Changing Local Governance in Yemen

The areas under the control of the internationally recognised government

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Local governance is changing in Yemen, with far-reaching effects on the way state institutions function, on central-local relations, and on service provision and citizens’ experiences of the state. Earlier Berghof research (Rogers 2020) highlighted the ways in which war and Houthi policy were re-drawing central-local relations and the functioning of local governance in the areas under Ansar Allah’s control. This paper complements that investigation by examining the changes under way in the areas under the control of the internationally recognised government.1

It highlights that, in contrast to the trends observed in areas under the control of Ansar Allah and the Sana’a authorities, the overall trajectory in areas controlled by the internationally recognised government has been towards increased local autonomy – and while important variations exist between governorates, changes everywhere follow a similar trajectory in terms of decision-making, revenues and local services.

(1) In terms of decision-making, governors have gained autonomy from the central government and decision-making is centralised in the governor’s office. Governors have made new appointments at the district level and in executive offices. The central government’s influence on day-to-day governance is circumscribed, but relations to the central level remain an important resource for governors and determine key parameters of local autonomy. Levels of administration below the governorates have not gained autonomy.

(2) In terms of revenues, local authorities in areas under the control of the internationally recognised government are struggling financially. The central transfers they receive in theory – for salaries and running costs – have been eroded by inflation, are subject to delays, and depend on bargaining, political deals and governors’ relationship to the central government and Presidency in particular. Some governorates have been able to access funds from outside donors, while some have been able to find new local revenues. These revenues are generated on an ad hoc basis in accordance with locally evolved practices that differ from governorate to governorate, with governorates’ resource base, and with varying but generally weak links to the central government.

(3) In terms of public spending and services, a similar evolution of ad hoc local practices, often in combination with bilateral deals with the central government, has led to wide variation in service delivery, dependent on each governorate’s ability to generate and keep control of local revenues or attract central funding and foreign support, as well as on governors’ decisions about using the limited revenues available. In revenue-poor governorates, international organisations play a crucial part in distributing food baskets and determine decisions about investment. The level of service provision is very weak overall.

Awareness of these facts will be important for finding an end to the current war in Yemen and for building a sustainable peace. This is true, first of all, because a measure of decentralisation in Yemen will likely accompany a peace deal and has the potential to address some of the underlying grievances that led to war. Understanding how current de facto decentralisation operates in practice should be the starting point for thinking about future central-local relations in Yemen and provides both success stories and cautionary tales about how such decentralisation could be approached. Moreover, local administrations and citizens are unlikely to accept a straightforward

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1 Earlier conflicts likewise left enduring legacies; on the civil war between royalists and republicans in the 1960s, see Rogers 2019b; on the 1994 and Saada wars, see Day 2012.
return to previous levels of centralisation.
Secondly, stabilisation and services during a fraught interim period in Yemen will necessarily rely on local structures, so understanding how they operate will be critical. Local governance practices are diverging, and in order to ensure that basic needs are met across Yemen, the increasingly different local governance regimes and differences in de facto powers governorates now hold in different parts of the country must be taken into account. With the war continuing, the twin spectres of fragmentation and over-centralisation loom ever larger.

This report is based on semi-structured interviews and desk research. In total, 23 interviews were conducted with interlocutors based in Hadhramawt, Marib and Aden governorates, particularly local officials and independent experts. Interviewees included deputy governors, district managers, other local authority officials, and officials in central ministries.

Following a brief overview of local governance in Yemen since unification in 1990 for background, this report analyses the current situation in areas under the control of the internationally recognised government, focusing on changes to decision-making, changes in revenues, and changes in services. It closes with a consideration of the implications of these changes for the peace process and central-local relations in the future.
1. Background

When former North and South Yemen entered into negotiations on unification in 1990, it was widely expected that they would implement a federal, even confederal, system. Instead, negotiations produced a centralised, unitary system with very limited decentralisation and no reserved power for the regions (Detalle 1994, Lackner 2019, 117). The period after unification saw rapid moves towards more central control and by 1993, the former President of the People’s Democratic Republic of Yemen (PDRY), Ali Salem Al-Bidh, claimed that centralisation was leading to a gradual takeover by northern elites (Toye 2002, §21).

Tensions between the leaderships of the former North and South came to a head in 1994. Northern forces won the war and centralisation focused on Sana’a continued. Local governance came to rely on centrally appointed governors and heads of districts. Many of the governors appointed at this time were military and tribal allies of President Ali Abdallah Saleh, so that, in the view of southerners, the South was ‘colonised’ as President Saleh and his allies took over formerly nationalised land, companies and other assets (Day 2012, 138, 142-143).

A new Local Authority Law (Law 4/2000) did little to change the balance of power and arguably served primarily to expand political patronage opportunities for the ruling party, the General People’s Congress (GPC), by creating entry points for central 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 centre.

One of the key provisions of Law 4/2000 was assigning revenue sources to different levels of government. On paper, the law provides incentives for local administrations to collect local revenues more systematically. In practice, short time horizons and dependence on central government’s goodwill meant that local authorities found that relationships to Sana’a, and selling public lands, were a more effective fundraising strategy. Land sales not only obviated the need to collect local fees and taxes, but could also shore up political alliances in addition to generating the funds needed for local administration. This was particularly true in the South, where public lands were more common, ownership was more likely to be disputed, and senior officials were often outsiders (Hallaj 2015, 105, 121-122).

