



The Yemen Review

June 2022

Taiz Siege Continues as Talks Face Roadblocks

June 2022



The Sana'a Center for Strategic Studies

is an independent think-tank that seeks to foster change through knowledge production with a focus on Yemen and the surrounding region. The Center's publications and programs, offered in both Arabic and English, cover diplomatic, political, social, economic and security-related developments, aiming to impact policy locally, regionally, and internationally.

Cover Photo:

Caption: A child holds up a sign reading "Lift the Taiz siege" on June 8, 2022, during a small demonstration near a main road into Taiz that has been closed for more than seven years. // Sana'a Center photo by Ahmed Al Basha

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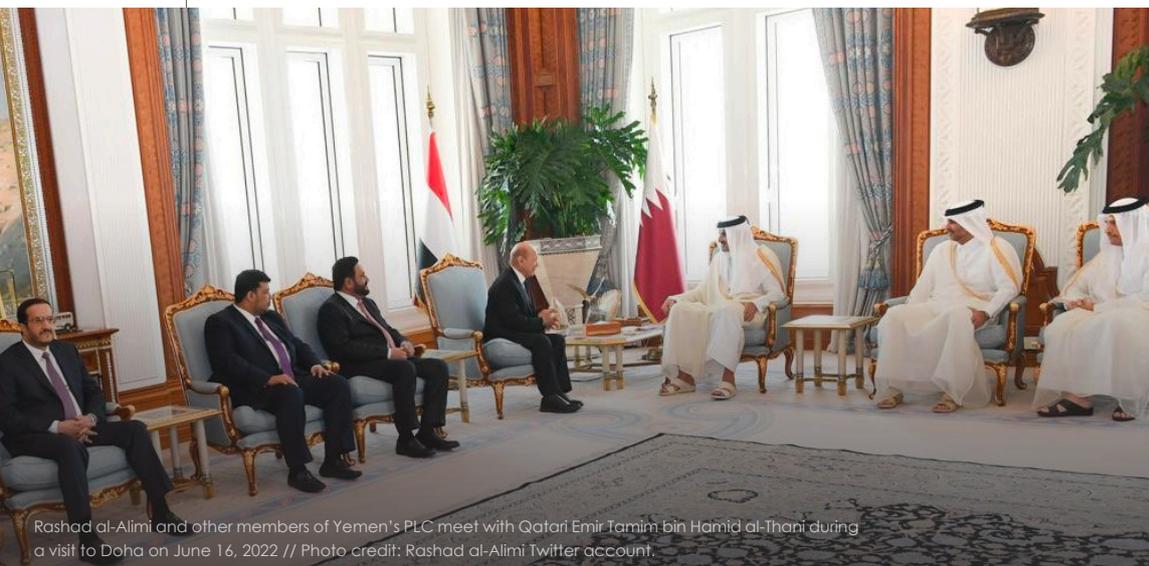
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Executive Summary

A truce between the internationally recognized Yemeni government and the armed Houthi movement was extended on June 2 and has largely held, despite intermittent violence and unresolved issues from the original agreement. While the truce has succeeded in limiting violence and facilitated the reopening of Sana'a airport, negotiations over the besieged city of Taiz have devolved into recriminations, fueling concerns that the armed Houthi movement will renege on its commitment to reopen access to the city. UN-facilitated negotiations on lifting the blockade of major roads into the city continued into July.

Yemen's economic performance over the month of June was characterized by familiar patterns of fuel shortages and renewed depreciation of the rial in government-held territory. The slide was halted by news of a further US\$400 million in pledged Saudi financial support, announced as Presidential Leadership Council head Rashad al-Alami visited Riyadh. Saudi Arabia and the UAE have announced billions of dollars in economic support since the PLC took over executive responsibilities in early April, though it is unclear how much has been delivered as Riyadh and Abu Dhabi are demanding institutional and governance reforms before allowing the Yemeni government to access most of these funds.

