Reporting*, last modified March 2014, <https://iwpr.net/what-we-do/printed-materials/local-governance-inside-syria> (accessed May 23, 2018).

[24] Aljundi, “Local Governance inside Syria.”

external support to help ease the delivery of basic services such as water and electricity, as well as healthcare and education services, to hundreds of thousands of Syrians. International donors also offered technical assistance to these local authorities to help develop their local governance structures. The local councils in Syria still lacked funds, however, and relied on infrequent donations from wealthy citizens or Syrian expatriates with ties to the area. This type of funding would likely have had an impact on how the council operated, removing a certain degree of autonomy.

In addition to the LACs, a variety of non-state actors played a role in local governance throughout Syria. This included civil society groups, Shari'a courts, armed groups, extremist groups, warlords, and other regional and international actors supporting local players. This created widely disparate experiences of local governance on the ground.^[25] The absence of a well-coordinated donor strategy, the fragmentation of society as a result of the conflict, and the presence of competing agendas from regional and international actors on the ground have all weakened the emergence of inclusive governance structures in opposition-controlled areas.

Lessons Learned

In seeking to enhance local governance in Yemen, the following lessons can be drawn from the examples of Ethiopia and Syria:

- The contrasting developments of local governance in Ethiopia and Syria demonstrate the need for a clear and comprehensive framework for decentralization that accounts for the complex realities on the ground. Also, political, administrative and fiscal decentralization should be carried out simultaneously.
- Ethiopia's experience indicates that sustainable and effective service delivery at the local level can be expanded beyond institutional, organizational and human resources capacity building. A financial mechanism, and a clear and appropriate allocation of roles and responsibilities is critical.
- Ethiopia's experience also highlights the importance of determining key priorities when a prolonged period of conflict finally ends, including the need for the provision of resources, good governance, and the inclusion of local communities in the decision-making process to help increase state legitimacy.

[25] Rana Khalaf, "Governance without Government in Syria: Civil Society and State Building during Conflict," *Syria Studies* 7, no. 3 (2015), <https://ojs.st-andrews.ac.uk/index.php/syria/article/view/1176/911> (accessed May 23, 2018).

- The case of Ethiopia emphasises the importance of understanding the political context of local governance when implementing a decentralization strategy; in the aftermath of prolonged conflict, many states find themselves dealing with fragile formal institutions but extremely strong informal ones.
- The case of Ethiopia moreover demonstrates that where there is a lack of institutional capacity and sufficient resources to accommodate decentralization requirements, the best approach is to start drafting a short-term constitution to govern the state while simultaneously building up institutional capacities and creating a viable federal model.
- Syria's experience shows the importance of a community-based model of local governance in the absence of the formal state to address people's needs and alleviate humanitarian suffering.
- The case of Syria is also a good example of instances in which insufficient, badly coordinated external support places local governance councils in competition with better-financed NGOs. Such a chaotic approach can lead to strengthening the hands of spoilers and undermining moves toward an inclusive local governance model that draws on local community participation.

THE HISTORY OF DECENTRALIZATION IN YEMEN

Unification and Saleh's Consolidation of Power

On May 22, 1990, the Republic of Yemen was established with the unification of North and South Yemen, in accordance with an agreement reached between Yemen Arab Republic President Ali Abdullah Saleh and People's Democratic Republic of Yemen President Ali Salem al-Beidh. Saleh became president of the Republic of Yemen with al-Beidh as his deputy.^[26] The new country's constitution included a specific reference to decentralization, whereby the stated objective was to distribute administrative and financial decision-making authority from the central government to local councils.^[27] However, the decentralization plans outlined in the constitution stalled, partly as a result of the souring of relations between Saleh and al-Beidh from 1991 onwards. These animosities intensified in the run-up to the 1994

[26] Both individuals viewed unification as a springboard from which to consolidate their own positions of power. Aside from al-Beidh's own personal motivations, the South sought to guarantee an equal distribution of power and avoid being dominated by the more populous northern governorates; thus, it set decentralization as a precondition for unification.

[27] Article 146 of the constitution stated the need to adopt administrative and financial decentralization as a basis for the local administration system.

North-South civil war, in which the forces assembled by Saleh obtained a decisive military victory and ended al-Beidh's attempts to form a new, independent southern state.

After Saleh and his allies emerged victorious from the North-South civil war, power effectively became even more centralized in Sana'a, and particularly in the hands of Saleh and his personal patronage network. This network was largely defined by a family/tribe-oriented military and security apparatus and the redistribution of oil rents, some of which were channelled through Saleh's party, the General People's Congress (GPC). Those whom Saleh did not wish to or was unable to co-opt were ignored or marginalized. Moreover, if Saleh felt a group or individual was becoming too powerful he would sideline them or — in the case of tribes — incite conflict among them so that they would be preoccupied with local conflicts. Saleh's preference was to maintain control over the degree of power, influence and decision-making authority devolved to a select group of actors; this allowed him to ensure loyalty and to prevent any one individual or group becoming too powerful.^[28]

Although Saleh had his own preferred mode of governance, southern aspirations for decentralization and greater autonomy continued after the 1994 civil war. These only increased after the implementation of a new law in 1998 that divided the country into governorates, with each governorate subdivided into districts.^[29] Although the law technically reshaped central and local government administration, the central government retained its primary decision-making authority, not least due to the fact that it appointed the governor for each governorate and the directors of each district.^[30] The central government often appointed governors and district directors who came from Sana'a or Saleh's home village of Sanhan, located on the outskirts of the capital. They often spoke a different dialect than the local residents whom they were appointed to represent.^[31] As a result, a disconnect often emerged between government-appointed officials and local residents. Local residents who felt underrepresented would refused to cooperate with the perceived outsiders. The central government's control over local government positions added to rising contempt among Yemenis, particularly in the south, toward the perceived imbalance of power between the center and the periphery.

[28] Harb and Attallah, *Local Governments and Public Goods*.

[29] Adam Baron et al., "The Essential Role of Local Governance in Yemen," *Sana'a Center for Strategic Studies*, last modified September 9, 2016, <http://sanaacenter.org/publications/main-publications/3770> (accessed May 23, 2018).

[30] Baron et al., "Essential Role of Local Governance."

[31] Baron et al., "Essential Role of Local Governance."

Local Authority Law

In an apparent attempt to contain demands for greater local autonomy, the central government issued the Local Authority Law (LAL) in 2000. The law, which was implemented a year later, established a blueprint for the creation of local councils in Yemen. It stipulated the parameters of operations for local councils and defined the nature and extent of the devolution of power from the central government to these new councils.^[32]

The central government maintained control of key issues of national concern, such as foreign policy, the armed forces, and national security. The president and the central government could also veto all local action. However, the local councils now had the responsibility of running day-to-day affairs, such as the provision of vital, basic services. This made the councils one of the most important public institutions in Yemen.^[33] The law also handed local councils greater decision-making authority over the allocation of financial resources and the implementation of development programs.^[34] This increased authority made them directly accountable to the local population.

To generate revenue, local councils collected commercial taxes and taxed residents for the use of state-operated utilities such as water and electricity. Local councils did not benefit greatly from the state revenues generated from Yemen's natural resources. Oil and gas revenues effectively remained in the hands of the ruling authorities in Sana'a, with only a fraction redistributed at the local government level. This included Marib, Shabwa and Hadramawt governorates, where the vast majority of Yemen's energy resources are located. Hence, although local councils were technically able to develop their own priorities for development and resource allocation, in the absence of central government funding most local council budgets were underfunded.

The LAL also redefined the dynamics between the different layers of local government at both the governorate and district levels. For example, local councils were to be directly elected, while governors and district directors were to be appointed.^[35] As noted, however,

[32] Baron et al., "Essential Role of Local Governance."

[33] Baron et al., "Essential Role of Local Governance."

[34] Government of Yemen, *Law No. 4 of 2000*. Governorate Local Councils: Article 19; District Local Councils, Article 61.

[35] According to Article 9 of the LAL, local councils are to be freely and directly elected by the citizens of the area. Citizens are to be given two ballots for voting during the local council elections: the first ballot is to vote for a candidate to represent their precinct to the district-level local council; the second ballot is to vote for a candidate to represent their district to the governorate-level local council. In this sense, the governor is the head both of the governorate council and of all district-level local councils within the governorate. For details, see Baron et al., "Essential Role of Local Governance."

the decentralization of power from the central government to local councils via the creation of elected local councils was arguably a result of political pressure as opposed to any zeal for reform from Saleh and the central government.^[36] Evidence to support this assertion can be seen from the 2008 amendment to the LAL. In theory, this amendment stipulated that governors be elected by local council members at both the district and governorate level. Saleh largely adhered to this amendment, however in 2008 he rejected the election results in Sa'ada and al-Dhalea governorates, and appointed governors more to his liking.^[37] Since 2011, governors have been appointed by presidential decree.