As Yemen’s oil revenues waned in the 2000s, this system began to unravel. Income from oil peaked in 2006. International aid, largely under a ‘counterterrorism’ framing, partially replaced oil revenue in the later 2000s, but tended to be focused on central security forces and could less readily be used to maintain patronage networks in the governorates. Combined with growing international pressure towards market-oriented reforms, these developments were one of the factors which left local governance languishing.

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2 In addition, key posts went to southern supporters of Ali Nasir, who had led a faction in the PDRY that was forced to flee to the North in 1986.

3 On the structures laid out in the Local Authority Law – 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 Public Works Project (PWP) and Social Fund for Development (SFD) – see Rogers 2019a.
and starved of funds. There was little central investment or initiative, but central oversight and control were maintained.

Paralysis of local governance was just one symptom of the deeper malaise of a patronage system that became successively narrower as the central government ran out of funds. Pensioners’ protests in the South turned into demands for secession on the one hand, and demands for better services and safeguarding of Zaydi heritage in Saada became an armed insurrection, as the regime sought to repress the Houthi movement by force, on the other hand. These movements initially shared a commitment to more local autonomy and supported federalism and regional autonomy during the National Dialogue Conference (NDC).4

The outbreak of the war led initially to a process of spontaneous and ad hoc decentralisation, as central institutions fractured, attention and resources were focused on the war effort, and salaries were suspended. At the same time, governors saw their powers expand locally and previous checks on their power – from central ministries and local councils – were removed (Rogers 2019a). While this process has been reversed in areas under Ansar Allah’s control – and has increasingly been replaced by unprecedented central control and centralisation (Rogers 2020) – it continues in the areas under the control of the internationally recognised government. In these areas, the trend towards local autonomy has increased, leading to a patchwork of ever more distinct local governance regimes with different key actors, different levels of central control, and varying levels of effective governance and service delivery. The following three sections explore this development in terms of changes to decision-making, local financing, and spending and services.

4 Only certain elements of the southern movement and the Houthi movement were represented in the NDC. In the case of the southern movement in particular, acceptance of the premise of a united Yemen (federal or decentralised) became a de facto precondition for inclusion in the NDC, with the result that many influential voices calling for secession were not part of the discussion (Lackner 2019, 43).
Decision-making has become more centralised within governorates, with governors taking on new roles previously reserved for the central government and exercising additional de facto authority. Central ministries have seen their role in local governance reduced. Staffing decisions and plans for the ‘executive offices’ – local branches of central ministries – are now made in the governor’s office. However, the (internationally recognised) central government continues to shape the parameters for local governance in important ways. Governors’ relationship to and their relative bargaining power with the internationally recognised government and with key regional actors determine what funds they receive from the centre, which locally collected resources they can keep control over, and how easily they can be replaced if they do not follow formal and informal red lines. In addition, governors’ relations to informal power holders, and especially armed actors in the governorate, determine their effective reach and their role vis-à-vis other local power centres.

Local councils’ much reduced role

Within governorates, governors are now more powerful and decision-making is centralised in the governor’s office. There are few consultative bodies and in most governorates, local councils are not operational.

For instance, the local councils at the governorate and district levels in Aden were suspended in 2015. In Marib, the local councils were suspended after the assassination of the secretary-general of the governorate’s Local Council in 2014 (UNDP, 2019). In coastal Hadhramawt, they were suspended after AQAP was pushed out of Mukalla in April 2016. Councils seem to be suspended or not function in Taiz, Lahj, Abyan, Al-Dhalea, Al-Baydha and Shabwah. In some cases, a driving factor behind the initial suspension of councils was council members’ affiliation with the GPC, and related fears that they might cooperate with former President Saleh and Ansar Allah against the internationally recognised government. The decision to suspend councils in areas where the GPC did not predominate and to leave the councils suspended once the individual allegiances of GPC members became clear has likely been driven by a combination of financial and administrative considerations, as funds for councils have not been available and governors found they preferred to keep local council functions in the executive.

Only in Wadi Hadhramawt and Al-Mahra do local councils continue to operate and they appear to do so fully only in Wadi Hadhramawt. Only there do local councils play an important role in selecting projects, in monitoring the work of executive organs and in setting a budget for the local authority. In Al-Mahra, only the committee heads and the council secretaries-general meet regularly and the council does not monitor executive offices.

With the councils suspended, managers of the executive offices and deputy governors have taken on the roles of the councils and sometimes of district managers as well, bringing the budgetary, supervisory and deliberative functions of the councils into the governorate executive and creating direct lines of reporting and oversight from district officials to governors. Power is

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5 Author’s interview with an official in the local authority (Hadhramawt Coast), July 2021. Saleh founded the GPC in 1982 and remained influential in the party until his death in 2017.
6 Author’s interview with an official in the local authority (Wadi Hadhramawt), July 2021.
7 Quarterly local governance implementers’ coordination meeting, organised by UNDP and Berghof, August 2021.
increasingly centralised within governorates, and
district managers, particularly of more remote
areas, complain about marginalisation by the
governorate level and of not being allocated
sufficient funds to cover operational costs or
conduct development projects.8