Renewed fuel shortages in the south precipitated familiar scenes of long lines at petrol stations. Anger over price hikes and power outages during the height of summer, combined with a perceived failure of the government to implement timely economic reforms, sparked demonstrations in Aden and other areas of southern Yemen. The demonstrations overshadowed Al-Alami's otherwise fruitful tour of regional capitals, where he secured promises of various forms of support from Egypt, Bahrain, Kuwait and Qatar.



Rashad al-Alimi and other members of Yemen's PLC meet with Qatari Emir Tamim bin Hamid al-Thani during a visit to Doha on June 16, 2022 // Photo credit: Rashad al-Alimi Twitter account.

PLC President Faces Aden Protests After Regional Tour

Casey Coombs

Yemen's Presidential Leadership Council (PLC) secured regional pledges of support during a month-long tour of Gulf states and Egypt that began on June 6, but PLC head Rashad al-Alimi's diplomatic successes were overshadowed by protests in southern areas. Demonstrations over fuel price hikes and deteriorating basic services shut down parts of Aden, where the Southern Transitional Council (STC) is the dominant power. A notable difference from similar protests in the past was that those in June lacked STC support. The group's shift in position – and its growing vested interest in maintaining security in the interim capital – appears to have coincided with it becoming a key member of the PLC and working closely with Al-Alimi. The STC alignment with the PLC had its limits, however, with the former publicly accusing officials at the government-affiliated central bank in Aden of conspiring to move the institution to Houthi-controlled Sana'a (see, [The Economy & Finance: 'CBY-Aden Refutes STC Accusation of Planned Return to Sana'a'](#)), while the security situation in the southern city was further rattled by several assassinations and assassination attempts (see, [Military & Security: 'Journalist, Salafi Commander Killed in Separate Assassinations'](#)).

Delegations of senior officials from the internationally recognized government led by Al-Alimi visited regional allies in Kuwait, Bahrain, Egypt and Qatar in June, seeking to strengthen bilateral relations and secure support for the newly-formed executive body's agenda, including economic, security and public service reforms.

Outcomes of the PLC's tour included Kuwait's [appointment](#) of a new ambassador to Yemen, following years of reduced diplomatic representation, and a special envoy to Yemen to manage aid support. Kuwaiti officials said their government is considering ways to support Yemen's general budget, finance the construction of an electricity station

and purchase aircraft for Yemen's commercial airline, Yemenia. Bahrain's King Hamad bin Isa al-Khalifa reiterated his support for Yemen's full membership in the six-member Gulf Cooperation Council, and other Bahraini officials offered to provide support and training to Yemen's security sector. The head of Egypt's Al-Azhar University, Ahmed al-Tayeb, pledged to double the number of scholarships to Yemenis and initiate training for Yemeni imams in line with Al-Azhar's five-year plan to spread its brand of Islam. Egypt's President Abdel Fattah al-Sisi, following a meeting with several members of the PLC, committed to providing Egyptian expertise to support the development of Yemeni infrastructure, human capital and basic services, notably in the health and electricity sectors. Qatari officials pledged to reopen humanitarian offices in areas controlled by the internationally recognized government and to consider other PLC requests regarding the budget, a power station and flights.

During what state-controlled news agency Saba described as a "private visit" to Saudi Arabia from June 19 to July 6, Al-Alimi met with Saudi Minister of Defense, Prince Khalid bin Salman, who announced plans to fast-track US\$3.3 billion in Saudi-Emirati aid, including 17 new development projects worth \$400 million, as well as an additional US\$200 million in oil derivatives for power stations. The Saudi Development and Reconstruction Program for Yemen will implement the projects.

On June 6, as the PLC tour began, demonstrators in the Khalf area of Hadramawt governorate closed a main road leading to the port of Mukalla in protest against persistent electricity and water cuts during the scorching summer heat. The barricade, which effectively shut down port and oil facilities, was a culmination of recent frustration over the performance of the authorities in charge of delivering public services. Protests also erupted in Aden later in the month when the Yemen Oil Company raised the price of petrol to 990 Yemeni rials (YR) per liter. Demanding a return to the previous price of YR660, on June 19 residents placed large stones and burning tires on the main street in Mansoura district as well as on the main road at the entrance to Crater district, where many government offices are located.