National Local Governance Strategy

Despite the LAL, Saleh and the central government came under continued pressure to enact further reforms during the 2000s, following the rise of the Houthis and the Southern Movement. Both the Houthis and the Southern Movement bemoaned their respective socio-political and economic marginalization, denouncing what they viewed as corruption and the monopolization of power among northern political, military and tribal elites located in and around Sana'a.^[38]

In 2008 Saleh and the central government drafted the National Local Governance Strategy (NLGS), apparently in an attempt to address the increased pressure from the Houthis and Southern Movement.^[39] The NLGS document, which was supported by the UN Decentralization and Local Development Support Program (DLDSP), included a set of general principles and recommendations that theoretically aimed to build on the LAL.^[40]

A number of pitfalls prevented the effective implementation of the NLGS. First, although there was a set timeframe for the implementation of the NLGS, there was no clear indication of the sequencing by which

[36] Harb and Attallah, *Local Governments and Public Goods*.

[37] Baron et al., "Essential Role of Local Governance."

[38] The Houthis, an armed opposition group from the northern Sa'ada governorate, fought six wars against Yemeni government forces from 2004 until 2010. *Hirak*, or the Southern Movement, formed in 2007 and began calling for independence from the North in 2009.

[39] The NLGS was also known as the "National Strategy to Move toward a Local Government System by 2020."

[40] Strategic objectives were also outlined in the document, including: the development of a new constitutional and legal framework of local governance to replace the LAL; strengthening human capacities and community participation in local affairs; setting effective accountability and supervision mechanisms for local governments. Furthermore, four sets of policies were recommended in order to achieve the proposed strategies, including: funding mechanisms; the development of a local governance institutional framework; human capacity development; and a practical implementation framework.

the slated local governance reforms would be introduced. Second, the legislation contained no means of making ministries legally accountable if they refused to give up power to local councils.^[41] Third, and perhaps most importantly, the central government was reluctant to actually implement the NLGS after its unveiling.

FEDERALISM IN YEMEN

In February 2011 the popular uprisings of the so-called “Arab Spring” reverberated in Yemen as anti-Saleh protests broke out in Taiz and soon spread across the country.^[42] Emboldened by events elsewhere in the region, such as those that unfolded in Tunis and Cairo, people in Yemen took to the streets to voice their desire for change and opposition to Saleh’s rule. Many protesters were motivated by a sense of socio-political and economic injustice — denouncing what they perceived as an over-centralization of power in the hands of an elite minority, institutionalized corruption, and the lack of development at both the national and local level.

Peaceful protests, however, came to be overshadowed by an elite power struggle in the capital.^[43] With the prospect of civil war on the rise, regional actors — particularly Saudi Arabia — sought to intervene. In November 2011, Saleh signed the Gulf Initiative, brokered by the Gulf Cooperation Council, in which he begrudgingly agreed to step down in February 2012 in exchange for legal immunity for himself and his family for all acts committed during his rule. Saleh’s successor was his long-serving deputy, Abdo Rabbu Mansour Hadi, who became president in a one-candidate election.

The Gulf Initiative outlined a two-year roadmap that was meant to conclude with presidential and parliamentary elections in February 2014. A later addition to the scheduled political transition arrived in the form of the National Dialogue Conference (NDC).^[44] A total of 565 delegates from across Yemen’s socio-political spectrum participated

[41] Hallaj, “Yemen: Between Tides of Unity and Tribal Approval.”

[42] Laura Kasinof, “Yemeni City Feeds Unrest’s Roots,” *New York Times*, last modified February 25, 2011, <http://www.nytimes.com/2011/02/26/world/middleeast/26yemen.html> (accessed May 23 2018).

[43] Tom Finn, “Yemen Violence Mounts in Bid to Remove President Saleh,” *Guardian*, last modified February 16, 2011, <https://www.theguardian.com/world/2011/feb/16/yemen-protests-against-president-saleh> (accessed May 23, 2018).

[44] Rafat Al-Akhali, “Will Decentralization in Yemen Marginalize Citizens?” *Atlantic Council*, last modified January 29, 2014, <http://www.atlanticcouncil.org/blogs/menasource/will-decentralization-in-yemen-marginalize-citizens> (accessed May 23, 2018).

in the NDC, which ran from March 18, 2013 to January 25, 2014.^[45] The NDC sought to address a many of Yemen's significant socio-economic and political issues, including long standing grievances held by the Houthis and southerners, as well as transitional justice and political reform. Discussions were intended to lead to a series of NDC outcomes, which were then to serve as policy recommendations and as the basis for a new constitution.

During the NDC, participants discussed the reconfiguration of Yemen's state structure and mode of governance.^[46] Federalism was billed as the preferred path forward for Yemen, though the form it was to take was highly contentious.^[47] A special subcommittee, known as the 8+8 or North-South committee, was formed after the conference deadlocked. However, their attempt to resolve this issue resulted in agreement on only the concept of a federal state and the committee was forced to postpone the specific details of its plan.^[48] The NDC concluded with no consensus having been reached over the proposed creation of a new federal model.^[49] President Hadi responded by announcing the formation of a presidential committee to tackle this outstanding issue. In February 2014, the presidential committee unveiled a controversial new federal map that would divide the country into six regions: four regions in the North and two in the South.^[50]

The proposed federal map lacked broad political support and was in fact condemned strongly by both the Houthis and the Southern Movement.^[51] Regarding the Houthis in particular, their opposition stemmed from

[45] The NDC broached a number of significant and unresolved issues, including: marriage laws, state religion, and political reform; as well as transitional justice, and, perhaps most importantly, state structure and form of governance with federalism identified as a leading option in this regard.

[46] Nine separate working groups were established, which were as follows: Southern Issue; Sa'ada Issue; National Issues and Transitional Justice; State-Building; Good Governance; Military and Security; Independence of Special Entities; Rights and Freedoms; and, Development working group.

[47] While federalism was promoted within the auspices of the NDC, it is worth noting that ardent southern secessionists rejected the legitimacy of the NDC from its outset and continued to campaign for the South's full independence from the North.

[48] Erica Gaston, "Process Lessons Learned in Yemen's National Dialogue," *United States Institute of Peace*, Special Report No. 342, last modified February 2014, https://www.usip.org/sites/default/files/SR342_Process-Lessons-Learned-in-Yemens-National-Dialogue.pdf (accessed May 23, 2018).

[49] Maria-Louise Clausen, "Can Federalism Save the Yemeni State?" in *Yemen and the Search for Stability: Power, Politics and Society After the Arab Spring*, ed. Marie-Christine Heinze (London: I.B.Tauris, 2018).

[50] Al-Akhali, "Will Decentralization in Yemen in Yemen Marginalize Citizens?"

[51] "Yemen to Become Six-region Federation," *Al-Jazeera*, last modified February 10, 2014, <http://www.aljazeera.com/news/middleeast/2014/02/yemen-become-six-region-federation-2014210124731726931.html> (accessed May 23 2018). This model of federalism was also rejected by ardent southern secessionists, including former South Yemen President Ali Salim al-Beidh, who continued to advocate for the full and immediate separation of the South from the North.

the fact that the region in which they would be predominate did not have access to the Red Sea, which they had specifically demanded.^[52]

The Constitution Drafting Committee, formed shortly after the conclusion of the NDC, added more details to plans for a new federal system of governance in Yemen.^[53] For example, the Committee drafted a constitution that outlined four different levels of government: a central government, regional governments, and two layers of local government at the governorate and district level.^[54] Such planning occurred at a time when the Houthis continued to expand militarily across northern Yemen from their Sa'ada stronghold. They eventually entered Sana'a — with the help of Saleh-allied forces — in September 2014.

The Houthis' military expansion was driven in part by their supporters' opposition to the federal map and their desire to avoid its implementation on the ground. In hindsight, the federal map is one of the major events in 2014 to ignite the flames of the conflict that has since engulfed Yemen. In January 2015, the Houthis kidnapped President Hadi's chief of staff Ahmed Awad bin Mubarak as he was en route to deliver the draft constitution containing more detailed plans for a new federal model.^[55] Later that month, the Houthis placed Hadi and his cabinet under house arrest. Hadi submitted his resignation, before fleeing to Aden in February 2015 and subsequently rescinding his resignation.^[56] As Houthi-Saleh forces advanced towards Aden in early 2015, Hadi had to flee once more to Saudi Arabia. On March 26, 2015, the Saudi-led military coalition began its intervention; since then, both Hadi and the internationally recognized Yemeni government have largely operated in exile in the Saudi capital, Riyadh.

[52] Charles Schmitz, "Can a Federal State Solve Yemen's Problems?," *E-International Relations*, last modified March 13, 2014, <http://www.e-ir.info/2014/03/13/can-a-federal-state-solve-yemens-problems> (accessed May 23, 2018). The Houthis military expansion in 2014, which culminated in the takeover of Sana'a in September 2014, was emboldened by their opposition to the federal map and their desire to ensure it could not be implemented on the ground. The creation of the federal map is one of the major events in 2014 to pave the way for the current conflict in Yemen. For details, see Maged al-Madhaji, "How Yemen's Post-2011 Transitional Phase Ended in War," *Sana'a Center for Strategic Studies*, last modified May 16, 2016, <http://sanaacenter.org/publications/main-publications/39> (accessed May 23, 2018). As for Southern Movement leaders and supporters, they viewed the division of the south into two separate regions as an attempt to both weaken southern solidarity and quell demands for southern independence.

[53] Clausen, "Can Federalism Save the Yemeni State?."

[54] If one includes the cities of Aden and Sana'a, which were granted a special status with their own separate autonomy, then there were effectively six levels of local government.

