



Changing Local Governance in Yemen

District and governorate institutions in the areas
under Ansar Allah's control

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Working Paper

About this paper

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Executive Summary

The Berghof Foundation has been working with local authorities and the central administration(s) in Yemen since 2017 to strengthen inclusive local governance, support the resolution of local conflicts, and ensure that key concerns from the local level feed into central policy-making and the peace process. This working paper contributes to these overall goals by exploring how local governance is changing in the areas under Ansar Allah's control. Subsequent papers will explore local-level changes in other parts of Yemen, notably in Aden and Hadhramawt. The peace process will need to take these ongoing changes into account. Only a clear-eyed assessment of the evolving context can serve as a starting point for a realistic agreement and allow a transitional dialogue to work towards local governance arrangements that address important long-term drivers of conflict, particularly adequate service provision and social and political inclusion.

In the areas of Yemen under Ansar Allah's control, the war and recent policy changes have together led to significant changes to local governance. There has been, first, a multi-phase takeover of local institutions. Ansar Allah appointees and networks of 'supervisors' have displaced the dominance of the former ruling party, the General People's Congress (GPC), and its networks of patronage at the local level. Second, the state is now more visible and present at the local level, due to renewed efforts to collect taxes and other revenue and due to increased centralisation, coupled with new forms of central oversight and control. Together, this has created a significantly more centralised and securitised system than that which operated under President Saleh; and this new system is extracting a greater share of resources from the domestic economy. Finally, there has been a collapse of local budgets and salary payments. These financial shortfalls, caused by war and a blockade of Ansar

Allah-controlled territory, have coincided with limited investment in service delivery as scarce resources were redirected to security and military institutions. As a result, responsibility for services has fallen to international aid organisations. Ultimately, war, the economic blockade of Yemen, Ansar Allah's policies and international aid have combined to hollow out the existing local authority structures in Yemen.

These changes matter because they are likely to have long-term implications. The system remains in flux, but as patterns become more established, they will become facts on the ground that constrain options for the post-war period. The ongoing centralising legal and administrative changes to formal state structures and the creation of parallel supervisory networks will likely prove difficult to roll back. The legal and constitutional provisions of an eventual settlement will have to contend with this high level of de facto control from Sana'a, exercised in multiple overlapping ways.

The future of increased taxation and of local governance with limited service delivery obligations is less certain. If, in the context of a peace agreement, central government regains access to oil and gas revenue, the perceived need to extract as much as possible from the local level may ease and central authorities may relax the current intensive efforts to collect funds locally. Citizens and business owners would likely breathe a sigh of relief. On the other hand, wartime increases in taxation have proven remarkably durable in other contexts and the link between higher taxation and better services appears robust across a broad range of contexts. In the medium term, there is hope that a Yemeni state that taxes more may also be pushed to provide better services to its population, and that an end to the war would free up resources for investment in local services.

Introduction

Past wars in Yemen have driven local, everyday changes that left deep and enduring legacies for the shape of the state. There is every reason to believe that this is happening again.

In terms of past conflicts, the civil war between royalists and republicans in the 1960s underwrote the post-war dominance of tribal and military figures, ushered in a long period of relative local autonomy, and initiated a pattern of statebuilding that was expenditure-led, at once highly centralised and largely disconnected from everyday life in much of the country (Rogers 2019b). Three decades later, the 1994 war deepened and accelerated the newly unified state's move towards crony capitalism through post-war land seizures and privatisations and exacerbated the grievances that later drove the Southern Movement (Day 2012) and its more recent offshoots, not least the Southern Transitional Council.

Now the war is again forcing changes. This working paper focuses on those occurring in the areas under the control of Ansar Allah, a Zaydi revivalist movement headed by successive members of the al-Houthi family that has been in de facto control of much of northern Yemen since 2015.¹ Since the end of 2014, war and Ansar Allah policy have together brought about dramatic changes to local governance in Yemen. This has taken the form of (1) a multi-phase takeover of local institutions, so that the dominance of the GPC and its networks of patronage focused on Ali Abdallah Saleh and key allies has been replaced on all levels by figures belonging to or close to Ansar Allah; (2) an unprecedented level of centralisation, central oversight and control,