Although rising fuel prices sparked the protests, the Aden demonstrators used the moment to also demand reforms in the provision of electricity and water and the payment of military and civil servant salaries. On June 21, protesters temporarily closed access to the oil port in Aden's western Buraiqa district, preventing the entry and exit of fuel tankers, before Security Belt forces stationed at the facility intervened.

The next day, as dozens of motorists parked their cars to block the coastal road connecting Mansoura and Khor Maksar districts in eastern Aden, Al-Alimi posted several tweets asking protestors to give the PLC more time to implement economic reforms in Aden and other southern governorates. "We will make more efforts to obtain urgent, exceptional assistance from our brothers to alleviate this stifling crisis in the electricity sector, which needs rapid intervention, devoid of the corruption and bureaucracy that hampered previous attempts, as well as attention to creating opportunities and solutions to confront these obstacles." He continued: "All I ask of you is to give us more time to address the problem and overcome these complex crises; the Council will require the government to carry out its duties in a new way, so that ministers are employees in the service of the people."

Developments in Houthi-Controlled Territory

Houthis Seize Property of Deceased Political Opponents

Houthi authorities moved to confiscate the homes and assets of three late opponents of the group in June. The Houthi-controlled Supreme National Authority for Combating Corruption (SNACC) **ordered** the seizure of properties belonging to former Prime Minister Abdelqader Bajamal, a senior member of the General People's Congress party who died in September 2020. SNACC, which sent the case to prosecutors for the Public Funds Court, accused Bajamal of misusing public funds during his tenure in 2003.

On June 2, Houthi authorities in Sana'a **seized** the house owned by the late Minister of Parliament Abdelrahman Bafadhel, and evicted his daughter, her husband and their children. Bafadhel, who belonged to the Islamist Islah party, died in Saudi Arabia in October 2015. In mid-June, Houthis raided the house of Ameen Ali al-Kaderi, a deceased tribal leader who opposed Houthi rule in the central governorate of Ibb, according to his son.

Since coming to power in September 2014, the Houthis have seized the property and assets of hundreds of opposition military and security leaders, politicians, journalists and activists. In November 2021, the UN Security Council and the UN Treasury Department **sanctioned** Houthi leader Saleh Misfar Saleh al-Shaer in part for his role as "Judicial Custodian," in which he has used the Specialized Criminal Court to **confiscate** more than \$100 million worth of funds and assets from the Houthis political opponents.

Social Media Campaign Demands Journalist's Release

On June 22, activists with the Media Freedoms Observatory **launched** a social media campaign to pressure the Houthis to release Yemeni journalist Younis Abdelsalam, who has been detained since August 2021. Prior to his detention, Abdelsalam had been suffering from depression stemming from his detention by STC-backed Security Belt forces in Aden in 2020, according to his lawyer, Abdelmajid Sabra. Abdelsalam's family says his psychological condition has worsened while in Houthi custody, where he has been deprived of access to medication for more than nine months.

International Developments

Yemeni Solutions Debated at First Yemen International Forum

Yemenis representing an array of political perspectives and international and regional delegates gathered in Stockholm, Sweden, June 17-19, for the **Yemen International Forum**, talking through ideas to resolve political, economic and security challenges in support of peacemaking efforts. The forum, organized by the Sana'a Center in collaboration with the Swedish government's **Folke Bernadotte Academy**, was designed to ensure that Yemenis drive the shape of a post-war state so that any agreed-upon peace can be sustained.

To that end, 70 percent of the 250-plus participants were Yemeni, often taking long, convoluted routes from hometowns nationwide to attend. Local and international political and economic experts, diplomats, Yemeni civil society actors and representatives

of marginalized communities were among the participants, 36 percent of whom were women. The forum aimed to provide a platform for Yemeni voices, “especially those who were shut down and marginalized as the conflict intensified,” chairman Farea al-Muslimi said in his June 19 [closing remarks](#). “What have we achieved during this record time? We will certainly not reach final and successful solutions, but we have accomplished a preliminary, serious rehearsal for a comprehensive and Yemeni-led dialogue process.”