Governors’ new authorities:
plans and staffing

In addition to taking over the budgetary,
supervisory and deliberative functions of local
councils, governors assumed new de facto powers
in the absence of functioning central ministries.
Approximately seven years into the war, ministries
have not been fully re-constituted and many
operate with limited support staff. As a result, the
ministries’ ability to communicate with, support
or control executive bodies in the governorates is
circumscribed. Control of appointments, budgets
and planning, which formerly lay with central
ministries and ultimately the minister, is now
largely exercised by governors, and executive
offices report to governors. When faced with urgent
financial needs, district managers now tend to
directly approach the governor or the deputy
governor.9

Moreover, governors have taken control of
appointments to the executive offices, which
in the past had been the purview of the line
ministries. For instance, the governors of Aden
and Hadhramawt and the deputy governor of the
Wadi region of Hadhramawt have all appointed
new senior officials in the executive offices of
ministries, who directly report to them instead
of the line ministries,10 although they continue
to receive their salaries from the ministries’
budget.11 In some governorates, governors have
also replaced district managers with their own
appointees. This development has perhaps been
taken furthest in Marib, where all managers of
the executive offices report to the governor and
many new appointments have taken place (Al-
Arami 2021). While the political affiliations of new
appointees cannot easily be evaluated, observers
have often seen such appointments in partisan
terms – as strengthening the dominance of key
political parties like Islah or partisan actors like
the Southern Transitional Council (STC) in each
governorate.

It would be wrong to see such developments as
necessarily being aimed against the internationally
recognised government or in terms of governors
advancing narrow sectional interests. From
the local authorities’ point of view, there is a
feeling that they have been forced to take matters
into their own hands and to take over new
responsibilities in order to keep local governance
operational. With limited central capacities, local
innovations were driven by necessity at least in
some cases, and lack of control over local staffing
was a longstanding grievance for local authorities
and a source of significant dysfunction in the old
system. In some areas, local innovations appear
to have allowed experimentation and innovation;
for example, Aden governor Ahmed Lammas has
appointed women as managers in the executive
offices for media, planning and international
cooperation, women’s development, the postal
service, statistics and culture, dramatically
increasing women’s representation at the higher
levels of the local authority in Aden.12 However,
from the vantage point of the central government,
the same developments tend to be viewed as a
local power grab. Both dynamics are likely at play.

8 Author’s interview with an expert in the local authority (Hadhramawt Coast), August 2021.
9 Author’s interview with an expert in the local authority (Hadhramawt Coast), August 2021.
10 Author’s interview with an official in the local authority (Hadhramawt Coast), July 2021; author’s interview with an official
close to the Aden local authority, August 2021.
11 Author’s interview with an official in the local authority (Hadhramawt Coast), July 2021.
12 While there are no publicly available statistics on women’s representation in local government in Yemen, anecdotal evidence
suggests that women do not exceed 10% of local authority staff across the country, with pockets of much lower representation.
Governors’ complicated relationship to central authorities and external actors

These changes need to be understood not in terms of the relationship between ‘central government’ and the local level, but in terms of the bargaining between different power centres within and outside the internationally recognised government of Yemen. In light of this, steps towards autonomy in Marib were taken in close coordination with President Abd-Rabbuh Mansur Hadi and the Saudi-led coalition (Coombs and Al-Sakani, 2020, Al-Iryani, Coombs and Salah 2021, 56). By contrast, moves towards greater autonomy and the takeover of tasks of some central ministries by the local authorities in Aden occurred in direct competition with the government.

In Aden, for instance, governors, at least since the STC first took control in August 2019, need the support of the STC to be able to safely establish themselves in the governorate, to raise revenues, and deliver services. The appointment of Ahmed Lamlas highlights this reality. Appointed in July 2020 as part of the Riyadh Agreement (Jalal 2021), Governor Lamlas is the Secretary-General of the Southern Transitional Council (STC) and was a compromise candidate between the STC and the internationally recognised government. It has been his ability to coordinate with STC-affiliated security forces that has allowed the collection of taxes, fees and other forms of revenue to fund the local authorities and allowed them to resume some of their functions (Al-Iryani, Coombs and Salah 2021, 74) – just as it has been his standing as the official governor appointed by the internationally recognised government that has allowed him to access a measure of central funding and ensured that the local authorities in Aden remain an accepted counterpart for international organisations and donors.

In Taiz, governor Nabil Shamsan (appointed in December 2018) has had to carefully build and manage relations with the different de facto power holders inside Taiz city and across those parts of the governorate under the control of the internationally recognised government (Baron and Al-Hamdani 2019). His influence has largely been indirect and despite efforts to build relations with key groups, he has spent much of his tenure outside the governorate and resigned at least once following clashes and threats from armed groups (Debriefer 2019).

Other governorates occupy a position somewhere on this continuum. For instance, it is unclear whether the internationally recognised government could remove the long-serving governor of Marib. Sultan Al-Aradha has been governor of Marib since 2012 and enjoys genuine popularity and a local power base among Marib’s tribes, even beyond his Abida tribe (Coombs and Al-Sakani 2020). He has been credited with a surge of investment and economic development in the governorate and, as a respected tribal figure, has local support that predates his appointment as governor (Baron 2018). At the same time, his position as a key ally of President Hadi and his close relations with Saudi Arabian decision-
makers have made the question moot. To a lesser extent, the same may be true of Hadhramawt’s governor Faraj Salman Al-Bahsani, whose position as commander of the second military region and paramilitaries like the Hadhrami Elite Forces (Al-Hamdani and Lackner 2020) may complicate any hypothetical attempts to put in place a new governor. That being said, apparently well-established governors have repeatedly been replaced at short notice, most recently Mohammed bin Adyo, the governor of Shabwah, in December 2021.