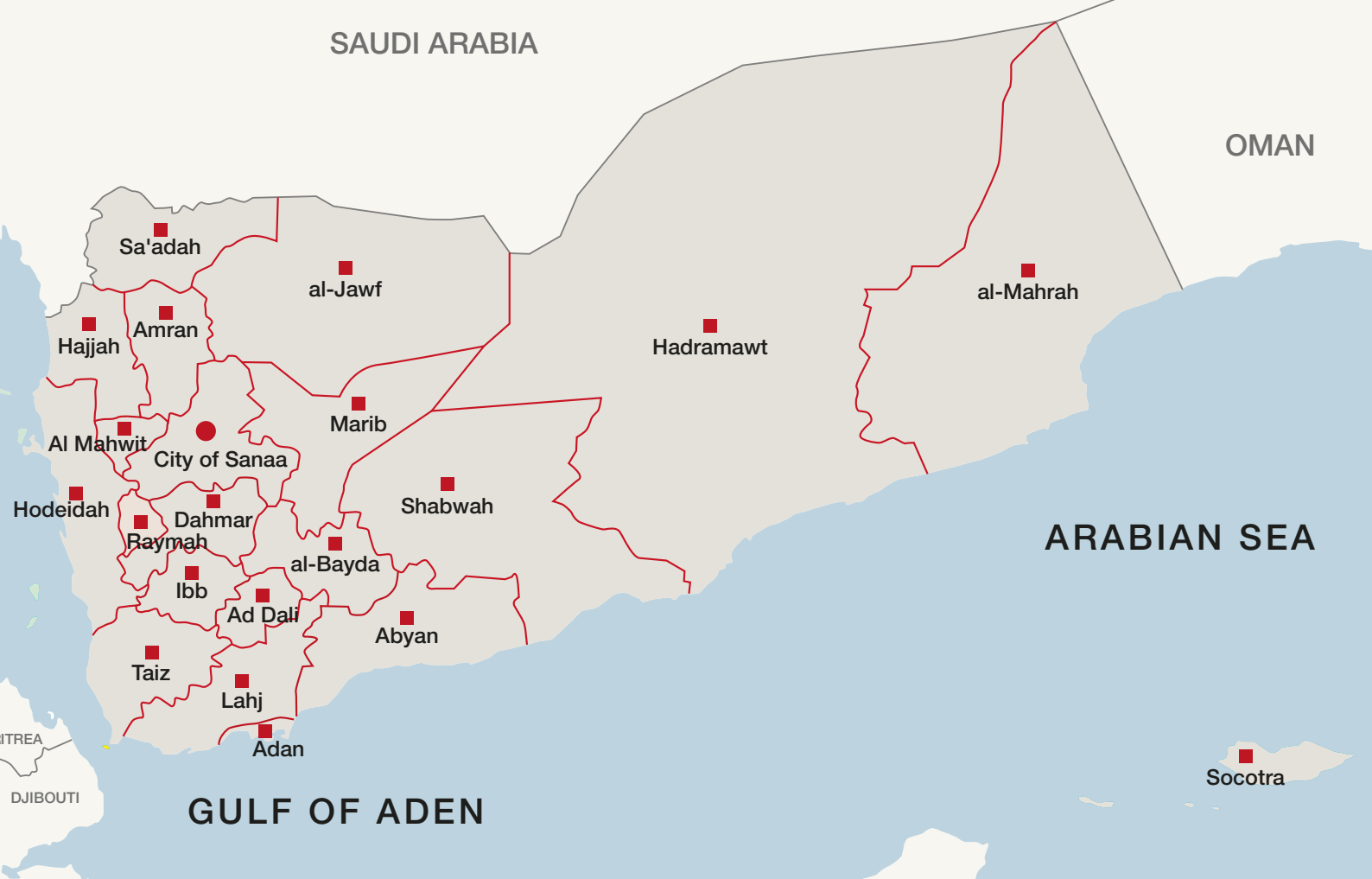
and a more intrusive and visible local state presence due to renewed efforts to collect taxes and other local revenues; and finally (3) a collapse of local budgets and salary payments and a de facto transfer of related responsibilities to international aid organisations.

These changes have combined with the broader grim economic and humanitarian context in Yemen – a collapse in salaries and earnings, an international blockade, falling remittances, inflation, fuel shortages, airstrikes and shelling – to reconfigure local governance and the face of the everyday state. Recent changes are creating a significantly more centralised system than that which operated under President Saleh, although increased centralisation of revenues and decision-making has coincided with fragmentation in service delivery, as the uneven impact of war and patterns of the international humanitarian and development response have partially decoupled services from other areas of local governance.

These ongoing centralising legal and administrative changes to formal state structures and the creation of parallel networks of so-called 'supervisors'² and other loyalists may prove difficult to roll back. At the same time, the changed political economy of local governance in Yemen, implied by greater local taxation and a central government dependent on local taxation rather than oil rents, may offer a chance to rebalance the relationship between the central state and local authorities in the medium term and to put local governance on a more inclusive and sustainable footing. These issues are explored further in the conclusion.

1 The paper uses Ansar Allah to refer to what is more commonly called the Houthi Movement, following the movement's own preferred usage. On the history of the Movement see Brandt 2017 and Salmoni, Loidolt and Wells 2010.

2 Ansar Allah appointed loyal supporters of the movement as 'supervisors' (mushrifin) in formal state institutions at all levels. See the discussion in: 'A multi-phase takeover' below.



Governorates in Yemen. Berghof Foundation, May 2018.

Brief history of local governance in Yemen³

When former North and South Yemen entered into negotiations over unification in 1990, it was widely expected that they would implement a federal system. However, the Presidents of the Yemen Arab Republic and the People's Democratic Republic of Yemen, Ali Abdallah Saleh and Ali Salem al-Bidh respectively, ultimately settled on a unitary centralised system with only passing nods towards decentralisation (Detalle 1994) and no reserved power for the regions (Lackner 2019: 117).

The provisions in the agreement designed to provide a measure of checks and balances on central discretion, like an upper chamber of the legislature, remained largely unimplemented and the period after unification saw rapid moves towards more central control. By 1993, Al-Bidh lamented that the political system born of unification did not have effective guarantees to protect it from a gradual takeover by northern elites (Toye 2002: §21).