Parallel sessions over three days worked on building consensus around processes various stakeholders could pursue, especially in the economic realm – where some of the most contentious challenges not only hinder peace efforts but also impact Yemenis’ lives every day. Technical discussions on economic issues tackled Yemen’s fractured monetary environment and divergent exchange rates, liquidity issues, compliance with anti-money laundering and counterterrorism financing measures as well as other banking and public debt challenges. In the political arena, participants discussed how to ensure political parties and civil society are able to positively contribute in the shifting political landscape. Several sessions addressed how to include justice and reconciliation within the peace process. Yemen’s southern leaders in attendance considered how to advance an intra-southern dialogue. Security sessions raised innovative ideas for structuring security and defense forces in a post-war Yemen, viewed as critical to lasting stability, and discussed what groundwork could begin in advance of a negotiated peace.



A participant makes a point at the Yemen International Forum in Stockholm, Sweden, during a June 18, 2022, session on international mediation efforts with UN special envoy to Yemen Tim Lenderking, Omani diplomat Hamid Al-Maani and GCC Ambassador to Yemen Sarhan bin Minaikher// Sana'a Center photo.

Key international players in the UN-led peace process also addressed the forum and sought input from participants, including UN special envoy Hans Grundberg, and members of his political, security and economic teams, as well as the US special envoy, [Tim Lenderking](#), Swedish Foreign Minister [Ann Linde](#), the Swedish special envoy for Yemen, [Peter Semneby](#). Also in attendance from the regional side were GCC Ambassador to Yemen, Sarhan Al-Minaikher, and former Egyptian ambassador to Yemen and current ambassador to Sweden, Ahmed Adel Sobhy.

Linde said Sweden was prepared to facilitate peace efforts as needed, and urged international participants to “listen, learn and let the Yemeni-led discussion inform our

support going forward.” But in responding to a question about the still-unimplemented elements of the 2018 Stockholm Agreement – related to paying public sector salaries, a full exchange of prisoners and the situation in Taiz – Linde also said Yemeni parties need to take responsibility for missing an opportunity by not following up after the groundwork had been laid. “We would like to support the implementation of what’s left from the Stockholm Agreement that has not been implemented, and we also see it as a responsibility to be able to host new talks – if you want it. But we cannot organize talks via the United Nations if there is no political will, because then it is meaningless and nothing will ever happen.”

Grundberg **spoke** of the truce that began in April as the first tangible shift in the war’s trajectory and urged Yemenis and Yemeni leaders nationwide “to envisage what that peace will look like, and the steps – and compromises – that need to be taken to get there.” He noted that Yemen’s pluralistic culture and dynamic internal political debate distinguish it from other countries, and urged delegates to engage seriously on Yemen’s future: “One of the most important costs of this war is killing the political debate, which has to come back to the floor and to Yemen.”

Al-Muslimi noted plans for follow-up discussions and future such forums to build on the work of the 2022 forum, saying efforts would continue to ensure ever-broadening representation regionally and politically.

Saudi Arabia, GCC Push for Houthi Terrorism Designation

On June 1, senior ministers of the six Gulf Cooperation Council (GCC) countries **urged** all nations to formally designate the armed Houthi movement a terrorist group and “firmly confront” the spread of drone and missile technology to non-state actors. On June 14, Saudi Arabia **added** eight individuals and 11 entities to its own terrorism list for supporting Houthi activities.

Negotiations over Taiz Blockade Drag On As Houthis Reject UN Proposal

In the first week of June, delegations from the internationally recognized government and the Houthis resumed negotiations in Amman on the reopening of blockaded roads around Taiz city – the only item of the UN-brokered truce as yet unimplemented.