[55] Shuaib Almosawa, "Houthi Rebels Abduct Aide to Yemen's President," *New York Times*, last modified January 17, 2015, <https://www.nytimes.com/2015/01/18/world/middleeast/houthi-rebels-abduct-yemeni-presidential-aide.html> (accessed May 23, 2018).

[56] Mohamed Ghobari and Mohammed Mukhashaf, "Yemen's Hadi Flees to Aden and Says He is Still President," *Reuters*, last modified February 21, 2015, <https://www.reuters.com/article/us-yemen-security/yemens-hadi-flees-to-aden-and-says-he-is-still-president-idUSKBNOLP08F20150221> (accessed May 23, 2018).

IMPACT OF THE CURRENT CONFLICT ON LOCAL GOVERNANCE IN YEMEN

Widening Political and Security Vacuum

The Saudi-led coalition's intervention marked a clear intensification of the Yemen conflict, as what had been essentially a local turf war took on a new regional dimension. Battle lines were drawn as Houthi-Saleh fighters pitted themselves against coalition-backed forces nominally aligned with the internationally recognized Yemeni government. As the overarching conflict intensified and spread, there was a clear breakdown in local governance. The internal divisions that had traditionally plagued Yemen's army and security forces deepened. Meanwhile, local police forces and the branches of the judiciary that had previously helped to maintain a degree of law and order at the local level could do little to contain the descent into chaos. Increased violence and instability meant that local government institutions were afforded little protection and faced an uphill battle to operate at full capacity.

As the conflict has unfolded and the state's already limited ability to provide security for its citizens has continued to erode, civilians' trust in local councils has fallen. In some instances, informal local leaders such as sheikhs, 'aqils — heads of neighbourhoods — and local community leaders have intervened in an attempt to aid local councils. Yet, in the absence of effective national governance there has been a notable rise in newly empowered non-state actors able to exert influence or control in local affairs.

The political vacuum, the division of power, the intervention of armed groups, and the deterioration of the Yemeni economy have individually and collectively impeded the ability of the local councils to carry out the basic tasks entrusted to them, chief among which is the provision of public services. As local councils' inability to operate has persisted, non-state actors with greater resources and power at their disposal have filled the void. In a number of governorates, to varying degrees, the widening political and security vacuum has been filled by armed groups.

One of the first non-state actors after the Houthis to make a move under the cover of the overarching conflict was al-Qaeda in the Arabian Peninsula (AQAP). In April 2015, the extremist group took control of Mukalla in Hadramawt governorate. It then continued to expand its reach in several other southern governorates including Abyan, Shabwa, Lahj, and Aden. AQAP had seemingly learned from its previous experience controlling parts of Abyan and Shabwa governorates in 2011–2012, when it alienated large segments of the local populations by harshly imposing its rule. In 2015, AQAP better integrated itself among local communities, especially through the provision of social welfare programmes.^[57] The group employed this tactic to good effect in Mukalla by providing essential food and water to the local population despite shortages in other areas.^[58] AQAP also provided emergency relief following Cyclone Chapala in November 2015; it was in fact the only actor in Yemen to have prepared for damage before the cyclone hit land.^[59]

Although AQAP's presence was neither universally welcome nor unopposed, the group's populist endeavours arguably divided opinion enough to allow it to continue governing until its withdrawal from Mukalla in April 2016. The group's withdrawal followed negotiations with local figures just prior to the launch of a UAE-backed offensive.^[60] Following the withdrawal of AQAP, local authorities in Mukalla, struggled to provide services. Although there has since been some improvement on this front, only minimal funds have been collected locally and the areas continue to depend on the support provided by international organizations and the Saudi-led coalition.

As for the Houthis, they have asserted their authority at the local level in the majority of Yemen's northern governorates, with the exception of Marib and al-Jawf, where Islah-affiliated militias are the more dominant force. In Yemen's north, the Houthis installed partisans in the country's most significant intelligence agencies, such as the National Security Bureau and the Political Security Organization,

[57] In 2011, against the backdrop of anti-Saleh protests, AQAP gained a strong foothold in Abyan and Shabwa. It achieved such a feat after former President Ali Abdullah Saleh ordered the redeployment of counterterrorism forces from both provinces to Sanaa as Yemen teetered on the edge of civil war.

[58] Thomas Joscelyn, "Arab Coalition Enters AQAP Stronghold in Port City of Mukalla, Yemen," *Long War Journal*, last modified April 25, 2016, <https://www.longwarjournal.org/archives/2016/04/arab-coalition-enters-aqap-stronghold-in-port-city-of-mukalla-yemen.php> (accessed May 23, 2018); Elisabeth Kendall, "How Can al-Qaeda in the Arabian Peninsula Be Defeated?" *Washington Post*, last modified May 3, 2016, <https://www.washingtonpost.com/news/monkey-cage/wp/2016/05/03/how-can-al-qaeda-in-the-arabian-penginsula-be-defeated> (accessed May 23, 2018).

[59] Baron et al., "Essential Role of Local Governance."

[60] Joscelyn, "Arab Coalition Enters AQAP Stronghold in Port City of Mukalla, Yemen."

and extended their monitoring and control at the local level through the so-called “Popular Committees” and “neighbourhood watch” organizations.^[61] Although the Houthis have not made any substantial changes to the local governance framework, they have at times hindered local staff from performing their duties. Houthi officials have, for example, redirected funds earmarked for local development projects. Houthi officials essentially play a supervisory role over local councils located in areas under their control. Those tasked with monitoring and supervising the local councils are seemingly meant to ensure that any action taken by the local councils is consistent with the agenda set by the Houthi leadership in Sana’a and Sa’ada. This includes the parameters set for the distribution of revenues, and, as will be discussed later, attempts made to influence where humanitarian aid is being sent from international non-governmental organizations (INGOs).

In some cases, even militias on the same side of the conflict can find themselves in competition. In Taiz, where Houthi-Saleh forces began laying siege to Taiz city in March 2015, the Saudi-led coalition, and particularly the UAE, has assisted the rise of Salafi militias. The UAE’s reluctance to engage with Islah — due to the party’s links with the regional Muslim Brotherhood — meant that it turned to other anti-Houthi groups, such as the militias headed by Salafi military commander Adel Abdu Farea, more commonly known as Abu al-Abbas.^[62] The UAE’s support of al-Abbas fuelled animosity between his men and Islah-affiliated militias, which on several occasions has led to the outbreak of clashes between these supposedly pro-government factions as they compete for influence on the ground.^[63]

As in Taiz, local councils in Aden have been forced to withstand the pressure of regular infighting among competing armed groups. The UAE has supported various political and security actors in south

[61] Peter Salisbury, “Yemen: National Chaos, Local Order,” *Chatham House*, last modified December 20, 2017, <https://www.chathamhouse.org/publication/yemen-national-chaos-local-order> (accessed May 23, 2018).

[62] “UAE, Saudi Send Weapons to Taiz Resistance,” *Emirates 24/7 News*, last modified January 7, 2016, <http://www.emirates247.com/news/region/uae-saudi-send-weapons-to-taiz-resistance-2015-11-07-1.609560> (accessed May 23, 2018).

[63] عاجل: استشهاد حمزة الخلافي شقيق قائد المقاومة الشعبية بتعز (صورة) [Urgent: Martyrdom of Hamza al-Makhlafi, Brother of the Popular Resistance Commander in Taiz], *Al Mawqea*, last modified April 23, 2016, <http://almawqea.net/news.php?id=7226#.V9k0FJN96lO> (accessed May 23, 2018); عاجل.. الشيخ حمود“ [Urgent: Sheikh Hamoud al-Mikhlafi Reveals the Details of His Brother’s Death in Taiz], *Ababiil*, last modified April 23, 2016, <http://ababiil.net/yemen-news/82187.html> (accessed May 23, 2018); مع الشيخ حمود سعيد عقب الحادثة قائد كتائب حسم يكشف عن ملابسات استشهاد حمزة الخلافي وتفاصيل الكالمة التي اجراها“ [Commander of Haskat Brigades Reveals the Circumstances of the Martyrdom of Hamza al-Makhlafi and the Details of the Call he Made with Sheikh Hamoud Said After the Incident], *Yemen 24*, last modified April 24, 2016, <http://yemen-24.com/news27572.html> (accessed May 23, 2018).

Yemen, particularly in Aden, who advocate for southern independence.^[64] Animosity in Aden between local UAE-backed forces and other armed factions loyal to Hadi has repeatedly boiled over. The most recent of many clashes occurred at the end of January 2018. Aside from the threat of violence, local councils are vulnerable to interference by armed militias eager to assert themselves at the local level.

Lack of Funding and Revenue

As noted earlier, the LAL made local councils financially dependent on the central government. According to the 2014 national budget, an estimated 90-95 percent of local council income consisted of transfers from the central government.^[65] This money was then utilised for two different categories of expenditure: mandatory recurrent expenditures, such as the payment of civil servant wages and other operating costs, and capital expenditure.