Tensions between the leadership of the former North and South came to a head in 1994, in a civil war largely fought between their respective former armed forces, with a subordinate role for tribal auxiliaries and Islamist fighters (Dresch 2000: 196). Saleh and his allies won the war and proceeded to deepen centralisation. Local governance came to rely on centrally appointed governors and heads of district and many of the governors appointed

³ For a detailed discussion of the evolution of local governance in Yemen over the course of the 20th century, see: Challand and Rogers 2020.

at this time came from the North of the country, with a preponderance of military and tribal allies of President Saleh.⁴ In the view of southerners, the South was ‘colonised’ as Saleh and his allies took over formerly nationalised land, companies and other assets (Day 2012: 138, 142-143).⁵

Yet northern areas had likewise enjoyed significantly more scope for local self-administration prior to unification (Gatter 2006). In the North, Saleh used growing oil revenues and his party, the GPC, to co-opt the formerly locally-driven Local Development Associations. This coincided with the expulsion of approximately one million Yemeni workers from the Gulf countries, which meant that local communities and institutions lost remittance income and became far more dependent on funding from the central state, which could increasingly dictate the terms of cooperation.⁶ New local authorities, which reported directly to the (appointed) governors, had very limited financial means (Toye 2002), while informal networks centred on President Saleh became ever better resourced and Saleh would ‘hand out cash when traveling around the country, when shaykhs and other community leaders came to his court in Sana’a, or through the Department of Tribal Affairs in the Ministry of Local Government’ (Lackner 2019: 101).

A new Local Authority Law (Law 4/2000) did little to change the balance of power. Indeed, in the words of one critic, it was designed ‘to prevent serious effective decentralization’ (Lackner 2019: 44) and arguably served primarily to expand political patronage opportunities for the ruling party, the GPC, as decentralisation created entry points for national elites into local contexts that were previously closed to them (Hallaj 2015: 115, see also: Romeo and El Mensi 2008). Centralised directives, lines of reporting and a reliance on

central funds ensured that the central government continued to issue binding instructions to local ministry employees and controlled the possibilities of newly elected local councils, thus setting the parameters of local governance. The relationships needed to ensure central support and permission became more and more important for local actors’ ability to deliver services and attract investment, bringing them more closely into the patronage networks of the regime. Thus, the public administration at the local level functioned, to the extent that it did, according to the priorities and directives of the centre.⁷

One of the key provisions of Law 4/2000 was assigning revenue sources to different levels of government. Market taxes, fees for local services, zakat and other sources of income that the law earmarked for the governorates or districts had historically been important sources of funding locally. However, since the civil war in the 1960s, the local administration’s ability to collect revenues had entered into long-term decline (Rogers 2019b) and by the time the law was enacted, these sources of funding covered only a small fraction – significantly less than 10% in most governorates – of local expenditure (Academic and Political Activist in Sana’a 2018: 6). Instead, local authorities relied on central allocations for more than 90% of their budget (which in turn relied overwhelmingly on oil rents).

On paper, Law 4/2000 provides incentives for local administrations to collect local revenues more systematically, as they have discretionary control of much of this funding. In practice, central control, short time horizons and dependence on central government goodwill meant that local authorities found that the easiest and politically most expedient way to cover any funding shortfall was pulling strings in Sana’a. Where this failed,

4 In addition, key posts went to southern supporters of Ali Nasir who fled to the North after 1986.

5 Future working papers will explore the changes currently occurring in local governance in the southern governorates.

6 Yemen began exporting meaningful quantities of oil in 1988. By its peak in 2005, oil accounted for 42% of GDP and a far greater share of government revenue (<https://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?locations=YE>).

7 On the structures laid out in the law as the local authority – encompassing the local councils, the local executive, and the semi-decentralised executive offices of the line ministries and national agencies, including implementing partners of donors like the PWP and SFD – see Rogers 2019a.

selling public lands was the preferred option. Asset sales obviated the need to collect local fees and taxes, while selling public property to regime insiders at below-market prices could generate political capital and lucrative side-payments as well as the requisite cash-flow. Particularly in the South, where public lands were more common and senior officials were often outsiders, the practice was rampant (Hallaj 2015: 105, 121-122). These practices continued even as protests over decentralisation and demands for more local autonomy began to imperil the existence of a united Yemen, as three clusters of opposition emerged in the decade before the 2011 protests. One of them, the Houthi Movement or Ansar Allah, grew into a powerful armed movement in the context of vicious repression and a series of wars between it and the Saleh government between 2004 and 2010. Since then, the movement has shifted in its views on local governance, from demanding more local autonomy and de facto power-sharing in its home governorate of Saada, to support for federalism and demands for more regional autonomy during the National Dialogue Conference, to implementing a more and more centralised system of rule as its control over state institutions has expanded since the ‘constitutional declaration’ of 6 February 2015 (Lackner 2019: 51).⁸

A multi-phase takeover

The GPC-centred formal institutions and networks of patronage that defined local governance across Yemen between unification and the current war no longer exist. In their place, Ansar Allah has taken control of local institutions in much of the former Yemen Arab Republic, replacing the dominance of the GPC and its networks.

This takeover of the local administration occurred in distinct but overlapping phases, which largely coincide with those identified in previous research at the national level (Nevola and Shiban 2020) and in the security sector of Ibb (Transfeld et al. 2020), but with sufficient variation and ongoing changes to warrant a deeper discussion: the first phase was a period of GPC-Ansar Allah partnership from the February 2015 ‘constitutional declaration’ to the killing of Ali Abdallah Saleh in December 2017. During this time, the wide deployment of supervisors created a presence for Ansar Allah in institutions at all levels, but the role of supervisors was confined largely to observation, with clearly defined responsibilities related to the war. Local governance continued to function as before, dominated by the GPC.