Following an inconclusive opening round of talks in late May, during which Houthi negotiators **offered** to reopen a rugged mountain path impassable by cars, UN Special Envoy Hans Grundberg presented a modified proposal to gradually bring the roads back into use. Government negotiators accepted an amended version of the proposal, which included the opening of a main road between the government-controlled city and the Houthi-controlled industrial area of Hawban, three secondary roads proposed by the Houthis and a fifth road in Al-Dhalea governorate. Grundberg addressed the issue with the Houthis’ political council during a **three-day visit to Sana’a** ending June 9, but on June 21, Houthi authorities **notified** him of their rejection of the proposal. The group then **tweeted** that it was willing to open two secondary roads in an initial phase, including the previously rejected donkey and camel path in the mountains. The **second road runs** from Taiz to

Aden through the towns of Al-Sharejah, Karesh and Al-Rahedah in Lahj governorate. A proposed second phase would reopen one of the roads in Grundberg's proposal, a route in northwest Taiz city running through 60th Street, 50th Street, the Air Defense City and Al-Noor City, in exchange for the government opening the road in Al-Dhalea.

On June 26, the internationally recognized government's chief negotiator, Abdelkarim Shaiban, **said** at a press conference that the two roads proposed by the Houthis are not suitable for truck traffic, as even four-wheel drive vehicles cannot pass through them. "We want the Houthis to open a road known to the world, just as we opened Sana'a Airport and the port of Hudaydah, which are ports known to the world," Shaiban added.

Houthi negotiators reportedly **said** that the reopening of the main road in Taiz needed to be studied further and could be revisited in the next round of talks in Amman. The Houthis have **argued** against reopening the main road to Taiz city because it travels through frontline battlefields and would require the redeployment of troops, which the Houthis argue is not part of the truce agreement. However, the Houthi proposal to reopen the road northwest of Taiz city has come under criticism from numerous observers, who **accuse** the group of selecting it for military rather than humanitarian purposes.

For their part, Houthis officials began trying to reframe the stalled negotiations by accusing the government of being the obstacle and saying the group might unilaterally open the secondary roads they proposed in order to "**relieve the suffering**" of Taiz residents.

Following the talks in Amman and follow-up bilateral discussions, the UN special envoy's office **shared** an updated proposal with the parties for the phased opening of roads on July 3. Phase I would see the opening of four secondary roads in Taiz, while Phase II would expand to include commitments to open main roads in Taiz, in addition to Marib, Al-Bayda, Al-Jawf, Hudaydah and Al-Dhalea governorates.

On July 6, amid the impasse in UN-led negotiations in Amman, the Houthis **announced** a unilateral initiative on the occasion of Eid al-Adha to open the road northwest of Taiz city that runs through 60th Street, 50th Street, the Air Defense city and Al-Noor city. The next day, PLC member Tareq Saleh **directed** the Joint Forces, based in the port city of Al-Mokha, to open a road that connects Al-Mokha to areas of Taiz under the control of the Houthis. On the same day, PLC member and STC head Aiderous al-Zubaidi announced the unilateral reopening of a road in Al-Dhalea governorate.

US Govt Watchdog Faults Oversight of Weapons Sold to Saudi, UAE

On June 15, the US Government Accountability Office (GAO) released a **report** examining the civilian impact of American military support to the Saudi-led coalition in Yemen. Despite numerous independent reports that Saudi and UAE airstrikes have caused civilian casualties in Yemen, the report said that the Department of Defense has not reported and the Department of State could not provide evidence of any investigation of potential unauthorized use of US equipment. The GAO recommended that both departments develop specific guidance for investigating and reporting the unauthorized use of US-origin weapons in Yemen by Saudi Arabia and the UAE, and the secretary of defense should assess the extent to which the Pentagon's advisory and training efforts for the Saudi-led coalition facilitate civilian harm reduction.

Biden Scheduled to Meet Saudi Crown Prince

US President Joe Biden is expected to meet Saudi Crown Prince Mohammed bin Salman in Riyadh at the GCC+3 (Jordan, Iraq and Egypt) summit in mid-July, as part of efforts to revive the nuclear deal with Iran and persuade Saudi Arabia to help lower US gasoline prices. Biden will attend the summit after wrapping up a trip to Israel, and is expected to announce new developments toward closer ties between Saudi Arabia and Israel as part of a broader regional defense initiative to counter Iran's growing missile and drone capabilities. The anticipated meeting in Riyadh signals a shift – last year Biden called Bin Salman a “pariah” with whom he would not meet, due to the killing of Washington Post columnist Jamal Khashoggi in late 2018.