In addition to the financial support provided by the central government, the LAL outlined a number of different streams of revenues that could be allocated to support local government budgets at both the district and governorate level. At the district level, local councils are technically able to recoup any revenues collected from utility bills, such as those related to water use, electricity consumption, or mobile phone use. Local councils can charge fees for advertisements in public places, building permits, transportation and parking. Local councils are also meant to automatically receive a 50 percent share of “zakat revenues.”^[66] Some local councils also receive donations from Yemeni businessmen and institutions based both inside and outside of Yemen. In Ibb governorate, for example, local businessmen offered financial support to local councils to help cover operating costs for local health centers. Hadramawt is a prime example of money being sent from abroad; its many successful businessmen residing in countries such as Saudi Arabia, Singapore, and Malaysia have donated money to local councils in Hadramawt. Despite such help, local councils have generally

[64] In Aden, and elsewhere across south Yemen, the UAE has assembled, trained, and continued to back a number of local security forces that operate with varying degrees of independence from the internationally recognized government. These forces include the Security Belt forces in Aden, Lahj, and Abyan governorates; Hadramawt Elite Forces; and, Shabwa Elite Forces.

[65] Budget figure calculated using data obtained from the State Budget Department in Central Bank of Yemen for the year 2014.

[66] Zakat is an “Islamic tax” or financial obligation imposed on all Muslims who meet the necessary wealth criteria.

suffered throughout the conflict due to the lack of government funds being distributed to them. This lack of funding is largely a by-product of the sharp reduction in oil and gas revenues going to the government in addition to challenges in distributing funding in contested areas.^[67]

Prime Minister Ahmed Obaid bin Dagher announced a new budget in January 2018, which was the Yemeni government's first new budget since 2014. Between 2014 and January 2018, the Ministry of Finance of the internationally recognized government had ordered central and local governments to operate in accordance to the 2014 budget.^[68] The internationally recognized Yemeni government had also slashed the financial support it provided to local councils in half in 2015, instructing them to use the reduced funds to cover basic operational costs.^[69] Local council members' quarterly allowances to attend regular meetings were also suspended, and thus many of these meetings have been postponed or cancelled.

The negative impact of the reduced financial support being provided by central governing authorities, both in Aden and Sana'a, has been harder on those local councils located in Houthi-controlled areas. For example, the majority of local councils located in these areas have been receiving less than 150,000 Yemeni rials per month to cover operational costs — a figure that is not even enough to cover office stationery expenses.^[70] The financial struggles faced by these local councils are due not only to the 50 percent cut ordered by the internationally recognized Yemeni government in 2015, but also due to redirection of funds by the Houthis. For example, local councils are meant to access revenues from the central government for local development. Due to the conflict, however, numerous local development projects have been put on hold. The money that had been allocated for projects begun prior to the conflict is reportedly being redirected to Sana'a, where the Houthis are using these funds for their own purposes.

[67] Oil production has declined annually since 2001. This has placed Yemen's economy under increased pressure, despite the 2009 opening of Yemen's liquefied natural gas (LNG) terminal in the Balhaf, Shabwa governorate. In 2014, approximately 70 percent of the national budget came from Yemen's oil and gas resources. Following the escalation of the conflict in March 2015, oil and gas production in Marib, Shabwa and Hadramawt governorates stopped, subsequently depriving Yemen of its major source of revenue. In 2015, there was a 54 percent year-on-year decrease in state revenues for the annual budget.

[68] Sana'a Center for Strategic Studies, "Yemen at the UN—January 2018 Review," last modified February 11, 2018, http://sanaacenter.org/publications/yemen-at-the-un/5389#Clashes_in_Aden (accessed May 23, 2018).

[69] Baron et al., "Essential Role of Local Governance."

[70] Researcher interviews conducted with local council directors and members in Houthi-controlled areas, September 2017.

Local councils in some governorates nominally controlled by the internationally recognized Yemeni government, such as Marib and Hadramawt, have managed to retain partial access to revenues set aside for local development projects. This access comes from shared access between local authorities and the internationally recognized Yemeni government to Yemen's – albeit reduced – oil and gas revenues. Yet, as has been the case since the discovery of oil and gas in Yemen, the central government decides how much money it wishes to allocate for local development. There is no set formula and it is not evenly distributed.

In addition to reducing the ability of the central governing authorities in Sana'a and Aden to offer financial support to the local councils, the ongoing conflict has also reduced most councils' ability to generate revenue locally. As will be covered in more detail in the following section, the deterioration of the Yemeni economy – including a sharp depreciation of the Yemeni rial owing to a liquidity crisis and unpaid civil servant salaries – has had a direct and significant impact on local councils in Yemen.

The January 2018 budget has not visibly improved the financial problems that many local councils are facing in areas under the control of the internationally recognized Yemeni government. The 2018 budget does not differ greatly from the 2014 budget, especially in regard to the amount of funds allocated to local authorities.^[71] As a result, the financial position of many local councils in government-controlled areas has not changed. Local councils in al-Mahra, Hadramawt, and particularly Marib governorate are exceptions to this rule, but this is not reflective of the 2018 budget. Each of these three governorates have their own local revenue streams that have enhanced their ability to pay civil servant salaries regularly and cover the operational costs of local councils. They also finance their own investment budgets that cover local service provision and development of infrastructure maintenance, electricity, water, sewage treatment, among other public services.^[72]

In the case of Marib, local councils there are still operating in accordance with the 2014 budget. This is partly due to the fact that the CBY branch in Marib operates independently of the CBY in Aden and is not disclosing its revenues and expenditures that would theoretically aid the internationally recognized Yemeni government's ability to make a new assessment on how much funds to allocate to local councils in Marib^[73]

[71] Researcher interview with confidential source with close ties to CBY in Aden, June 2018.

[72] *Ibid.*

[73] *Ibid.*

In other governorates that the internationally recognized Yemeni government presides over, such as Aden, Abyan, al-Dhalea, and Lahj governorates, they are not as well equipped as al-Mahra, Hadramawt, and Marib to deal with the continued lack of financial support from the government. The funds allocated in the January 2018 budget to local authorities have had little impact and have been limited to the payment of salaries and paying for 50 percent of operational expenditures.^[74]

Impact of the Current Conflict on Local Councils in Yemen

In August 2016 a cash liquidity crisis forced the Central Bank of Yemen (CBY) to suspend most public sector salaries. The following month, against the advice of the International Monetary Fund (IMF), President Hadi ordered the transfer of the CBY headquarters from Sana'a to Aden on September 18, 2016.^[75] For much of the year and a half that followed, both the Houthi-Saleh bloc and, to a lesser extent, the internationally recognized Yemeni government, struggled to pay the salaries of civil servants in their areas. In recent months, the internationally recognized Yemeni government has paid the salaries of some civil servants residing in the so-called "liberated areas." Most civil servants residing in the more populous northern areas under Houthi control have received only a small portion of their salary payments since August 2016.^[76]

Public sector employees in Yemen are often the sole breadwinners for their families; given the average family size and that there are an estimated 1.2 million civil servants, more than six million people are thought to have suffered from the nonpayment of salaries.^[77] As is the

[74] *Ibid.*

[75] Hadeel Al Sayegh, "Yemen President Names New Central Bank Governor, Moves HQ to Aden," *Reuters*, last modified September 18, 2016, <https://www.reuters.com/article/us-yemen-cenbank/yemen-president-names-new-central-bank-governor-moves-hq-to-aden-idUSKCN11O0WB> (accessed May 23, 2018).

[76] According to various reports, this differential can be partly explained by President Hadi's orders to the CBY in Aden only to pay the salaries of those civil servants living in areas nominally under the control of the internationally recognized Yemeni government. The Hadi government reportedly made the payment of salaries for civil servants residing in Houthi-controlled areas contingent upon the Houthi authorities depositing any monthly government revenues they collect in accounts held at the CBY headquarters in Aden. This offer, however, excludes the payment of salaries for security and military forces operating in Houthi-controlled areas. Despite this, some salary disbursements started in January 2017 to state institutions in Houthi-controlled areas, including judicial authorities (public prosecutor's office, the Supreme Council, etc.), the Central Organization for Control and Auditing, Ministry of Water and Environment, Ministry of Agriculture, and Ministry of Transportation.

[77] 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*, last modified November 2, 2016, <http://sanaacenter.org/publications/main-publications/55> (accessed May 23, 2018).

case for many in Yemen, the lack of income for long periods of time has jeopardized their ability to buy food and other essential commodities.^[78] The economic and humanitarian impact of the nonpayment of salaries has been further compounded by a liquidity crisis and the depreciation of the local currency.

The economic downturn, combined with the negative economic impact of the CBY relocation and the nonpayment of civil servant salaries, has impacted funding for local councils to carry out the essential role of public service provision. Unpaid civil servants have reduced purchasing power to contribute to the local economy. An absence of security in some areas also feeds a negative feedback cycle, in which local councils are unable to collect available funds and the poor security environment hampers economic activity and hurts consumer and investor confidence. This decline in locally generated revenues further impacts local council's abilities to provide services.

Local Councils during the Humanitarian Crisis

As the conflict has dragged on, Yemen's humanitarian crisis, which was already severe before the conflict began, has plunged to new depths. In January 2017, the United Nations stated that Yemen was witnessing the largest humanitarian crisis in the world. The UN's Office for the Coordination of Humanitarian Affairs (OCHA) reported in December 2017 that an estimated 22.2 million people in Yemen are in need of some form of humanitarian assistance, with 17.8 million people experiencing food insecurity, of which 8.4 million are severely food insecure.^[79]

The reduced capacity with which local councils across Yemen have operated throughout the conflict has been problematic for the population at large, and particularly those in need of humanitarian assistance. Prior to the current conflict local government authorities, including local councils, already faced an uphill battle to deliver services. This is partly due to demography: approximately 70 percent of the Yemeni population resides in rural areas, making service provision difficult. This is also partly due to the fact that local entities at the governorate and district level lacked the resources and capacity

[78] Rageh, Nasser, and Al-Muslimi, "Yemen without a Functioning Central Bank."

