

# New Yemeni Government: Challenges and Opportunities

Situation Assessment  
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## Introduction:

In an expected move, on February 5th, 2024, the President of Presidential leadership Council issued a decree appointing Ahmed A. Bin Mubarak as the Prime Minister, while allowing the members of the former government to continue their duties.

This analysis discusses the multifaceted challenges facing the new government. It also explores the necessary steps should be taken by the new government to overcome these challenges and capitalize on available opportunities.

## Major and Complex Challenges

The new government faces a multitude of significant and complex challenges. These challenges are diverse, interconnected, and interdependent, forming a complex web of relationships that mutually reinforce each other. It is clear that the dismissal of the former government largely resulted from its failure to tackle these challenges. Therefore, the new government has to prioritize overcoming these challenges to build trust and gain the continuous legitimacy.

## Political Challenges

The Yemeni political landscape and its dynamics present a wide spectrum of challenges to the new government. It involves deep complexities that goes beyond the binary view of the conflict between the legitimate government and the Houthi group. These challenges spring from the ongoing conflict and are related to the rivalries and conflicting interests of a wide range of local and regional actors, the most important of which are:

- The Duality in the Decision-making Institution (the government vs. the Presidential Leadership Council), and the deep divisions and differences within these two institutions. The contradictions and disputes are also deep among the constituent parties. Their relationship is marred by mistrust and divergent political aspirations.
- The political Scene in areas under the control of the legitimate government is volatile, marked by intricate political, sectarian, regional, and tribal divisions. Armed groups continue to play a role in the context of the struggle for power, interfering in the relationship between citizens and authority, and engaging in war economy activities. In this scene, tribes also continue to play an increasing political role, forming a political pressure front that has been exploited by various powers and leading to exacerbating political divisions
- The regional powers, particularly Saudi Arabia and the UAE, exert significant influence and engage in competition within the region. Their interventions have contributed to the emergence of divergent political perspectives and amplified internal divisions. The fragmentation of the political scene can be attributed to this rivalry and the overlapping and conflicting regional interests at play. Consequently, a complex state of dependency has been established, which has become inevitable. The intricate nature of this issue is evident in the government's reliance on the support of these two powers.
- In a related context, the government will have to deal with peace efforts; and the problem is that these efforts are currently being managed by Saudi Arabia and Houthis. The government and other Yemeni parties have been excluded, in a manner that suggests that their interests are not being taken into account.

The continuation of this approach, which is likely, puts a lot of pressure on the government's relations with Saudi Arabia. Taking a resistant position towards the Saudi approach would affect the government cooperation opportunities with Riyadh, which are necessary and crucial. This situation reveals a difficult dependency wrapped in blackmail. On the other hand, if it aligns with Riyadh and agrees to everything Saudis want, it risks provoking the Southern Transitional Council (STC). The STC has already expressed its anger and opposition to any Saudi-Houthi agreements that do not give special attention to the southern issue. Otherwise, the discussion of the issue must be postponed to multiparty negotiations.

- The government also faces the dilemma of a weak legitimacy. This weakness is complicated resulting, firstly, from the absence of effective legitimacy and the poor performance of state institutions. Secondly, the lack of local consensus, which was also contributed to by the weakness in the face of the Houthi group, which forced the former government to stop oil exports. This situation showed that Houthis had the upper hand and the final word in deciding matters in the country. In addition to that, the popular gains which Houthis try to get because of their participation in the war against Israel.

### **Public Financial Crisis:**

The public finances are in a state of critical crisis, characterized by a simultaneous increase in obligations and a decline in revenue sources. Revenues from customs, taxes, and exports, particularly oil and gas exports, have witnessed a significant decrease. It is worth mentioning that oil and gas exports previously constituted approximately three-quarters of government revenues. This has led to a decrease in public expenditure to the lowest level, and a failure to cover the operational expenses of government institutions. It also results in the inability to provide basic services such as electricity and regular payment of public sector employees' salaries. All of these have caused the administrative system to suffer from a kind of paralysis. It has also exacerbated the economic situation, as this deficit continues to impose inflationary pressures. The government is in a situation of two tough options: either resort to printing money to finance the deficit, which carries the risk of exacerbating inflation and further affecting the economy and people's standard of living, or cease this approach and fail to fulfill its obligations, resulting in severe political and social repercussions that jeopardize its future. This crisis intensifies the government's needs for the external assistance, which makes it more dependent on foreign powers.

### **Internal Governance Challenges:**

Corruption and favoritism are spreading unprecedentedly within state institutions, characterized by a lack of transparency and accountability. Although this problem is not new, it has worsened over time. Additionally, the government has failed to provide essential services to its people. The new government will have to overcome this administrative and ethical dilemma. It has to take urgent and effective measures towards governing government operations and activities, enhancing transparency and accountability, and eliminating corruption. The President of the Presidential Council stressed that enhancing citizens' trust, as well as within regional and international communities in public institutions, should be at the top of the government's agenda.