Both Governor Al-Aradha and Governor Al-Bahsani also highlight a final element in the web of relations that determines governors’ autonomy: their relationship to key outside actors, most notably Saudi Arabia and the UAE. Interviewees for the report saw it as self-evident that specific governors have been appointed because of their relations to Emirati or Saudi decision-makers and their ability to appeal directly for funds and support in Abu Dhabi or Riyadh. This may be a particularly important dynamic in governorates where security forces receive their salaries from external actors.

Hajjah Al-Abed Road is the only road that connects the city of Taiz with the city of Aden. Many local authorities rely increasingly on customs duties and fees levied on trade.
3. Finances: central support and local revenue generation

The different levels of autonomy from central government discussed above have also translated into different local revenue regimes – governorates have very different capacities to raise funds and have different agreements with the central government over what revenues they receive and which locally generated revenues they can control. Attempts by (parts of) the internationally recognised government to re-centralise control over revenues have highly variable impacts on the ground. Some governorates have significant local revenues and enjoy de facto permission to spend them in line with local priorities. Others lack comparable sources of income or face more stringent requirements to report local revenues and contribute to the central budget. These different agreements with the central government, different available resources and different levels of autonomy over local revenues result in substantial discrepancies between governorates in their ability to pay staff, initiate investments and provide services.

Central grants and agreements

Before the war in Yemen, around 90% of the financial resources for the local authorities' budgets came from the central government (Academic and Political Activist in Sana’a 2018). Central grants are still the main source of funding for the governorates and funding effectively remains at the 2014 level. Over this same period, the Yemeni riyal lost 80% of its value vis-à-vis the US dollar in the areas under the control of the internationally recognised government. As a result, even if they were receiving the full amount theoretically due to them, governorates would be operating with less than one-fifth of their pre-war budget in real terms. However, governorates are not receiving the full amount of the 2014 budget. Since 2016, when the internationally recognised government suspended the local authorities’ investment programmes in order to decrease expenditures and reduce the budget deficit, governorates have received only the budget lines for salaries and recurring costs. Moreover, central transfers are uneven and frequently delayed, as the internationally recognised government struggles with a large and growing deficit and liquidity crises: central government income has collapsed since oil exports have been slowed by the war, and locally

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13 This is not to say that these were necessarily resources collected by the central government. Up to a point, it is an accounting operation: in revenue-rich governorates, the Finance Ministry would instruct the governorate branch of the Central Bank to transfer less to the general budget account.

14 Between 2015 and 2018, governorates outside the areas under Ansar Allah’s control officially received central funds on the basis of the 2014 budget. In 2019, the internationally recognised government formally announced a new budget, which has continued to be used for 2020 and 2021. However, the changes to funds made available to the governorates were minor. Author’s interview with an official close to the Aden local authority, August 2021.

15 Calculations based on the real exchange rate of 1250 YER per USD. As of December 2021, the exchange rate was 1450. See also: ACAPS Yemen Analysis Hub (2020).

16 These budget lines are referred to as Chapters 1 and Chapters 2 of the budget, respectively. Chapter 3 (central support, electricity for example) is also an important source of funds in some governorates, such as Aden.
collected revenues from areas under Ansar Allah’s control, but also from some areas nominally under the control of the internationally recognised government, do not make their way into its coffers. Government income has been highly dependent on inflationary sources of income, like printing money, and on foreign loans and grants. In addition, financial administration has not been transparent and there have been persistent allegations of corruption.

Given the scarcity of funds and the absence of other tools for central ministries and the Presidency to monitor and influence local authorities, central grants have become dependent in part on ad hoc deals reached between individual governors and the central government. Such deals depend on the two sides’ relative bargaining power and on political alliances and calculations.

The most well-known example of such an agreement is the deal on oil revenues struck by first Marib, then Hadhramawt and later Shabwah. Marib governor Al-Aradha first negotiated a deal in mid-2017 that granted the governorate a 20% share of oil revenues originating from Marib to pay public employees’ salaries and cover the local authorities’ operational costs (Al-Awlaqi and Al-Madhaji 2018). Hadhramawt’s governor soon requested the same terms and Hadhramawt was granted an equivalent deal. Approximately one year later, in late 2018 or early 2019, Shabwah was granted the same terms.

Before the conflict, Hadhramawt produced an estimated 104,000 barrels per day (bpd) (Sana’a Center and Oxford Research Group 2019). With the departure of international oil companies, oil production has declined. However, government-owned PetroMasila continues to operate and produces around 30,000 barrels per day for export via Al-Shihr Terminal, generating approximately $650-700 million annually, suggesting Hadhramawt should be receiving at least $130 million per year. Implementation of the agreement appears to be uneven, with Hadhramawt governor Al-Bahsani remonstrating with the President in late 2021 to pay the governorate a shortfall of $10 million that he claimed was overdue from May and June sales. It is unclear how revenues are distributed across Hadhramawt’s Coast and Wadi regions and how they are administered.