The second phase, a period of cementing control from the beginning of 2018 until approximately mid-2019,⁹ witnessed an expansion of supervisors’ remit that increasingly brought them into direct conflict with governors, district directors and other local officials. Supervisors at all levels constituted a parallel system of authority with wide-ranging de facto powers,

⁸ There are long-standing claims that the movement’s support for federalism and other reform measures was purely strategic. Certainly, it appears that many of the measures taken to control local authorities analysed in this working paper were prefigured during the 2000s in the parallel systems of supervision the movement put in place in Saada governorate (see Garrigue 2010: 12) although these may also be viewed as similar reactions to similar contexts of war and violence.

⁹ It should be noted that these are not clearly demarcated periods, with differences between governorates.

based on their personal relationships to key figures in Ansar Allah and the al-Houthi family.

Lately, a third phase of changes has become apparent, as Ansar Allah is increasingly formally appointing members as governors and district directors or placing them in other leadership positions. Contrary to occasional charges against them, this has not involved the large-scale removal of previous staff; and mass hiring on clientelist grounds has been far more pervasive in Sana'a than in the governorates. Instead, Ansar Allah has been positioning members in key decision-making and oversight roles, with a concomitant retreat of the supervisor network from day-to-day decision making. There has been a re-formalisation of the de facto operations of the local authority system, accompanied by attempts to increase central oversight and control and, albeit less systematically, to improve services and the functioning of formal institutions.

GPC-Ansar Allah partnership 2014–2017

After the Peace and National Partnership Agreement (PNPA)¹⁰ of September 2014, and in cooperation with the GPC and especially former president Saleh, Ansar Allah began placing so-called 'supervisors' (mushrifin) in a wide range of local institutions. By October, the joint forces of Saleh and Ansar Allah were advancing into Hodeidah, Dhamar and Ibb, completing the takeover of the territory that Ansar Allah continues to hold now. In these areas, Ansar Allah appointed a general supervisor for the governorate and local supervisors in the executive offices and district administrations.

Generally, the governors in these governorates hailed from the GPC – even where pro-Hadi governors were ousted – while supervisors were from Ansar Allah and most of the top-level 'general supervisors' shared direct family or close biographical links to the al-Houthi family (Nevola 2019)¹¹. This is a pattern that was consistent across most governorates and also present at the district level, where the secretary general of the district tended to be from the GPC, while the district supervisor was from Ansar Allah. This second tier of supervisors was drawn from a broader pool of long-term supporters of the movement, who generally came from Saada or Hajjah governorates and tended to have been part of the Houthi Movement during the (six) wars President Saleh and General Ali Muhsin waged against it (Nagi et al. 2020).

At this point, Ansar Allah relied on the support of the GPC to establish an accepted presence in local institutions where they previously had no power base. Reflecting this partnership, the general supervisor and governor had a clear division of responsibilities: the governor was responsible for questions of service delivery and local administration, while matters relating to the war effort – recruitment, gas and petrol, military deployments, checkpoints, etc. – were the responsibility of the supervisor.¹²

The role of supervisors at lower levels of the hierarchy were less clearly delineated, but during this initial period, most did not directly affect the functioning of the local administration, but rather observed and shadowed officials. Most local decision-making did not initially change as a result of the supervisors, although it was disrupted by the war and especially by the loss of central revenues and salary payments (see the section: Revenue collection, centralisation and formalisation, below).

10 The PNPA was an agreement signed by a broad range of Yemeni political parties and movements that stipulated inter alia the creation of a new, technocratic government and the appointment of political advisers from Ansar Allah and the Southern Movement. Hailed at the time as a way to avoid war, it marked the beginning of Ansar Allah's formal influence over Yemen's state institutions.

11 See also <https://hunaaden.com/art16680.html> for an early attempt to detail supervisors and their relationship to the Ansar Allah leadership.

12 See Longley Alley (2018) on the general division of responsibilities inside what she terms the "Houthi Saleh alliance".

Ansar Allah takeover 2018–2019

Following the killing of Ali Abdallah Saleh, the power dynamics in the GPC-Ansar Allah relationship at the centre shifted dramatically (Nevola and Shibani 2020, Longley Alley 2018), but this filtered through to the local level more gradually.

The break with Saleh did not constitute a full dissolution of the partnership between GPC and Ansar Allah. Ansar Allah needed to keep institutions functioning and local constituencies on side, which meant at least initially keeping in place the expertise of senior officials, many of whom were members of Saleh's party, and maintaining access to its networks of tribal leaders and local notables.

Yet the local balance of power was shifting and Ansar Allah supervisors played an increasingly important role in local decision-making. Thanks to their relationships with the movement's leadership, supervisors held the ultimate trump card for local authorities: influence on the allocation of resources from Sana'a and on the deployment of security forces. Increasingly, they also wielded direct influence locally and came to be able to withhold official seals, control budgets and revenues, and advance the careers of those who supported their agenda. Supervisors came "to possess real authority at the neighbourhood, district and governorate levels" (Transfeld et al. 2020: 10), not just in Ibb, but across much of the areas under the de facto authorities.

Ansar Allah-GPC relations: an example from Dhamar

In Dhamar, the Supreme Political Council appointed a new governor in December 2017. The new governor, a tribal shaykh from Anas and a long-time GPC member who had been in direct conflict with Ansar Allah as recently as May 2017, was not considered close to Ansar Allah. His appointment after the killing of Ali Abdallah Saleh highlights the extent to which Ansar Allah at this point was seeking to repair its fractured alliance with the GPC and its sensitivity to local tribal dynamics.