### Economic Challenges:

The government is confronted with deep-rooted economic crisis that serves as the main challenge, intricately connected to various other challenges. Macroeconomic indicators<sup>1</sup> show that the country is on the brink of economic collapse. There is a state of sharp economic contraction and deceleration. Between 2014 and 2020, real GDP witnessed a cumulative contraction of approximately 50%, and the annual growth rate of declined from 7.7% in 2010 to 0.5% in April 2021/with the annual GDP growth rate decreasing from 7.7% in 2010 to 0.5% in April 2021. Inflation has risen from 8% in 2014 to 30.6% in 2021, while the unemployment rate reached 13.90% in same year. The national currency underwent a drastic devaluation, leading to an unprecedented level, and this, coupled with inflation and the decline in the value of the currency resulted in a significant surge in prices. The government debt-to-GDP ratio reached approximately 81.7% in 2020, resulting in the lowest public expenditure levels. It is worth noting that investment spending has almost stopped for more than ten years, which in turn has ended with additional damage to economic activity. This crisis has recently worsened with a sharp decline in state revenues since the cessation of oil exports at the end of 2022.

The government's main task is to stop the economic deterioration and fluctuation and restore it to a balanced state. Such a task requires a multifaceted response and the adoption of a variety of strategies. These include restructuring the central bank, reinstating its functions and ability to control financial liquidity in the market. And implementing reforms in existing financial policies and systems; moreover, adopting transparent and effective policies to combat corruption while promoting principles of efficiency and effectiveness. These are necessary conditions to stabilize the currency, reduce inflation, rebuild trust, and garner support from international donors and regional partners. External financial support, whether through grants, conditional assistance, or long-term loans, represents the best and fastest option to stop the deterioration, restore economic equilibrium, and revive the economy in the short term. In the medium term, the government can explore options to stimulate the economy, such as implementing tax and legislative reforms aimed at motivating investment and trade, as well as providing incentives for both domestic and foreign investors.

### Security Challenges:

The security challenges facing the government are numerous and complex. They encompass ongoing armed conflicts, frequent security crises, and violent rebellions. Furthermore, the proliferation of non-state armed groups, including terrorist organizations. There are internal divisions in the army and security forces, coupled with limited resources. This not only hinders the government's ability to impose its authority and provide basic services, but also damages its chances of gaining political and popular trust and weakens its legitimacy. It also directly affects the humanitarian situation by complicating relief efforts, food supplies, and medical assistance.

The impact of this security situation extends to burden Yemen's relations with the world. Addressing these security challenges will require comprehensive reforms in the security sector, with investments made to enhance security capabilities. It may also require a reevaluation of the deployment and influence of security forces and relying on armed forces. It needs also to foster coordination with regional and international partners and expanding cooperation with them in training, building security institutions, combating extremism, and securing borders is also of utmost importance.

<sup>1</sup> See :World Bank .<https://is.gd/sb4Xx>

World Bank :Yemen ,Economic Update ,April .2022 <https://is.gd/B4kzc8>

World Bank .Republic of Yemen .<https://is.gd/WKOZ0I>

Yemeni Ministry of Planning and International Cooperation ,Yemen's Status in International Reports and Indicators .<https://is.gd/iP9dfV>

Trading Economics ,Yemen - Economic Indicators .<https://is.gd/COpu4>

International Monetary Fund ,Republic of Yemen .<https://is.gd/Uc0s26>

## Critical Humanitarian Situation

Yemen is suffering from a humanitarian crisis<sup>2</sup> classified by the United Nations as the largest in the world. The extent of poverty has increased, affecting between 71% and 78% of the population. The food crisis in Yemen is among the top ten worst global crises, with unprecedented levels of hunger. Approximately 15.9 million people go to bed hungry, around 19 million people suffer from food insecurity, and 20.7 million people require humanitarian assistance in 2022. Additionally, 14 million people are in urgent need of aids, and the food crisis continues to worsen. Naturally, the most vulnerable and fragile groups are the most affected, and women and children are particularly susceptible to malnutrition. Approximately 3.5 million women and children under the age of five currently face acute malnutrition, needing treatment for moderate to severe cases. Resolving this crisis extends beyond fulfilling government responsibilities and seeking to enhance or gain legitimacy—it is an ethical necessity.

## Options and Opportunities

The question now arises: To what extent can the government of Ibn Mubarak succeed in overcoming these challenges? As soon as Ibn Mubarak assumed his duties, he showed remarkable enthusiasm and activity. He seemed aware of the challenges facing his government and the need to address them. He stressed that he gives priority to activating the fight against corruption and activating state institutions, enhancing accountability and transparency, and reforming the public revenue sector. He has already implemented some austerity measures, such as in the Ministry of Foreign Affairs. However, it is unlikely that he can overcome these challenges easily. They are deep-rooted or structural challenges, not immediate crises, and they require a comprehensive and long-term strategy. Moreover, they are the result of a political situation that goes beyond the ability of any government to influence or overcome them. Addressing most of these challenges depends on addressing the root causes of the conflict. On the other hand, what the government needs most today to move forward and achieve success in this regard is financial support and the backing of political forces that support legitimacy and regional allies. However, there is no indication so far that these two requirements can be secured.