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Members of a Yemeni army sniper battalion march during a military parade in Marib on June 14, 2022 // Sana'a Center photo by Abdulmajeed Al Khadhmi

Truce Renewal Extends Period of Relative Calm

A few hours before a 2-month-old truce was set to expire on June 2, the warring parties in Yemen agreed to extend it two more months, despite frustration over unfulfilled elements of the original agreement. While intermittent fighting has flared during the truce, the agreement brought a dramatic reduction in violence and casualties — and a taste of normalcy for much of the country.

Government officials and supporters said they had adhered to their side of the bargain by allowing flights to and from Sana'a airport. However, they expressed frustration that one of their main demands, the re-opening of all roads leading to the Houthi-blockaded city of Taiz, was still being negotiated well after the new truce took effect (see, *Politics & Diplomacy: 'Taiz Road Negotiations Drag On As Houthis Reject UN Proposal'*). Whether the truce can ultimately be transformed into a lasting settlement remains to be seen.

If anything, there have been fears that the truce has been used by both the armed Houthi movement and the Yemeni government to prepare for another round of fighting. Troop movements have been reported across various frontlines, including in Marib and Taiz. This prompted US special envoy for Yemen, Tim Lenderking, to warn against new fighting in remarks on the sidelines of the June 17-19 Yemen International Forum in Stockholm, where he said that anyone who believed Yemen's war could end militarily was "fundamentally mistaken." Despite the truce, fighting was reported in various governorates, including Taiz and Marib, primarily between Houthi forces and the Yemeni government.

AP Reports Ongoing Child Soldier Recruitment

Houthi officials have acknowledged to The Associated Press that they are continuing the recruitment of child soldiers, and defended the practice, despite a promise to the UN in April that they would stop. The AP quoted two unidentified senior Houthi officials as saying several hundred children, some as young as 10, had been recruited in the past two months; one official said children had been deployed to frontline areas during the truce as part of a troop buildup. In recent years, Houthi authorities have used “summer camps” to identify and recruit child fighters. Aid workers told AP the Houthis were pressuring families to send their children to the camps in exchange for much-needed assistance, such as food rations from international aid organizations.

Journalist, Salafi Commander Killed in Separate Assassinations

Assassinations targeted military and civilian figures in June. Saber al-Haidari, a Yemeni correspondent for the Japanese NHK network and a government Information Ministry employee, was killed by a car bomb that exploded as he was driving in Aden’s Mansoura district. Two people traveling with Al-Haidari were also killed in the June 15 explosion. The President of Yemen’s Presidential Leadership Council, Rashed al-Alimi, has ordered an investigation into Al-Haidari’s death. A similar incident in the city in November 2021 saw journalist Rasha Abdullah and her unborn child assassinated by a car bomb, while her husband, Mahmoud Al-Atmi, also a journalist, was severely injured in the blast. Shortly before his death, colleagues had informed Al-Atmi that Houthi security forces had been gathering intelligence on him and his wife.

On June 24, Abdelrazaq al-Baqmaa, a Salafi preacher and commander of the Saudi-supported Al-Yemen Al-Saeed Brigades, was found dead in his car in Marib Al-Wadi district, east of Marib city. The brigades, formed by the Saudi-led coalition at the start of the year to fight the Houthis in Marib, launched a recruitment drive in southern Yemen in early June. Days later, the Southern Transitional Council (STC) began recruiting fighters to its Support and Backup Brigades. The enlistment of forces with differing domestic loyalties came in response to ongoing Houthi recruitment and deployment to the frontlines, but could complicate the work of the PLC’s newly formed military and security committee, which is tasked with restructuring military and security forces in the anti-Houthi camp under a unified command structure.

On June 29, less than a week after Al-Baqmaa’s killing, an explosion in Aden targeted the convoy of Lahj governorate security chief Saleh al-Sayed. While there were conflicting reports regarding the death toll from the attack in the crowded Khor Maksar district, it was confirmed that Al-Sayed survived.