A year and a half later, the governor resigned. In his resignation letter (posted on Facebook, subsequently deleted), he complained that he had become "utterly unable to perform his duties", blaming an unnamed "lobby" that was seeking to control governorate officials.¹³ Some weeks after his resignation, he was appointed Deputy Minister in Sana'a, highlighting the extent to which patronage remains a tool for repairing frayed alliances. This is also borne out in recent work on Ibb that traces how Ansar Allah built local support by offering local notables high-ranking military positions – while the same report goes on to highlight the ways in which wresting control of local institutions could also be highly coercive (Transfeld et al. 2020: 13).

¹³ For an account of these events from pro-government publications, see 4 Mayu 2019 and Al-Wafaq Nyuz 2019.

Localisation and formalisation?

Most recently, there appears to be a move underway towards greater formalisation, localisation and professionalisation in Ansar Allah's control of local governance. In this current phase, Ansar Allah is increasingly formally appointing members as governors and district directors. These new governors have re-assumed some of the powers seized by supervisors after the death of Ali Abdallah Saleh; and Ansar Allah-appointed officials, be they supervisors or deputy governors and secretaries general, are increasingly likely to be from the governorates in which they serve, especially at district level, and to have the formal prerequisites for a civil service career.

Since about early 2019, the original cadre of supervisors from outside the governorates (the 'old guard' of Ansar Allah supporters from before 2014) have gradually been recalled after loyal officials were identified. Many of these new officials are new members of the movement from the governorates in question, often young, educated figures from within the public administration itself.¹⁴ Elsewhere, the 'old guard' of supervisors have been brought into the formal state structure. In Raymah and Sana'a governorates, for instance, supervisors have been appointed as governors (ACAPS 2020: 6), formalising their role and restoring formal responsibilities and lines of reporting. This change has primarily taken place below the level of the governorate general supervisor and outside the security sector.¹⁵

New district secretaries general and deputy governors appointed over the course of 2020 often hail from the governorates to which they have been appointed and hold the formal qualifications for their posts. New appointments have brought sensitive portfolios, like services, finance and administration, under more direct control of

Ansar Allah. At the same time, many officials at this level remain GPC members – and there is no apparent rush to replace them, suggesting that the ongoing changes aim to embed Ansar Allah's influence in key positions and ensure that it can set the terms of its tacit alliance with technocrats and local elites, not to wholly replace all (senior) officials.

This continuity in less politically sensitive posts, and the continuity implied by former GPC members and formerly unaffiliated civil servants joining Ansar Allah, helps inflect the charge that Ansar Allah is packing the civil service with its supporters and replacing technocrats with inexperienced loyalists. This may be based on too wide a generalisation from the experience of the central government in Sana'a, where clientelist hiring has been widespread. Certainly, anecdotal evidence from the governorates fits more closely with recent attempts to document and quantify changes in Hajjah, which found rates of turnover and changes in personnel in the district and governorate offices since 2015 to be in line with normal fluctuations (UNDP 2019b). That is, Ansar Allah's rule has not involved the large-scale removal of previous staff or mass hiring on clientelist grounds, but rather the systematic positioning of allies in key decision-making and oversight roles and a concerted attempt to recruit existing officials into Ansar Allah and to promote them within their institutions. Moreover, as Ansar Allah establishes local structures and gains confidence in the political loyalty of the formal administrative apparatus, the parallel system of supervisors appears to be retreating from day-to-day administration and lines of responsibility are becoming clearer again.

Even this more limited change in personnel, however, requires a significant cadre of new supporters: the outcome of a systematic effort at recruitment, training and organising in the

14 In addition to their advancement at the local level, dozens of new Ansar Allah members have been appointed to the National Shura Council (ACAPS 2020).

15 General supervisors continue to be carefully selected. Most hail from the northern governorates of Saada, Hajjah and Amran – in December 2019, 8 out of 14 supervisors hailed from Saada (ACAPS 2020). The majority of these supervisors are Hashemites and many of them are directly connected with the al-Houthi family by kinship networks (Nevola 2019).

governorates that has resulted in local branches of Ansar Allah and the recruitment of local officials and notables, many of whom claim sayyid descent.¹⁶ In the governorates, local officials increasingly perceive Ansar Allah membership as a normal and accepted option to help fast-track a civil service career; and many former GPC members and civil servants without party affiliation have become members of Ansar Allah (Interview 1).¹⁷

Ansar Allah now appears to be a national-level organisation that is increasingly eclipsing, although not wholly replacing, the former ruling GPC in terms of its local branches and membership, its presence in key institutions, its ability to dispense patronage, and its ability to observe and police the actions of officials and ordinary Yemenis throughout the areas under its control. All the while, Ansar Allah insists that it is not a political party and does not wish to become one.

Internal politics and bargaining within Ansar Allah

A word on internal politics and bargaining within Ansar Allah. The movement is not monolithic and disagreements are not uncommon, especially between the old guard and more recent recruits – coinciding outside the movement’s heartlands of Saada, and perhaps Hajjah and Amran, with divisions between outsiders and natives of the governorates. ACAPS has traced how, in 2018 and 2019, moves to bring supervisors from Saada into Ibb’s and Hodeidah’s security sectors at the expense of locals sparked infighting between local supporters of the movement and the old guard brought in at their expense (ACAPS 2020). More broadly, divisions of region, class and education often coincide with those between an old guard that fought with the movement during the Saada wars, and new recruits within the civil service or from local sayyid families. These divisions play an important role in the everyday bureaucratic politics of local governance, and governors, ministry officials and supervisors can and do disagree about policies and local priorities.