Regarding political support, Ibn Mubarak declares that the support of the Presidential Council and Yemeni parties is crucial issue for his government. Although the President of the council has confirmed his commitment and the members of the council to support the government and enable it to exercise its full powers, nothing is certain. The fluctuating mood of the partners in the (STC) remains a specific problem in this context. Appointing a new prime minister does not necessarily reflect internal consensus within the Council or indicate a change in its components' positions. It is merely a change of replacing one person with another resulting from internal disputes within the Presidential Council itself. There have been demands and pressures to change the former prime minister, as evidenced by the lack of changes in the government's members, who continue to operate with the same team. The President of the leadership council has hinted at this matter since the beginning of the government's work, emphasizing the importance of unity and protecting national consensus.

<sup>2</sup> 1. Global Network Against Food Crises. Global Report on Food Crises 2020. <https://is.gd/EaLKYP>  
 World Food Programme ,Emergency Situation in Yemen .<https://is.gd/HwOzo7>  
 World Bank .World Bank in Yemen .<https://is.gd/ADH5HI>  
 World Food Programme .Yemen .<https://is.gd/sIF1rI>  
 Office for the Coordination of Humanitarian Affairs .Yemen Humanitarian Response Plan 2023 :Planning Cycle .<https://is.gd/l28xLT>



The situation is not much different regarding securing sufficient and necessary funds. On the one hand, it is difficult to expect success in reforming the revenue sector quickly and in a way that meets its urgent needs. The government cannot do anything significant about the economic pressures exerted by the Houthis by adopting different financial and banking policies and procedures. These include preventing the exportation of oil and the entry of gas produced in government-controlled areas into their territories, as well as pressuring importers to use their ports instead of those in government-controlled areas. As for obtaining funding from Saudi Arabia, experience has proven that it is not enough, and that Riyadh is not enthusiastic or willing to offer more. For example, the government waited about 11 months after the stoppage of oil exportation to provide assistance to the government, and they will not be pleased to provide additional assistance. In the face of significant and complex challenges, the new government does not have many opportunities. However, it is not devoid of some opportunities that could potentially put it in a better position than it is now and in a more comfortable situation than the former government.

These opportunities are still subject to possibilities and are related to the expected changes in regional and international dynamics concerning the Yemeni issue due to the escalation of the Houthis in the Red Sea. It is expected that this development will push international and regional powers to reconsider their positions and views on the conflict in Yemen and its parties. This development is expected to prompt international and regional powers to reevaluate their positions and views regarding the Yemen conflict and its involved parties. Rather than maintaining an optimistic and lenient stance, as observed in previous years with a seemingly comfortable approach towards the Houthis, there will be a shift towards increased caution and recognition of the threat they pose. The international and regional community will become more mindful of the Houthis' influence and more apprehensive about accepting them as a dominant force within the country. Such a shift would be in favor of the legitimate government or authority, which enjoys international recognition and establishes relations with the world and the region. This would not only gain them greater support but also position them as the primary force in countering the Houthis, making them the preferable choice and deserving of support in seeking a balance against the Houthis' power, thus strengthening their position.

The second opportunity lies in the possibility of advancing peace talks between Saudi Arabia and the Houthis. Such progress would open the door to resolving important issues, particularly in the economic field. It would allow for the resumption of oil exports, a crucial matter in securing necessary resources. While talks may seem suspended at the moment, statements from both sides confirm their commitment to moving forward. However, it is unlikely that any progress will be made before the escalation in the Red Sea is ceased.

Based on all of the above, overcoming these challenges is not the issue at hand. Rather, it is about reducing their intensity and surpassing them to the extent that allows the government to move forward. Achieving this will depend on the availability of minimum levels of local, regional, and international support. This, in turn, relies on the government's ability to navigate through complex political relationships and diverse interest groups, as well as on its activity, persuasion, and a high degree of wisdom, political will, dynamism, initiative, experience, and political intelligence. In other words, much depends on active and professional diplomacy. However, there is a problem with Yemeni governments in that they are usually formed from incompetent individuals; they are being selected based on considerations of quota-sharing, personal relationships, and so on. This has been the case for the legitimate governments throughout the years of the war, as almost all of them lacked individuals with deep expertise in state administration, public affairs, diplomatic work, international relations, and their dynamics.

The Prime Minister may have political experience that he has accumulated since entering the political field more than a decade ago. He has got also diplomatic experience during his tenure as Ambassador of Yemen to Washington and Foreign Minister. He may receive good political relations and external support. Some reports say that he is close to Saudi Arabia. US Ambassador to Yemen Stephen Fagin commented on his appointment in a language that goes beyond the requirements of diplomatic courtesy to suggest a good relationship with him and admiration for his personality, saying that "We greatly valued his close partnership with the United States during his tenures as Ambassador in Washington and as Foreign Minister." However, the situation is different when it comes to his experience in managing public affairs, economic and financial matters, and security.



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