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17 Author’s interview with an official close to the local authority (Hadhramawt Coast), August 2021.
18 Calculations based on the international oil price ($60-65 per barrel).
19 A letter purporting to be from Governor Al-Bahsani to the Presidency dated 3 September 2021 was circulated to the authors via social media.
Marib’s income from oil and gas

The fact that Marib receives 20% of locally generated oil revenues is well-known. It is less clear what this means in practice, since international oil companies stopped working in Yemen when the war broke out and have largely not resumed operations and exports via the Marib pipeline and FSO Safer, the main route for exporting Marib crude before the war, now suspended.

According to some estimates, oil production in Marib is now about 8,000 barrels per day. At average prices for 2021, this oil is worth approximately $17 million per month or $200 million per year on the international market. If Marib crude could be sold without a discount and if Marib received 20% of revenues, this would generate income for the governorate to the tune of $3.3 million per month.

While information is difficult to come by, there is reason to believe that international sales of Marib crude are near zero. However, the Marib refinery continues to operate, so Marib can locally refine crude oil into gasoline and other petroleum products and sell these inside Yemen. Similarly, it generates approximately 12 billion Yemeni riyal per month (approx. $2 million) from natural gas sales. Both of these sources of income are independent of the central government and accrue in the first instance to the governorate, not the state-owned companies that conduct international oil sales.

As a result, it is the central government that is dependent on transfers from Marib, not vice versa. There are longstanding complaints that the governorate and the Marib central bank are not transferring the income generated from these ‘sovereign resources’ to the central government or even reporting it to the central bank in Aden.

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20 Author’s interview with a Marib senior tribal source, October 2021.
21 Average price for Brent crude over 2021, correct as at 21.12.2021, was $70.40.
22 Author’s interview with an expert close to Marib local authority, August 2021. USD figure based on exchange rate (approx. 1000 YER per USD) at time of interview.
Uneven relations with the central level also determine how frequently and promptly payments are made – close relations and effective cooperation between the central level and the local authority in Wadi Hadhramawt have translated into regular salary payments for civil servants, while officials in the coastal region of Hadhramawt complain, including to the UN Panel of Experts, of delays of six months and more in salary payments (UN Panel of Experts 2021, 9). In Aden, the regularity of payments has followed the vicissitudes of the relationship between the local authorities and the central government.

Local revenue generation

Facing falling central allocations in real and even nominal terms, local authorities unable to strike deals on oil revenues with the internationally recognised government have sought to collect more local revenues to make ends meet. These revenues are generated and administered on an ad hoc basis in accordance with locally evolved practices that differ from governorate to governorate. This mode of crisis response has deepened de facto decentralisation, enhancing incentives for local authorities to collect funds, while also deepening disparities between governorates and stretching the Local Authority Law and executive bylaws that in theory continue to set the parameters of local governance in Yemen.

Some governorates have taken control of revenue streams defined in the law as ‘central revenues’ – like revenues from oil and petroleum products – and ‘common public revenues’ – like customs duties and most taxes. In theory, these are shared with or even wholly accrue to the central government. In practice, some governorates are resisting pressure to report these revenues in the general budget account and to transfer funds to the central level.25

The logic for doing so is clear, since the Local Authority Law reserved the most lucrative funding sources for these streams. Especially in light of out-of-date fee schedules and ongoing inflation, the amounts districts and governorates can generate from the revenue sources reserved for them are minimal. The amount generated by former mainstays of local revenues, such as fees for advertisements in public places and building permits, has fallen in real terms.26 By contrast, shared and central revenues calculated in percentage terms, like taxes on qat and petroleum products or import duties, scale as prices in riyal have increased.

23 Author’s interview with an official close to the local authority (Wadi Hadhramawt), August 2021. The local authority in the Wadi has reached an agreement with the government to pay public salaries in part from the customs fees reserved in the account of the central bank in Seyoun. In Mukalla, it is less clear how custom revenues are utilised and disagreements over who owes whom from different revenue streams have complicated cooperation.

24 In Wadi Hadramawt, the local authority had increased local revenues by 2020 to around three times the level of 2013. Author’s interview with an official close to the local authority (Wadi Hadramawt), August 2021.


26 Fees remain unchanged from levels set in Executive Order 283 of 2001. As a result, fees for billboards in public streets have fallen to less than $2 and licensing fees for establishing a 5-star hotel now net governorates the equivalent of approximately $30.
Moreover, local authorities find the political and administrative cost of collecting revenues from importers, qat markets or petrol stations to be lower than seeking to increase revenues from larger swathes of the population, since, for instance, seeking to collect the majority of electricity fees that currently appear to go unpaid in Aden might invite questions about the reliability of the service being paid for and generate popular resistance. By contrast, customs duties have become a key source of local revenues and place governorates able to tax international trade, such as Aden (Aden Port), Hadhramawt (Mukalla port, Al-Shihr port and Al-Wadiya border crossing) and Al-Mahra (Al-Shahn border crossing), at a relative advantage in terms of the revenues they have available.

The increasingly decentralised collection of these revenues has led to differences in the ways they are administered and has introduced a measure of competition between governorates. For instance, the local authorities in coastal Hadhramawt reduced customs duties at Mukalla port by roughly 50% in the early stages of the war. Although implementation is uneven, these rates have generally been maintained at this level since then, in a bid to attract trade – and income – from Aden.