16 People from families that trace their descent to the Prophet Muhammad, also known as Hashemites or *ahl al-bayt*, are referred to as *sada* (sing. *sayyid*) in the Yemeni context.

17 Due to political sensitivities, interviews conducted for this working paper are numbered without additional identifying information; similarly, not all statements and information derived from interviews are attributed.

Revenue collection, centralisation and formalisation

There has been a marked increase in taxation and other revenue collection at the local level, coupled with increasing central control over how locally raised revenues are spent. After a brief period of relative local autonomy in 2017 and 2018, local authorities have again grown more dependent on central allocations, lost control over their budgets, and have become more reliant on central connections, approvals and priorities.

Throughout 2017, local efforts to raise more funds were ad hoc and driven by necessity. When Yemen's internationally recognised government suspended central salary payments and other funding to the areas under the control of the Ansar Allah-Saleh alliance in late 2016, governorates sought ways to make up the shortfall. This was always going to be a tall order, given that most governorates received well over 90% of their annual budget from central allocations and local authorities were trying to raise funds under conditions of economic collapse. Although they appear to have redoubled their efforts to collect local revenues, fixed permit fees, utility taxes and zakat did not amount to a viable revenue base in most governorates (al-Awlaqi and al-Madhaji 2018: 5).

For example, Hajjah reported a decrease of more than 75% in local district revenues between 2015 and 2018, with local revenues in the governorate in 2018 in the range of hundreds of YR per capita per year (<\$2) (UNDP 2019a: 23). Similar, though slightly higher, total revenues appear to have been collected in Amran (Interview 1). While some other governorates had more success, this was achieved largely by tapping new sources of revenue. In Dhamar, the local authorities appear to have succeeded for a time in raising far more money

than in Hajjah, with a budget of around 150 million Yemeni riyal per month in 2018, equivalent to roughly \$10 per capita per year. This relative abundance of funds was due to the fact that, with fighting in Taiz and the Tihama, Dhamar for a time became the main conduit for trade between Aden and the North and was able to generate significant local revenues from taxing trade and levying customs fees (Rogers 2019b: 19).

During this period, governors arguably gained unprecedented room for manoeuvre, while the gaps between wealthier and poorer governorates and urban and rural district budgets grew (UNDP 2019a: 7). While tapping new sources of income and making stronger efforts to collect local income from customs duties, market taxes and zakat, governorates enjoyed wide latitude to spend the (limited) funds that they raised locally (Salisbury 2017; Rogers 2019a: 18).

By contrast, during the second and third phases of Ansar Allah's takeover of local institutions, analysed above, local discretion to spend locally generated revenue steadily decreased. Locally collected revenues that would have stayed in the governorates must now be passed on to Sana'a. Local budget lines for investment and discretionary spending have been cut entirely and operating budgets have been limited to restricted funding for health and education and – in the absence of salary payments – minimal and irregular stipends for government employees. Currently, most governorates are net contributors to the central government budget (Interview 3).

The first major step in this direction was a little-remarked administrative change in 2017 that required governorates to deposit all locally collected revenue in an account of the Central Bank of Yemen in Sana'a, rather than with the governorate branch of the Central Bank, as had previously been the case. In a related change, the Finance Ministry in Sana'a also moved zakat proceeds from local authority accounts to a special account with the Central Bank's Sana'a branch (Sana'a Center Economic Unit 2020).



Photo: Anas Alhaji/ Shutterstock.com

What initially appeared to be only a change in accounting facilitated the centralisation of zakat when the General Authority for Zakat (GAZ) was created under the Presidential Office in 2018. Zakat revenue, which had been one of the most important sources of locally collected funds in many governorates in the North,¹⁸ now fell under the control of the GAZ, which also stepped up efforts to collect zakat across all Ansar Allah-controlled governorates. The same local officials continued to collect zakat, but all the funds collected were now deposited in an account controlled and administered by the GAZ, which actively monitored collection and pressured local authorities to generate additional income. Whereas zakat collection had varied from governorate to governorate, but in many governorates was a quasi-voluntary tax in practice, with collectors accepting receipts or accounts of charitable giving in lieu of zakat, it is now treated as a compulsory tax, and businesses and individuals fear fines and imprisonment for non-compliance; some perceive verification and compliance measures undertaken by the de facto authorities to be excessive.

Alongside the changes to zakat, central authorities have expanded control over other locally collected taxes and fees. Fees and taxes designated as ‘local revenues’ under Law 4/2000 formerly remained wholly in the governorates and could be utilised directly by the local authorities in agreement with the governorate executive offices. Now, half of these funds are transferred to Sana’a outright, while the remainder is centrally pooled in a fund administered by the Ministry of Finance, reserved for roads, dams, fisheries and agriculture, to which districts and governorates must apply.

The more lucrative sources of funding defined as ‘shared governorate revenues’ and ‘shared public revenues’ under Law 4/2000, including fees on petroleum products and taxes on qat, now only fund the centre. Even fees for street cleaning and other local services are now pooled in Sana’a (Interview 1). These more centralised revenues are also now being collected more assiduously. As in the case of zakat, taxes on qat are more consistently levied, taxes on rental income collected at the district level are now actively

18 See e.g. the information collected on each governorate’s main sources of local revenues: <https://yemenlg.org/governorates/>

and consistently pursued, and paying off tax collectors or paying only token fees and taxes has become much harder (Interview 7, Interview 3).