[79] United Nations Office for the Coordination of Humanitarian Affairs, *Yemen Humanitarian Needs Overview 2018* (New York: United Nations Office for the Coordination of Humanitarian Affairs, 2017), https://reliefweb.int/sites/reliefweb.int/files/resources/yemen_humanitarian_needs_overview_hno_2018_20171204_0.pdf (accessed May 23 2018).

structures to deliver public services effectively. During the current conflict, however, local authorities have struggled to provide services to either rural or urban areas.

While the conflict has raged and Yemen's overlapping financial and humanitarian crises have worsened, local council members have pivoted toward local and international humanitarian organizations to help deliver essential public services and to alleviate the suffering of those most adversely affected by the humanitarian crisis. In a number of governorates, local council members are operating in an unofficial role by transmitting information through semi-informal communication channels to international donors and INGOs. In essence, local council members are helping to coordinate humanitarian relief efforts.

In both Houthi-controlled areas as well as those under the control of the internationally recognized government, local council members are acting as a crucial link between INGOs and central governing authorities in Sana'a and Aden, respectively. In particular, local council members are helping to monitor developments at the local level. As the two separate national-level health ministries authorize humanitarian response programs supported by local and international humanitarian actors, local council members streamline those humanitarian response programs.

Local council members have also played a crucial role in attempting to combat the spread of epidemics such as cholera. In 2017, Yemen recorded the worst outbreak of cholera in modern history. On December 21, 2017, the International Committee of the Red Cross (ICRC) reported that Yemen's cholera epidemic had surpassed one million suspected cases.^[80] Yemen is also now contending with a separate outbreak of diphtheria.^[81] Although difficult to gauge, the support offered by local council members is helping to mitigate the consequences of the outbreak and subsequent spread of disease. Local council members are also helping to channel outside support to Yemen's health facilities and medical staff. This support is extended in a number of ways, including delivering medical supplies and equipment; providing financial assistance to medical staff; and providing fuel for power generators. Local councils have also established health awareness programs to educate Yemenis about disease and the necessary measures to limit the chances of contracting disease.

[80] Sylvia Westall and Tom Miles, "Suspected Cholera Cases in Yemen Hit One Million: ICRC," *Reuters*, last modified December 21, 2017, <https://www.reuters.com/article/us-yemen-security-health/suspected-cholera-cases-in-yemen-hit-one-million-icrc-idUSKBN1EF0ZH> (accessed May 23, 2018).

[81] Westall and Miles, "Suspected Cholera Cases."

Local council members also assist local and international humanitarian organizations in the sometimes precarious task of assessing local humanitarian needs. Local council members often live in the communities they represent and are known to possess detailed knowledge of different households' livelihoods. They are thus better placed to help identify those who are in need of humanitarian aid. Local council members work in close coordination with humanitarian workers on the ground and other key local actors such as 'aqils and sheikhs to identify beneficiaries and to facilitate aid distribution. The knowledge and connections of local council members are particularly useful for international donors and INGOs when it comes to needs assessment and the identification of beneficiaries.

While in many areas local council members try to adopt an inclusive community outreach approach toward identifying those in need and distributing aid, there have been occasions when powerful local actors have intervened to push their own agendas, distributing aid to people that may not necessarily have needed it. The Houthis are reportedly using to their own advantage the supervisory role their officials play over local councils. In areas under Houthi control, humanitarian aid may not be going to those who need it most, being redirected instead to local Houthi officials or to local community leaders whom the Houthis want to keep on their side. Because INGOs tend to channel their efforts through urban areas, the Houthis have used this particularly to their advantage in the harder-to-reach rural areas. In cases where the actors disrupting humanitarian aid distribution are powerful or from dominant groups such as the Houthis, local councils often attempt to mitigate this issue through diplomatic negotiation.

Aside from the lack of financial resources and associated problems with local figures intervening in humanitarian needs assessment and delivery, other key challenges that local council members are facing also include: the centralization and politicization of humanitarian interventions; security concerns that range from fighting on the frontlines to securing the safe delivery of humanitarian aid; Yemen's severely weakened health infrastructure that has to deal with increasing numbers of people injured as a result of the conflict or diagnosed with diseases such as cholera and diphtheria; and an inability to travel to certain hard to reach areas, among others.

The Role of Local Councils in Conflict Resolution

Local councils are important instruments for conflict mediation and dispute settlement, as they are well-connected to the local communities in which they operate and have deep knowledge of the complex local socio-political, economic and tribal dynamics. Throughout the current conflict, local councils in Yemen have facilitated local conflict resolution through the coordination of ceasefires, prisoner exchanges, and the safe passage of essential commodities and humanitarian aid across frontlines.

Local councils are known to liaise with prominent local actors, such as tribal leaders, in order to coordinate security efforts. Together, local councils and local tribal figures have been able to intervene and successfully mediate tense local disputes. For example, in mid-2015 the local councils in Ibb governorate sought to contain fighting that broke out in the Baedan district between Houthi and anti-Houthi forces.^[82] The clashes had resulted in the deaths of five people from both sides and were threatening to spread to surrounding districts. Yahia al-Eryani, who was the governor of Ibb at the time, coordinated mediation efforts with local council members and prominent sheikhs and community leaders. Such efforts led to a cessation of the violence and an agreement among key local players within the governorate to take responsibility for securing Ibb city, the governorate capital, and to prevent any party from dragging the city deeper into the overarching conflict.^[83]

There are also several examples of instances in which local council members have helped to organize prisoner exchanges between warring parties. One of the more notable occasions involves the prisoner exchanges that took place in Taiz between the Houthis and Salafi militias headed by Abu al-Abbas. Local council members often work closely with local tribesmen in a bid not only to prevent the outbreak of initial clashes but also to reduce the likelihood of revenge killings.^[84] Due to their experience and understanding of local complexities, the local councils in Yemen are better placed to defuse local conflict and disputes than central government authorities or international organizations.

The conflict has, however, caused a number of internal splits among local government employees, with many having taken up arms and joined the fighting on opposite sides of the conflict. For example, in some Taiz governorate districts local council members were divided among those who decided to fight either for or against the internationally recognized Yemeni government. In these divided districts, local council performance has been notably compromised.

[82] Researcher interview, Ibb, October 2017.

[83] Researcher interview, Ibb, October 2017.

[84] Researcher interview, Marib, September 2017.

INCREASED FRAGMENTATION AND THE EMERGENCE OF LOCAL GOVERNING MODELS

While the larger dynamics of the war have spurred a widespread humanitarian catastrophe, the active fighting in Yemen has been largely confined to a few, generally static fighting fronts for the past three years (with the exception of advances made by anti-Houthi forces on Yemen's western coastline toward Hudaydah throughout 2017 and up to May 2018).^[85] In many areas of the country, as the conflict has rumbled on and the political and security vacuum has widened, local power brokers, including local government authorities, have begun to operate with a greater degree of autonomy. Local actors have become increasingly disconnected from developments occurring elsewhere in the country and are more inclined to pursue their own agendas, at times with the support of their respective regional backers.

Arguably, this trend has been more apparent in areas that are nominally under the control of the internationally recognized Yemeni government. The government's internationally recognized legitimacy is subject to much greater scrutiny within Yemen, not least in Aden, from which the government nominally operates. In the north, Marib governorate has pushed for greater regional autonomy, and, like Hadramawt in the south, has achieved a degree of success.

South Yemen: Renewed Push for Southern Independence

In the southern port city of Aden and across south Yemen more broadly, the desire held by ardent southern secessionists for the establishment of a new, independent southern state has hardened during the conflict. This desire has been galvanized by the ransacking of Aden and other areas in the south by Houthi-Saleh forces in 2015; the support and protection provided by the UAE; and the perception among southerners

[85] Sami Aboudi, "Gulf-backed Yemeni Forces Capture Red Sea Coast City - Agency," *Reuters*, last modified February 7, 2017, <https://uk.reuters.com/article/uk-yemen-security/gulf-backed-yemeni-forces-capture-red-sea-coast-city-agency-idUKKBN15M2LU> (accessed May 23, 2018). Sami Aboudi, "Saudi-backed Fighters Capture Coastal Area in Yemen from Houthis," *Reuters*, last modified December 7, 2017, <https://www.reuters.com/article/us-yemen-security/saudi-backed-fighters-capture-coastal-area-in-yemen-from-houthis-idUSKBN1E11IM> (accessed May 23, 2018). Sarah Dadouch and Mohammed Ghobari, "Saudi-led coalition closes in on Yemen port city Hodeidah," *Reuters*, last modified May 28, 2018, <https://www.reuters.com/article/us-yemen-security/saudi-led-coalition-closes-in-on-yemen-port-city-hodeidah-idUSKCN1IT21K> (accessed May 28, 2018).

that the internationally recognized Yemeni government is corrupt, has failed to deliver basic services, and is mismanaging the economy.