The relationship to the central government also determines to what extent governorates must abide by current laws to make locally collected revenues available to the central level. While governorates like Al-Mahra face pressure from the central government to deposit locally collected revenues with the central bank, and largely comply with such directives, other governorates, including Marib, have successfully resisted pressure to report and transfer locally collected funds. In some governorates, relations vary from region to region: while the local authority in Wadi Hadhramawt cooperates with central ministries and sends periodic reports, including a financial report at the end of each year, the local authorities in coastal Hadhramawt have sought a more arms-length relationship to ministers in Aden and Riyadh: taxes on qat and oil derivatives are not transferred to the general budget account in the Mukalla central bank, and are instead paid into accounts with money changers beyond the reach of the Aden central bank. The Mukalla central bank itself also operates a number of special accounts on which it does not report to the Aden branch.

27 The local authority of the Wadi controls revenues from al-Wadiya border crossing, while income from the ports accrues to the coastal region. They are collected in separate accounts in the Seyoun and Mukalla branches of the central bank, respectively.
28 Author’s interview with a former senior official of Al-Mahra local authority.
29 Author’s interview with an official close to the local authority (Wadi Hadhramawt), August 2021.
30 Author’s interview with an official close to the local authority (Hadhramawt Coast), August 2021.
31 Author’s interview with an official close to the local authority (Hadhramawt Coast), August 2021.
4. Spending: revenue allocation and service provision

Despite the ability of some governorates to generate additional resources, new revenues have generally not made up for the real-term reductions in central allocations: most governorates operate with very limited budgets, which are usually spent wholly to cover parts of the salary bill and operational expenses. Pressure on available budgets has been exacerbated by ad hoc cuts in central funding for public services like electricity or hospitals, which in theory remain central responsibilities outside the purview of local government. Increasingly, locally generated and collected revenues are disbursed for local expenses of all kinds: some governorates are paying for hospitals, schools, power generation, urban development and other expenses from their locally raised revenues and have taken on associated new responsibilities to cover revenue allocation and determine which services and projects to prioritise.

Service provision

Unsurprisingly, governorates with more readily available local revenue sources have generally been better able to maintain services. The quality of service delivery in oil-rich Marib, Shabwah and Wadi Hadhramawt, for example, is considered among the best in areas under the control of the internationally recognised government. Yet how these comparatively well-off governorates manage investments in services varies a great deal. For example, while Marib has a multi-year budget planning process and local development plans, local authorities at district and governorate levels in coastal Hadhramawt and the Wadi pursue a more ad hoc approach. This may have contributed to Marib’s ability to not only maintain public services, but to make new investments and to invest in reconstruction after the floods of August 2020. Marib has invested heavily in local services over the past few years, including in local security forces, the local branches of the judicial system, the new Saba University and new roads and sports facilities (Coombs and Al-Sakani 2020).

Governorates’ general lack of financial resources and the varying levels of success in managing the available resources are reflected in weak provision of public services overall, including basic services such as water, electricity, health care, sanitation and education. In response, there have been increasingly frequent protests against worsening living conditions, including electricity cuts, fuel shortages, increasing prices and further depreciation of the currency. Aden, coastal Hadhramawt and Taiz, in particular, have witnessed large-scale demonstrations and popular unrest since the beginning of 2021. Later, protests also erupted in other southern governorates, including Abyan, Al-Dhalea, Lahj and Shabwah (ACAPS Yemen Analysis Hub 2021).

The electricity sector presents an interesting case study of deteriorating services and the local and central attempts to address them. While the sector is theoretically a responsibility of the central level, central funding for electricity provision has not been paid as part of the annual national budget to most governorates since 2016. The central level supports electricity provision by paying for the fuel imports required to operate the power plants in the governorates. However, this support is based on ad hoc deals with the local authorities and is uneven across governorates. Different levels of support have affected electricity provision in the various governorates, growing into a source of tension between local authorities and citizens.

Marib hosts one of the largest power plants in Yemen. The gas-fired plant met a significant fraction of Yemen’s total electricity needs until
Central and local roles in service provision – the case of Hadhramawt

**Financing services:** The central government pays the salaries of civil servants (Chapter 1 of the national budget) and the operational costs of the local institutions (Chapter 2). These payments are made in Yemeni riyal, largely at the level of the 2014 budget, without adjustments for the high inflation rate. Central support under Chapter 3 of the national budget and funds for investment (Chapter 4 of the national budget) are no longer provided. As a result, the local authorities in both coastal Hadhramawt and the Wadi pay for the provision of public services either from their 20% share of oil revenues or from the revenues raised within the governorate.

**Decision about services:** The central authority previously selected public service projects for funding from a list of priorities provided by each governorate. Today, the local council’s administrative board (composed of committee heads and the secretary-general) plans the required projects for each district in the Wadi; in the Coast the governor (or his deputies or advisors) selects the projects for funding.

**Implementation of projects:** The implementation of public service projects in Hadhramawt is shared between local authorities and international organisations. The central level plays a minimal role. Local authorities in both coastal Hadhramawt and the Wadi have begun to independently sign deals with commercial electricity providers, which previously was the responsibility and prerogative of the central government. By law, local councils at district and governorate levels monitor the implementation of public services projects. As only Wadi Hadhramawt has functioning local councils, monitoring of public services projects is carried out in the Wadi but not in the Coast.

the outbreak of the war. In the context of the ongoing Houthi offensive on Marib and related damage to power transmission lines and pipelines, the plant is running at little more than 10% of its 340 MW capacity. Still, electricity is locally available approximately 13 hours per day, and until the current Houthi offensive on Marib began in early 2021, electricity was generally available for 18 to 20 hours per day. Despite the pressures of an increasing population in the governorate, as people fled fighting elsewhere, and the proximity of active front lines, electricity provision remains relatively stable. Marib has access to one state-owned and six commercial power plants that run on either gas or fuel oil and are thus able to make use of locally produced natural gas and locally refined fuel. Also, in contrast to other governorates, Marib benefited from central investments in local power generation capacity.