Ansar Allah insists that these measures combat corruption and ensure fair distribution of limited resources between governorates. Moreover, they help deliver on the ‘National Vision,’ the official political programme of the de facto authorities in Sana’a. The national vision highlights the importance of central oversight and reapportionment of locally raised funds for the “fair and balanced distribution of resources under a strong unified state” and identifies the amount of taxes collected as a key performance indicator (Supreme Political Council 2019: 39). Similarly, it identifies building and strengthening the “central [...] control and accountability capacities on the local government districts”, alongside local and societal accountability, as a priority (ibid.).

At the local level, governorate and district authorities see themselves as having “much less autonomy” vis-à-vis Sana’a (UNDP 2019a: 15). These measures may also have undermined community coping mechanisms and the link between fees and services. Whereas, for instance, during 2018 communities in several governorates agreed to pay higher fees for local cleaning services in order to cover the actual costs and continue service delivery, now, such ad-hoc local solutions have become far more difficult to implement.

Centralisation is also, predictably, creating challenges in procurement and project selection, with bureaucrats in Sana’a, under pressure to deliver on the ‘National Vision’, purchasing equipment and implementing projects according to centrally defined priorities with limited local consultation.¹⁹

Alongside its role in increasing central control and oversight, centralisation of local revenues also forms part of broader attempts to shore up the finances of the de facto authorities. Until the war, an estimated 60% of government revenues (World Bank 2014) came from oil and gas sales; none of this income now accrues to Sana’a. In their attempt to make up the shortfall and fund an expensive war, the de facto authorities in Sana’a have centralised control over revenue streams formerly under the control of the governorates and districts; they have also created new central revenues. These include an emergency 5% levy on all mobile calls and data, control of public companies and seizure of companies affiliated with political opponents, control of fuel import companies, new fees for education, sanitation and other basic services, tapping the revenue streams of hospitals and other potentially profit-making service providers,²⁰ and seizure of property and assets. Most recently, the de facto authorities have established an additional 20% tax on profits derived from natural resources, notably water, oil, gas, minerals and fishing.²¹ This tax, known as the *khums* (fifth), had not been applied as of November 2020.

19 What limited investment funding is available appears to be largely dedicated to achieving the goals defined in the vision. Echoing the earlier deployment of supervisors across government, Ansar Allah has created new executive units inside most ministries for implementation of the national vision.

20 According to a UNDP analysis, this amounts to a de facto privatisation of public services (UNDP 2019a: 6, 8)

21 *Khums* had originally been proposed in mid-2018 as part of a controversial zakat bill that did not pass in the Sanaa Parliament, due to widespread GPC opposition. *Khums* and other changes to zakat have since been introduced through decrees and new ministry by-laws. On sources of central funding and criticism of the *khums* see: Sana’a Center Economic Unit (2020) and A Correspondent in Yemen (2020).

Salaries and services

Regular salary payments to civil servants at all levels of the administration in the areas controlled by Ansar Allah ended in 2016, when the internationally recognised government stopped transferring salary payments to the Central Bank branches outside its control. Since then, a system of significantly reduced payments has been instituted. Initially minimal²² and improvised, with irregular payments, they have become more regularised and institutionalised over the years. Most public servants working for the de facto authorities can now expect to receive roughly 10–25% of their previous salary—between 5–10% in real terms.²³

Despite this fall in salaries, absenteeism remains low according to some metrics. A recent UNDP assessment in Hajjah, for instance, noted that more than 80% of district staff and nearly 70% of governorate staff continue to show up for work (UNDP 2019a: 22).²⁴ At the same time, anecdotal evidence suggests that public employees, from teachers to sanitation workers and local functionaries, have had to find additional sources of income to cope, mostly by taking up additional jobs in the informal sector.

The loss of salaries has combined with the loss of budgets for investment and services and growing central control over how the minimal remaining funds may be used, to leave local governance hollowed out: formal structures continue to exist and their staff continue to show up for work on at least a semi-regular basis, but their ability to set priorities, allocate funds and implement projects has been severely curtailed. Local authorities continue to create strategic plans for the next few years and to update existing plans, drawing on local council members and their networks to identify needs and local priorities – or at least those perceived by local leaders. However, they have few resources to implement them.²⁵

Enter international aid, which is keeping many of the basic frontline services functioning at a minimal level. Most of the local offices and authorities tasked with service delivery – like the water authority, health office, or education office – are sustained by funding from international organisations, which cover salaries, supply the necessary equipment, and, through project funds, provide what infrastructure investment exists to repair conflict damage, open new facilities, or maintain and refurbish existing ones (Interview 1).

Local authorities' role now consists to a large extent of attempts to market their plans and identified needs to donors and to implementing partners administering donor funds, acting as brokers and trying to coordinate different actors with little to no authority (Interview 5, Interview 7). Yet international organisations and INGOs are generally reluctant to work with local authorities in Yemen, due to concerns over the misappropriation of funds and a reluctance to engage with the de facto authorities.

22 In 2018, staff in Hajjah received the equivalent of one month's salary per year, paid in two instalments over the year (UNDP 2019a: 8, UNDP 2019b: 6).

23 Using the de facto exchange rate of the Yemeni Riyal (Ansar Allah-controlled areas) against the US dollar as a rough proxy for purchasing power (250 YR in 2016; ca. 600 in 2020 (Yemen Economist 2020)) suggests that in real terms salaries have been cut by a further 50%.