When Houthi-Saleh forces occupied several important districts in 2015, clashes, shelling, and population displacement all worsened the ability of local institutions to provide services. In the wake of the operation to retake these areas, the Saudi-led coalition, and the UAE in particular, assisted in restoring some services. However, authority was delegated away from the local councils to multiple competing authorities in different sectors, especially security, which generated tension and made effective local governance difficult.^[86]

The proliferation of competing security institutions largely stems from the rupture in the alliance between President Hadi and southern secessionist leaders — in place since Houthi-Saleh forces were forced out of Aden in July 2015 — in first half of 2017. While tensions between President Hadi and southern secession leaders had been rising for some time, the relationship openly fractured after Hadi announced the dismissals of Aiderous al-Zubaidi as governor of Aden and Hani bin Brayk as minister of state on April 27, 2017. President Hadi fired both individuals due to their close ties with the UAE. In response, there were weeklong anti-Hadi/pro-southern independence protests in Aden.^[87] On the back of these protests, a pro-southern independence body known as the Southern Transitional Council (STC) was formed on May 4, 2017 with al-Zubaidi as the head and bin Brayk as his deputy.^[88] On June 28, 2017 President Hadi also dismissed the governors of Hadramawt, Shabwa and Socotra, following their appointments as members of the STC.

Since its formation the STC, which is made up of 22 members that are geographically representative of the southern regions, has acted quickly to implement a series of measures aimed at improving the local, governorate, and regional institutional frameworks to empower southern secession. Several local branches of the STC with their respective leaderships have been established across south Yemen.^[89]

[86] Researcher interview, Aden senior local council leader, May 2018.

[87] Sami Aboudi, “Thousands Protest at Yemen President’s Sacking of Southern Leaders,” *Reuters*, May 4, 2017, <https://uk.reuters.com/article/uk-yemen-security/thousands-protest-at-yemen-presidents-sacking-of-southern-leaders-idUKKBN18022I> (accessed May 23, 2018).

[88] “Banished Aden Governor Forms Independent ‘South Yemen’ Council,” *Alaraby*, last modified May 11, 2017, <https://www.alaraby.co.uk/english/News/2017/5/11/Governor-turned-president-Adens-Al-Zubaidi-announces-council-to-govern-South-Yemen> (accessed May 23, 2018).

[89] “Al-Zubaidi and the STC Members are in Al-Mukalla City,” *Southern Transitional Council*, 2017, <http://en.stcaden.com/news/7959> (accessed May 23, 2018). “Al-Zubaidi Issues a Resolution to Appoint Local Leaderships in Shabwah Governorate,” *Southern Transitional Council*, 2017, <http://en.stcaden.com/news/8084> (accessed May 23, 2018).

Al-Zubaidi and the STC then assembled a 303-member parliamentary body called the Southern National Association, which held its first session on December 23, 2017 and is headed by Ahmed bin Brayk, whom President Hadi had dismissed in June as governor of Hadramawt.^[90] Incidentally, less than 24 hours after the first Southern National Association session, President Hadi dismissed the governors of al-Dhalea and Lahj, who had been the last remaining southern governors to also be STC members.^[91]

At the end of January 2018, tensions between the STC and the internationally recognized Yemeni government escalated further still following a one-week ultimatum that al-Zubaidi issued to Hadi to sack his cabinet.^[92] Al-Zubaidi warned Hadi that unless he heeded their demands, southern resistance forces would forcibly remove Prime Minister Ahmed Obaid bin Dagher, whom al-Zubaidi and the STC accused of corruption and whom they held responsible for the poor service delivery in Aden. Clashes ensued, pitting southern resistance forces against those loyal to Hadi, namely the presidential protection forces headed by Hadi's son, Nasser Abdo Rabbu Mansour Hadi. During the clashes, southern resistance forces took control of large parts of Aden, including three military bases that had been controlled by the presidential protection forces. They also encircled the presidential palace used as headquarters by bin Dagher and other members of the internationally recognized government. Saudi and UAE mediation then brought the clashes to an end as southern resistance forces "lifted their siege of the presidential palace and returned control of three military bases they had captured, though they remained in control of much of Aden."^[93]

These clashes are the byproduct of the fault lines between UAE-backed southern secessionists, who are now being driven on by al-Zubaidi and the STC, and Hadi loyalists. Islah has also notably drawn the ire of UAE-backed forces in Aden. The competition between these actors and their respective forces prevents local councils in Aden from operating

[90] "الزبيدي يعين بن بريك رئيساً للجمعية الوطنية ولقمان نائباً له والسقاف مقررًا" [Al-Zubaidi Appoints bin Brayk as President of the National Assembly, Luqman as His Deputy, and al-Saqaf as Rapporteur], *Southern Transitional Council*, December 2017, <http://stcaden.com/news/8131> (accessed Mar 23, 2018).

[91] "الوزراء الجدد يُدوّن اليمين الدستورية أمام فخامة الرئيس" [New Ministers are Sworn in Before the President], last modified December 25, 2017, <https://presidenthadi-gov-ye.info/archives/%D8%A7%D9%84%D9%88%D8%B2%D8%B1%D8%A7%D8%A1-%D8%A7%D9%84%D8%AC%D8%AF%D8%AF-%D9%8A%D8%A4%D8%AF%D9%88%D9%86-%D8%A7%D9%84%D9%8A%D9%85%D9%8A-%D9%86-%D8%A7%D9%84%D8%AF%D8%B3%D8%AA%D9%88%D8%B1%D9%8A%D8%A9-2/> (accessed May 23, 2018).

[92] Sana'a Center for Strategic Studies, "Yemen at the UN—January 2018 Review," last modified February 11, 2018, http://sanaacenter.org/publications/yemen-at-the-un/5389#Clashes_in_Aden (accessed May 23, 2018).

[93] Sana'a Center for Strategic Studies, "Yemen at the UN—January 2018 Review."

in a secure environment. These actors are also actively interfering in the work of local council members in order to benefit themselves and their agendas at the expense of their competitors. Indeed, the STC is working to create its own south-wide local governance framework, evidenced by the opening of several local STC branches.

While the local clout of southern secession leaders has increased, the standing of the internationally recognized Yemeni government has generally decreased as the conflict has worn on. This is due in no small part to the fact that since March 2015 President Hadi and his government have largely operated from exile in Riyadh, Saudi Arabia. Although several members of the Hadi government returned to Aden in the latter half of 2016, President Hadi is still operating from the Saudi capital.

Like their counterparts elsewhere in Yemen, local councils in Aden have struggled to provide public services. Critics of the Hadi government frequently claim that public service delivery in Aden is being held up by the internationally recognized government, which they accuse of economic mismanagement at best and outright corruption at worst. A local council leader interviewed during this White Paper called for authority to be returned to the local councils, and for oversight over expenditures of public money to avoid corruption.

Interviews with local council officials reveal some of the challenges facing their work in Aden:^[94]

- Local councils face excessive changes in leadership, which hampers the ability to carry out long-term work.
- Local councils lack clear planning over both the short and long term, and instead are forced to repeatedly address urgent issues.
- Local councils lack a clear and well-supported budget, causing their work to be temporary, variable, and dependent upon the support of external actors such as the Emirati Red Crescent.
- The internationally recognized government has reduced their functions, leaving them without effective power on the ground.
- Service authorities and utilities are ineffective, reducing the ability of local councils to provide services.
- NGOs bypass the local councils as an implementation mechanism, and a lack of partnerships with these organizations has caused NGOs to lose valuable context that could make their interventions more successful.
- Multiple sources of authority exist, including security forces which seek to impose their desires on the activities of local councils.

[94] Researcher interview, Aden local council officials, May 2018.

Southern secessionist political and security forces are just one of the competing sources of authority that have complicated the work of local councils in Aden and made the long-term restoration and provision of services more challenging.

Hadramawt: Seeking Greater Resource Share

Hadramawt, in eastern Yemen, is the country's largest governorate and biggest oil producer.^[95] Hadramawt governorate has long been frustrated by the LAL, especially the lack of reinvestment back into Hadramawt from the oil revenues extracted from the governorate. Hadramawt's desire for greater control over — and an increased share in — its own economic resources was one of the central demands made at the Hadramawt Inclusive Conference (HIC) held on April 26, 2017.^[96] Since its establishment, HIC members and other members of Hadramawt's socio-political elite have made the governorate's participation in any future federal state — or an independent southern state — contingent upon it receiving a larger share than it currently does of the revenues from its own resources. Specifically, the HIC demands that 20 percent of oil revenues extracted from Hadramawt be reinvested back into the governorate.^[97]

As such, it is highly unlikely that local Hadrami officials will be prepared to adhere to the former decentralization mechanism defined by the LAL.^[98] At the time of writing it is unclear if there are any specific terms HIC members and other local government officials in Hadramawt would attach to any potential new resource revenue-sharing agreement, other than claiming an increased percentage of the revenues.

The internationally recognized government appears to be taking Hadrami demands for a greater share of resource revenues seriously. The government engaged with local stakeholders in Hadramawt following the resumption of oil production and domestic exports from the Masila (Block 14) field and its environs, which are currently

[95] In February 2014 oil from Hadramawt accounted for an estimated 53 percent of total oil production in Yemen. See World Bank, *Republic of Yemen: Unlocking Potential for Economic Growth* (Washington, DC: World Bank, 2015), <https://openknowledge.worldbank.org/handle/10986/23660> (accessed May 23, 2018).