In Hadhramawt, the situation differs between the coastal areas and the Wadi. With one gas-powered plant with 75 MW capacity managed by PetroMasila oil company, and five other power plants, the Wadi is able to secure 19 to 20 hours of electricity per day. The Wadi’s oil means that the region does not have to rely on fuel imports and makes it easier for local generators to run on local fuel close to the districts in need. The coastal areas of Hadhramawt, on the other hand, are affected by daily electricity cuts lasting up to 12 hours. This is particularly challenging given its hot and humid coastal climate. Despite seven commercial and seven state-owned power plants located in the

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32 Author’s interview with an official in the electricity institutions, December 2021.
33 Author’s interview with an official in the electricity institutions, December 2021.
34 Author’s interview with an official in the electricity institutions, December 2021.
coastal area, and its ability to finance fuel imports from its share of oil revenues, the Coast still fares worse than the Wadi in electricity provision. This can be partially explained by the larger population of the Coast compared to the Wadi and the higher consumption of electricity, given greater demand for air conditioning and refrigeration due to higher humidity and higher night-time temperatures.

In Aden as well, the electricity sector faces significant challenges. Aden hosts 12 state-owned and six commercial power plants which together have a capacity of around 600 MW for Aden and neighbouring Al-Dhalea and Lahj governorates. In contrast to oil-rich governorates, the central government provides the fuel for both state-owned and commercial power plants – significant costs that oil-rich governors are expected to cover from their 20% share of oil revenues. Still, Aden struggles with extended daily electricity outages. Funds available for fuel oil are rarely sufficient to run the existing power plants at capacity. In part, this is due to the fact that in Aden, as elsewhere in Yemen, the production cost of electricity is relatively high, at more than 300 riyal per kilowatt-hour, while the revenues generated are low. Residents in theory pay 30 riyal per kWh and businesses pay 70 riyal per kWh but collection of fees is limited, with the result that fees fund less than 10% of the cost of electricity production. Subsidising electricity is a major expense that central government and the local authority in Aden struggle to cover. Faced with pressure from citizens demanding decent living conditions, the central and local levels take turns in blaming the other for failing to provide the service.

From the central government’s viewpoint, local authorities are overstepping their mandate by signing their own deals with commercial electricity providers rather than going through the Public Electricity Corporation (PEC) or the Ministry of Electricity, and not taking decisive steps to collect unpaid electricity bills. Local governments, on the other hand, believe central authorities are not providing them with sufficient financial resources to deliver electricity to the general public, while the costs that are covered (public officials’ salaries and local authorities’ operational costs) are insufficient given the high rate of inflation. They therefore see few alternatives to keeping the locally collected and generated fees in order to be able to provide a minimum of public services.

Despite this friction between governors and the central government, the electricity sector is one in which local and central governments must also work closely together. While governors are striking individual deals with commercial electricity providers, they remain highly dependent on support from the central government for fuel oil for electricity production – and where and how this is provided is subject to ad hoc and localised deals with the central authority. As a case in point, one key challenge for the STC during its period of ‘self-rule’ was its inability to provide the oil needed for electricity production in the absence of government supplies.

Another sector of public service provision where the competencies of the central and local level have become increasingly blurred is education. Before the war a highly centralised affair, education is now governed by different levels in different governorates. Governorates such as Marib, Shabwah and Hadhramawt pay the salaries of teachers directly, while teachers and lecturers in other governorates receive salary payments from the central government. Salary payments still follow the same pay scale, although occasional bonus payments are available in more resource-rich governorates. Despite divided responsibilities, education is a severely underserved sector and governorates struggle to cover the costs of teachers’ salaries and school maintenance and renovation. Education is therefore one of the

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35 According to some reports, the central government deducts fuel oil imports to the governorate from the 20% reserved portion, using up most of the oil revenues generated.
36 Author’s interview with an official in the electricity institutions, December 2021.
37 In 2020, approximately 50% of fees were collected. Author’s interview with an official close to the Aden local authority, August 2021.
sectors in which the central and local levels rely heavily on and coordinate with international organisations to fill the gaps. NGOs provide funding for the construction of four times as many schools as either central or local authorities provide (WFP and World Bank 2020).38

Education: Between central and local responsibilities

Since the start of the conflict, education has been disrupted country-wide. At least two million school-age girls and boys in Yemen are out of school – more than twice as many as in 2015. Two-thirds of the teaching workforce, mainly located within Ansar Allah-controlled territories, have not been paid a regular salary for four years, often leading to absenteeism as teachers look for other jobs to secure their livelihoods (UNICEF 2021).