24 The metric used indicates only whether employees show up to work at least once a week.

25 According to UNDP figures (UNDP 2019b: 11), relative to 2013, the 2018 budget for Hajjah governorate and selected districts had seen investment cut by 100% and the operating budget by 67–80%.

Moreover, the new aid coordination mechanisms created by the de facto authorities have further centralised and securitised the process of gaining approval for any local-level work.

This dynamic continues to escalate. In 2019, a UNDP assessment found that donor focus on water, health, and education meant that other services such as agriculture, sanitation and road construction and maintenance were being systematically neglected (UNPD 2019a: 6).

Local authorities often do not know about and have no ability to influence or monitor development projects funded by international donors or the central government as part of its implementation of the national vision – yet these have been the only sources of funds for investment for years.

Donor reluctance to work directly with local authorities has long meant that infrastructure projects and investment at the local level were handled by bodies such as the Social Fund for Development and the Public Works Project. Both are established and generally well-functioning parallel structures with which local authorities have developed coordination and cooperation mechanisms. By contrast, local authorities' cooperation with other implementers and humanitarian actors is often more fraught (Interview 5). Similarly new parallel structures established by Ansar Allah such as the implementing offices for the National Vision, which have been proliferating in central and local institutions, have generally ignored and bypassed existing local plans and structures (Interview 5).

Conclusion

Local governance in the areas controlled by Ansar Allah has changed since the outbreak of the current war. A mid-level local official transported from 2014 to the present would find that their salary is no longer being paid, their working budget has been slashed, many of their superiors are no longer in place, and permission must now be sought from new quarters, even as they face new pressures to raise funds and must petition the central government for support for the projects they seek to implement.

From Ansar Allah's perspective, these changes are similarly evident, but would likely be framed differently: the National Vision speaks of increasing central oversight and accountability of local authorities;²⁶ dismantling Saleh-era networks that contributed to Yemen's underdevelopment; and increasing local revenue generation as part of a broader project to increase local state capacities. This project, Ansar Allah would point out, is occurring in a situation of active conflict, in which military needs must trump civilian concerns and against the backdrop of economic collapse brought on by war and a blockade of Yemen's ports.

This working paper has attempted to tread somewhere between these perspectives, tracing these changes in terms of Ansar Allah's multi-phase takeover of local institutions, growing centralisation, central oversight and control, renewed efforts to collect taxes and other local revenues, a collapse of local budgets and salary payments, and a de facto transfer of related responsibilities to international aid organisations.

These changes have occurred rapidly over recent years. However, it is unlikely that they will be rapidly undone, especially if the new status quo persists for some time. Because institutions are 'sticky,' how they govern civilians in times of war can – and often does – affect how they will govern in times of peace (see e.g. Huang 2016).

Just as the transition in 2011 and Ansar Allah's subsequent 'revolution' had to contend with local institutions linked through the GPC party, patronage networks, political loyalty and force of habit to President Saleh and his inner circle, so a transition now will have to take as its starting point the overlapping modes of oversight and control that Ansar Allah has put in place in the governorates and districts. Centralising legal and administrative changes intertwine with the parallel supervisor network and personal and institutional loyalties in ways that will likely make them difficult to roll back. Federalism or serious decentralisation in the future will have to contend with apparently different trajectories of central-local relations in different parts of Yemen, and with levels of centralisation in the areas currently under Ansar Allah's control that will be difficult for at least some other regions to accept. A future peace agreement and transitional dialogue will have to identify how more centralised procedures, the supervisor system and Ansar Allah supporters in the civil service can help or hinder reform.

26 It also speaks of increased local and community oversight, although these could not be observed in practice.

Increased taxation may be easier to reverse, and there will likely be popular pressure to do so; yet it also has the potential to help recast central-local relations and local governance in constructive ways. If, in the context of a peace agreement, central government regains access to oil and gas revenue, it will be tempted to relax the current intensive efforts to collect funds locally. Citizens and business owners would likely breathe a sigh of relief – current fee levels for basic services, and some business levies in particular, appear unsustainable. Moreover, without the pressures of active conflict, the overriding imperative to pay for mass mobilisation, fuel and weapons would lose its justification.

On the other hand, wartime increases in taxation have proven remarkably durable in other contexts – not just in the United States and Europe in the context of the world wars, but in many places where what has come to be called ‘rebel governance’ defined the post-war political economy and governance (Péclard and Mechoulam 2015). A central government in Yemen that is more dependent on local taxation – as opposed to local authorities almost wholly dependent on central support – may offer a chance to put local governance on a different footing.²⁷ Past decentralisation in Yemen did not come with the funds and authorities to match the theoretical responsibilities assigned to the local level.

If local authorities were able to generate a significant portion of their revenues themselves, this may open up opportunities for bargaining and more immediate accountability for service provision. At the same time, the limited revenues that have been raised locally, despite redoubled efforts, highlight the limits of local revenues for ensuring adequate service delivery, underscoring the importance of agreeing a fair distribution of oil revenues for all areas of Yemen in a future peace agreement or transitional dialogue.

27 Work over the past decade has underscored the potential for positive tax-governance linkages through the effects of tax administration on general state capacity and through the incentives for bargaining that taxation creates. However, while there is little doubt that these linkages often exist, they are not guaranteed (Prichard 2016, Moore 2007).

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