[96] A total of 160 participants attended the conference, which led to the appointment of 52 members that make up the HIC executive decision-making authority.

[97] Researcher interview with Dr. Abulkader Ba Yazid, Secretary General of Hadramawt Inclusive Conference, Jordan, September 2017.

[98] Researcher interview with Dr. Abulkader Ba Yazid, Jordan, September 2017.

controlled by the Hadramawt Tribal Confederation (HTC).^[99] Under the terms of an agreement brokered by Prime Minister bin Dagher, the internationally recognized government now pays the HTC and Petro Masila, the local oil company that runs Block 14, for access to the oil field. It is further paying local authorities and the UAE-backed Hadramawt Elite Forces in Mukalla for access to the oil export facilities that are located in the coastal city.^[100] The payments are made either in cash or in fuel sent to Mukalla, which can then be sold into the local market by the local government.^[101]

The availability of natural resource revenues helps to lessen the burden on local councils in Hadramawt, and specifically in Mukalla. There is also a substantial network of wealthy Hadrami businessmen living in neighbouring Gulf countries; during the conflict, these businessmen have played a significant role in financially assisting local councils to provide services and implement local development projects.

Marib: Effective Self-Governance^[102]

Compared to the rest of the country, Marib is benefiting from a period of relative stability and sustained economic development. The governorate has come to represent a unique and reasonably effective decentralized model of local governance in Yemen bolstered by the unity of the populous, tight-knit security, and economic resources. In Marib civil servants are paid and public services are provided. The local government model in Marib is generally inclusive; it encourages local community participation and the engagement of diverse political parties and local actors, including the tribes, in decision-making. The local councils in Marib play a key supporting role for the local governing authorities headed by Marib governor Sultan al-Aradah. Importantly, however, the authorities in Marib have shown little tolerance for political dissent amongst the population.

Prior to the current conflict, and despite the presence of vital energy resources, Marib suffered from a lack of infrastructural development due to the central government's monopolization of oil and gas revenues.^[103]

[99] Researcher interview with Yemen expert Peter Salisbury, March 5, 2018.

[100] Researcher interview with Yemen expert Peter Salisbury, March 5, 2018.

[101] Researcher interview with Yemen expert Peter Salisbury, March 5, 2018.

[102] Researcher interviews with local council directors in Marib, November 2017; "Yemen's Urban-Rural Divide and the Ultra-Localisation of the Civil War," workshop organized by the London School of Economics Middle East Centre, March 29, 2017, London, UK.

[103] According to Yemen's national statistics, less than 1 per cent of total government expenditures were allocated to Marib in 2015.

In addition to the oil and gas resources found in Marib, the central governorate is also home to other key energy infrastructure, such as the power plant that, until it stopped functioning in 2014, provided electricity to the national grid for the entire country. An example of the lack of development in Marib can be seen from the fact that in 2012 only two of the governorate's 14 districts had enough electricity to power homes for the majority of the day. Many districts were not even connected to the national grid and thus were denied the electricity generated at Marib power station.

The current conflict has led to a change in fortune for Marib. After the Houthis took over Sana'a, Marib governor Sultan al-Aradah and Maribi tribesmen elected to stand behind the internationally recognized Yemeni government. This local cooperative force also fought extremist groups such as AQAP, which was previously much more active in Marib, targeting military and security officials as well as oil pipelines.^[104] With the help of the Saudi-led coalition, local forces in Maribi kept Houthi-Saleh fighters out of most of the governorate in mid-2015. Since then, the fighting between pro- and anti-Houthi forces has been largely confined to the Sirwah district. The protection offered by Saudi-led coalition forces, coupled with Marib's own robust and united security apparatus, has allowed the governorate to enjoy a comparatively high level of security and stability.^[105]

Thus empowered, the governor has sought to address long-held grievances in Marib regarding the governorate's socioeconomic and political marginalization: he demanded and then took a larger share of the governorate's gas revenues. The trigger for this was an economic dispute that began in late 2015, after the CBY headquarters in Sana'a refused to pay salaries to the military and security apparatus in Marib. In response, al-Aradah ordered the local CBY branch in Marib to withhold all gas revenues intended for delivery to then-CBY headquarters in Sana'a. Prior to this Marib had submitted 100 percent of its gas revenues to the central authorities, and al-Aradah's orders were technically in direct violation of the LAL. The amount that Marib withheld was an estimated monthly rate of YR 8 billion (US\$32 million at an exchange rate of YR 250 to the US\$).

[104] Sultan al-Aradah reached an agreement with tribal leaders in Marib in which they vowed to defend state institutions against any incursions from the Houthis in support of the government.

[105] Ben Hubbard, "As Yemen Crumbles, One Town Is an Island of Relative Calm," *New York Times*, last modified November 9, 2017, <https://www.nytimes.com/2017/11/09/world/middleeast/yemen-marib-war-ice-cream.html> (accessed May 23, 2018); Adam Baron, "Not Only a Pawn in Their Game," *European Council on Foreign Relations*, last modified November 16, 2017, http://www.ecfr.eu/article/commentary_not_only_a_pawn_in_their_game (accessed May 23, 2018).

In mid-2017, the local government in Marib reached a deal with the internationally recognized Yemeni government to keep up to 20 percent of revenues from oil extracted in the governorate, over which the central government had previously had a total claim.^[106] The central government's share is automatically deducted and transferred to the government account held at Marib's CBY branch. The additional oil and gas revenues have enabled Marib to disburse salaries to all registered public servants working in the governorate's fourteen districts as well as contributing to the internationally recognized Yemeni government's expenditures. This funding has allowed local councils to meet residents' demands for public services. It has also allowed local councils to fund humanitarian relief efforts: local councils work to provide data to assist relief efforts; they organize awareness-raising seminars for local support networks; and they coordinate with local health sector employees in identifying where humanitarian interventions are most urgently needed.

The decision to claim a greater share of the revenues generated from Marib's natural resources reflects a broader effort by Marib's local governing authorities to take ownership of the oil, gas, and electricity facilities, and to gain more control over oil and gas production and exportation. Local Maribi tribes currently control the Safer Exploration and Production Operations Company oil and gas facilities in Marib, including the Yemen Liquefied Natural Gas (LNG) facilities, and a small refinery and Central Processing Unit.^[107] Local councils in Marib are playing a key yet understated role in ensuring that Marib's energy facilities stay online and increase capacity through consultations with local stakeholders. Local councils are also playing a supervisory role regarding the timely distribution of oil, diesel, and gas derivatives to homes in Marib.

In large part due to this increased assertiveness and the receipt of much higher natural resource revenues than ever before, Marib governorate is experiencing an economic boom. This money has funded a number of local infrastructure development projects: new roads, medical facilities, a new university, and the expansion of the local electricity network, among other projects. The local councils are directly involved in coordinating local development projects. They liaise with local

[106] Despite the agreement between Marib and the internationally recognized government, as of this writing ongoing disputes between the CBY's Marib and Aden branches has led to the Marib CBY refusing to deposit any rents from the governorate's gas, oil and gasoline production in accounts at the Aden CBY.

[107] Control over the Yemen LNG facility that links the gas that is extracted from Marib and then sent via gas pipeline to the LNG export facility in Balhaf, Shabwa, is particularly significant, not least because of recent reports that Yemen LNG is once again operating and exporting LNG.

ministerial offices to identify and implement urgent service needs. They also help to obtain local community support for development projects — a crucial step, given that community leaders are able either to remove or to impose potential obstacles to local development projects. Community approval is at times necessary for land access, for equipment and provision, and for local labor to assist in completing development projects.

Despite the economic boom it is experiencing, Marib has faced challenges. Due to the fighting and comparative instability found elsewhere in Yemen, many people have sought refuge in Marib. The governorate has absorbed tens of thousands of internally displaced persons (IDPs), the majority of whom are residing in Marib city.^[108] Before this influx of people, the local population of Marib was estimated to be 240,000.^[109] An estimated 2.4 million people are said to currently reside in Marib after the sharp local population increase during the conflict.^[110] The local councils in Marib are helping the local governing authorities to keep on top of this sharp population increase and intake of IDPs. For example, local councils are helping to document the arrival and status of new inhabitants via a database that places IDPs as a top priority to be provided additional support via local social welfare programmes.

[108]Baron, “Not Only a Pawn in Their Game;” Hubbard, “Island of Relative Calm.”

[109]This estimate was provided by a local Marib-based journalist, Ali Aweidhah to the researchers in June 2018.

[110]*Ibid.*

CONCLUSION AND RECOMMENDATIONS FOR LOCAL COUNCIL SUPPORT AND DEVELOPMENT

This paper has drawn on a selection of the literature on local governance and decentralization, comparative local governance experiences in other conflict-affected countries, Yemen's own experiences with decentralization and local council development, and the country's current political fragmentation due to the conflict. This paper serves as an attempt to instigate and inform policy discussions amongst local, regional and international stakeholders regarding how they can best assist Yemen's local councils in restoring public services and state legitimacy, stabilizing the security and humanitarian situations, and creating the conditions for a durable peace and socio-economic development.