While all governorates in Yemen are struggling to provide education, there are different challenges in areas under the control of Ansar Allah and the internationally recognised government. In areas under Ansar Allah’s control, the lack of salary payments since 2016 constitutes the greatest challenge, leaving many schools without teachers.39

In the areas controlled by the internationally recognised government, most teachers have been receiving salaries – although to insufficient levels, given that salaries have not been adapted to the high inflation of recent years (WFP and World Bank 2020). As a result, teacher strikes and absenteeism constitute a challenge, along with the lack of adequate facilities and school materials. For example, higher education in coastal Hadhramawt has been suspended since October 2021 due to a teachers’ strike for higher salaries. Increasing fuel prices also make it increasingly challenging for families to cover their school-age children’s travel costs, particularly if schools or universities are far away.40

38 Over a period of six months in late 2018 and early 2019, the report gathered data on school construction. During this period, NGOs funded roughly 50% of all school construction projects, while local governments funded 12% and the internationally recognised government funded an additional 12%. The de-facto authorities in Sanaa funded 4% of construction.

39 It is reported that in some areas, teachers have pressured students to pay ‘voluntary’ monthly school fees in order to continue to provide lessons.

40 Author’s conversation with source in Hadhramawt, November 2021.
External support

Another factor in local service delivery is foreign support, which is often based on geopolitical affiliation. Marib has benefited from significant investment by Saudi Arabia in the governorate and its infrastructure due to its geopolitically and militarily significant location. Since 2018, humanitarian aid earmarked for the emergency response to large numbers of people fleeing from other parts of Yemen has also played an increasingly important role. In other, revenue-poor governorates such as Lahj, Abyan, Al-Dhalea and Taiz, international organisations play a crucial role in basic service provision by implementing water and sanitation projects and providing food baskets.

International organisations mainly set their own priorities and decide which projects to implement and in which governorates/districts, without in-depth consultation with the local authorities and with only general coordination with the Ministry of Planning and International Cooperation (MoPIC).

Insofar as coordination takes place at all, humanitarian organisations mainly coordinate aid with governors. The only two governorates with exceptions are Aden and Marib. In Aden, international organisations coordinate directly with the MoPIC, while in Marib, the local authority, particularly deputy governors and executive offices at district level, plays a role in coordinating humanitarian relief with international organisations (Al-Awlaqi and Al-Madhaji, 2018).

In Hadhramawt, external support in service provision also comes from its diaspora. Around 14 million people of Hadhrami origin live outside of Hadhramawt. While most of them do not have a Yemeni passport and are not involved in Yemeni politics, many take an interest in funding humanitarian and economic development projects. This is, however, not a reliable and sustainable source of revenue for stable public service delivery (Baron and Basalma, 2021).
Outlook

Seven years of war have re-drawn local governance in the areas of Yemen under the control of the internationally recognised government, resulting in more decentralisation and an increasingly fragmented local governance landscape.

Governors have gained autonomy and have made new appointments at the district level and in executive offices. The central government’s ability to influence day-to-day governance is circumscribed by limited central funds and very limited capacities in central ministries to direct and oversee the work of executive offices. Some governorates have been able to access funds from outside donors, while some, with appropriate sources of revenue, have been able to find new local revenues. These revenues are generated on an ad hoc basis in accordance with locally evolved practices that differ from governorate to governorate and with varying but generally weak links to the central government. A similar evolution of ad hoc local practices, often in combination with bilateral deals with the central government, has occurred in revenue allocation and service provision, with wide variation in service delivery, dependent on each governorate’s ability to generate and keep control of local revenues or attract central funding and foreign support and on governors’ decisions about the use of the limited revenues available.

Despite these far-reaching moves towards more autonomy for governorates, relationships to the central level continue to structure local governance in areas under the control of the internationally recognised government, with an increasingly complex set of ad hoc deals underwriting the emergence of a patchwork of different local governance arrangements in different governorates.

Keeping these developments in mind will be critical for finding an end to the current war in Yemen. This is true, first of all, because a measure of decentralisation in Yemen will likely accompany a peace deal and has the potential to address some of the underlying grievances that led to war. In this context, the de facto decentralisation that is occurring now may provide both success stories and cautionary tales about how to approach decentralisation. Some governorates offer a model of what a more bottom-up, locally controlled system of governance can achieve: they have galvanised services and development in previously marginal and marginalised governorates like Marib and, to a certain extent, Al-Mahra. While their success may be difficult to replicate, future work could explore more systematically what lessons can be drawn from Yemen’s more successful ongoing experiments in local governance. At the same time, current developments highlight the dangers of unmanaged or poorly managed decentralisation. Current ad hoc decentralisation is driving inequality between resource-rich and resource-poor areas and placing the variable commitment of local elites to delivering essential services in the spotlight. Decentralisation is no panacea and understanding how it operates in practice is important for thinking about future central-local relations in Yemen.

Secondly, understanding how local governance operates is critical, because stabilisation and services during a fraught interim period in Yemen will necessarily rely on local structures, yet the way in which they function is diverging. In order to ensure that basic needs are met across Yemen, these realities must be taken into account. A one-size-fits-all approach to international support, or such an approach by a Yemeni (unity) government or governments, would encounter increasingly diverging local governance regimes and could easily fail to address differing needs and spark
conflict if it does not carefully navigate the differences in de facto powers governorates now hold.

Finally, the differences that have emerged and are deepening between areas under the control of Ansar Allah and the internationally recognised government and within government-controlled areas cannot be wished away. International approaches and a Yemeni dialogue on new arrangements that do not take these differences into account will likely have highly unequal impacts. Any future arrangements will need to build on what is there and take into consideration the differences across Yemen that have developed over the course of the war. With the war continuing, the twin spectres of fragmentation and over-centralisation loom ever larger and the question of how to organise local governance remains of enduring importance.