The Yemen war and the country's humanitarian crisis are deeply complex and multifaceted, which creates many challenges to the restoration of services to support the country's citizens. It is therefore imperative that discussions begin amongst local, regional and international stakeholders regarding how to prevent the disintegration of Yemen's local councils; how to support their activities while the conflict is ongoing, especially in regards to humanitarian efforts and conflict de-escalation measures; and how to build local council capacity post-conflict.

Toward that discussion, we offer the following recommendations informed by the preceding study and by interviews with experts and key stakeholders:

Bolster CBY Capacity to Support Local Councils

From the onset of political unrest in 2011 until the relocation of CBY headquarters in September 2016, the central bank played a vital role in maintaining local councils' ability to deliver basic services by continuing to disburse civil servant salaries and helping to cover operational costs. Currently, it is difficult for local councils in any of Yemen's 22 governorates — with the exception of Marib, and to a lesser extent Hadramawt — to secure sufficient operational revenues. Thus, it is vital that regional and international stakeholders coordinate

efforts and support to return the CBY to a fully functioning unified national entity, able to facilitate the payment of public salaries and the operational costs of local councils regardless of their location or which actors are in local control.

Facilitate State Budget and Financing Mechanisms

A state budget that reflects the current situation in Yemen is another essential component for any attempt to revive the economy and ensure that greater financial support is provided to local councils.^[111] The international community should take constructive measures to develop a mechanism between the warring parties for the nationwide collection of state revenues such as taxes and customs; the re-establishment of public services in all areas would provide the incentive for the parties to collaborate in this effort. Additionally, international stakeholders should facilitate the resumption of oil and gas production in Hadramawt and those governorates that have the appropriate security environment to do so.

For this to happen, the budget would need to include a transparency and accountability mechanism. Any efforts to draft and implement a new budget for the benefit of the country as a whole, and local councils specifically, would need to take into consideration the complex and ever-evolving dynamics of the conflict, such as the widening divisions in Yemeni society and the presence of established and newly empowered non-state actors. The Social Fund for Development (SFD) could be used as an intermediary institution to channel allocated revenues to local authorities and jointly implement projects associated with the provision of public services. The SFD was established in 1997 by law, and is a quasi-governmental body that implements programs and conducts national social and economic development plans for poverty reduction.

Employ Local Councils in Service Provision and Aid Delivery

International donors and non-governmental organizations are providing vital humanitarian support to local communities in Yemen, especially to those located in severely war-affected areas. To enhance

[111] Researcher conversation with source with close ties to CBY in Aden, June 2018.

the effectiveness of the support being offered and maximize the benefits at the local level, it is important that donors and INGOs seek to include local councils as key players in channeling financial support to, and empowering them in liaising with, local organizations and private sector actors. Given local councils' deep understanding of the local context, this approach will increase the councils' legitimacy and encourage the local community to come together under the umbrella of formal government structures.

In addition, strengthening service delivery at the local level may help to create a more decentralized service delivery model, which in turn may help to extend the outreach of any reconstruction efforts. International actors should, however, be mindful of the fact that the distribution of humanitarian assistance has been a source of conflict in the past and could be again; thus, any support filtered through the local councils must look to install monitoring, transparency, and accountability mechanisms, to be drafted and implemented by local councils in coordination with both local communities and international actors.

Create Official Framework for Devolving Authority to Local Councils

The power of local councils in Marib and Hadramawt has increased during the conflict. The inability of the central government during the conflict to respond to local needs prompted these two relatively resource-rich governorates to exceed the legal mandate bestowed upon them by the 2000 Local Authority Law. In both governorates there is an emerging model of local governance that other governorates could follow, whereby the local community has been more included in decision-making and managing local affairs than it was prior to the conflict. Because the conflict makes it difficult to amend the existing legal framework for local councils or to issue new legal provisions concerning the devolution of power to local councils, the central government should issue temporary regulatory instructions to devolve more of its powers officially to the governorate and district level. This will better enable the governorates and districts to manage their local affairs. While the conflict is ongoing it is essential to create a regulatory framework in which local councils can operate more effectively. The regulatory framework should:

- authorize local councils to have access to and develop sustainable resources at the local level, and to spend the associated revenue on their needs;
- allocate a share of sovereign resources to each governorate based on transparent financing criteria and mechanisms that take into account the local conditions of the conflict and fiscal capacities and needs of each governorate;
- ensure that local councils have sufficient administrative powers to supervise service provision, while also appointing persons to administrative positions at the executive organs of line ministries to build effective local government and deter local patronage networks;
- return the legal right of the local councils provided by the LAL to nominate leaders to formal positions in local security units and supervise the performance of these units; and
- grant local authorities the power to work with international donors in meeting humanitarian and development needs at the local level. Humanitarian aid should be decentralized by establishing a functional framework for humanitarian organizations to work with local authorities.

Rebuild and Professionalize Local Judiciary and Security Services

Among the challenges faced by local authorities in many governorates are dysfunctional judiciary and security services. These services face a lack of sufficient financial and technical capacities and are forced to operate in the absence of an appropriate systematic environment. The judiciary and security services represent an essential factor for local councils to operate effectively and maintain legitimacy. Thus, international stakeholders should target the implementation of local capacity-building programs that improve the performance of the local judiciary and security services. This may also entail financial support to rebuild and improve their capital infrastructure.

In addition, it is important for international stakeholders to pressure the parties to the conflict and regional players to refrain from intervening in the activities of local judiciary and security services, or from creating parallel competing entities that would undermine state legitimacy. International stakeholders should acknowledge local complexities and nuances, such as in Aden where multiple competing actors are vying for influence on the ground.

Support Inclusive and Responsive Local Governance

Yemenis will continue to evaluate the performance of local councils based on their ability to address daily needs and to reduce the level of suffering in their respective areas. The current conflict has undermined the existing local governance framework to the point that many people have lost faith in official local governing authorities. To curb the appeal of non-state actors as alternatives to the state, community-driven initiatives need to be constructed in way in that they reinforce the effectiveness of official, local government institutions and representatives.

The increased fragmentation of Yemen and widening societal divisions mean that peace and stability will take time to establish. Even so, it is important to promote bottom-up and inclusive forms of local governance in which all members of the local community are involved in the decision-making process, from those that have been traditionally disenfranchised — such as women and youth — to local politicians, sheikhs, religious officials, and other local actors. Doing so will help avoid claims of bias or discrimination. All local community members, including minority groups, should be given equal opportunities to have their say in the administration of local affairs.

If and when the wider conflict is brought to an end, public service provision is likely to be poor and people's everyday lives a struggle. A comprehensive and realistic assessment of which individuals and groups are in control at the governorate and district levels, as well as an assessment of these entities' capacities to provide services, is essential for post-war planning. This assessment would help to guide domestic policy-makers (with the support of the international community) in developing strategies to restore state functions, such as the provision of security and public services.

A detailed understanding of Yemen's socioeconomic and political context is essential for any attempts to enhance local governance in a post-conflict environment in Yemen. Any assessment will need to account for the multiple players that are exerting political and economic authority, including those that have gained prominence as a direct result of the conflict through new patronage networks and profits from the war economy.

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ABOUT THE “RETHINKING YEMEN’S ECONOMY” INITIATIVE

This two-year project, which was launched in March 2017, is an initiative to identify Yemen’s economic, humanitarian, social and developmental priorities in light of the ongoing conflict in Yemen and to prepare for the post-conflict recovery period. The project aims to build consensus in crucial policy areas through engaging and promoting informed Yemeni voices in the public discourse, and to positively influence local, regional and international development agendas.

The project has four components: (1) in the Development Champions Forums, Yemeni experts and professionals in social and economic development will identify key issues for intervention and provide recommendations towards tackling these issues; (2) in the Research Hive, we will – based on the issues and recommendations of the Development Champions – conduct research and identify best practices and lessons learned from international experiences to create knowledge capital for the Rethinking Yemen’s Economy initiative; (3) in the public outreach component, we will implement consultation workshops with local stakeholders, including the private sector, youth and civil society organizations; moreover, we will conduct campaigns through both traditional and social media outlets to engage the wider Yemeni public; (4) and through regional and international engagement we will inform stakeholders of project outcomes and aim to motivate and guide the international community’s policy interventions to the greatest benefit of the people of Yemen.

Implementing Partners

The project is implemented by a consortium of the following three partners:



The Sana’a Center for Strategic Studies (SCSS) is an independent policy and research think-tank that provides new approaches to understanding Yemen and the surrounding region, through balanced perspectives, in-depth studies and expert analysis. Founded in 2014, the SCSS conducts research and consultations in the fields of political, economic, civil and social development, in addition to providing technical and analytical advice regarding key issues of local, regional and international concern.
www.sanaacenter.org



DeepRoot Consulting is a dynamic social enterprise passionate about Yemen’s development. DeepRoot aims to help international development actors, the private sector, local civil society organizations and the Yemeni Government anchor their interventions in a deep understanding of Yemen’s national and local contexts, and international best practices. Our leadership team and advisory board has decades of combined experience working in Yemen and internationally in the public, private and nonprofit sectors.
www.deeproot.consulting



The Center for Applied Research in Partnership with the Orient (CARPO) is a Germany-based organization whose work is situated at the nexus of research, consultancy and exchange with a focus on implementing projects in close cooperation and partnership with stakeholders in the Middle East. The CARPO team has long-standing experience in the implementation of projects in cooperation with partners from the region and a deep understanding of the Yemeni context.
www.carpo-bonn.org