The aftermath of the car bomb that targeted the convey of Major General Saleh Al-Sayed, commander of the Backup and Support Brigades and Lahj security director, after he left the headquarters of the STC in Khor Maksar district in Aden on June 29, 2022 // Sana'a Center photo by Rajeh Al Aomry

AQAP Escalates Attacks, Prompting Military Response

Al-Qaeda in the Arabian Peninsula's (AQAP's) increased level of activity in recent months continued in June. AQAP militants reportedly executed an officer from the STC-backed Security Belt forces in Abyan's Madiyah district on June 9. The officer had been kidnapped the previous day. On June 22, AQAP militants were blamed for two attacks, one in Abyan and one in Shabwa, that together killed at least 10 people. In Abyan, militants ambushed soldiers belonging to the Yemeni government's Abyan Military Axis in Ahwar district. Three soldiers were said to have been killed in the initial ambush, and two more were executed after capture. Militants then attacked a Shabwa Defense Forces checkpoint near Ataq city in Shabwa governorate, killing five troops and losing three of their own fighters.

In response, government forces in Abyan announced the launch of a military operation targeting AQAP in the governorate, and requested the support of local tribes, as well as Security Belt forces, with whom they have historically had an adversarial relationship. This prompted AQAP to take credit for the Abyan attack, although it stated it had been committed by individual members and not ordered by the organization's leadership. In the message, AQAP urged local tribes to not participate in the anti-AQAP operation. No claim of responsibility has been made for the Shabwa attack.

Other Military & Security Developments in Brief:

- **June 8:** Pro-Yemeni government media reported that a Houthi armed drone attacked Al-Qihar village in Maqbanah district, western Taiz, killing two children.
- **June 14:** International media outlets reported that Saudi Arabia and the Houthis had held virtual talks facilitated by Oman to discuss border security and "future relations under any peace deal in Yemen." No details were reported.
- **June 28:** US Central Command announced its forces had killed Abu Hamzah al-Yemeni in the northwest Syrian governorate of Idlib. Al-Yemeni was a senior figure in Horas al-Din, a hardcore offshoot of the Al-Qaeda-linked Syrian rebel group Hayat Tahrir al-Sham.



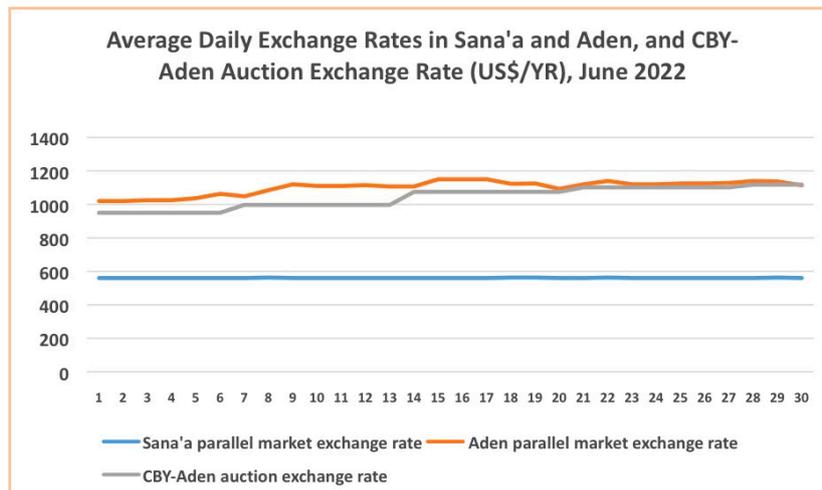
The aftermath of the car bomb that targeted the convey of Major General Saleh Al-Sayed, commander of the Backup and Support Brigades and Lahj security director, after he left the headquarters of the STC in Khor Maksar district in Aden on June 29, 2022 // Sana'a Center photo by Rajeh Al Aomry

Rial Depreciates Amid Delays in Pledged Saudi, Emirati Support

Sana'a Center Economic Unit

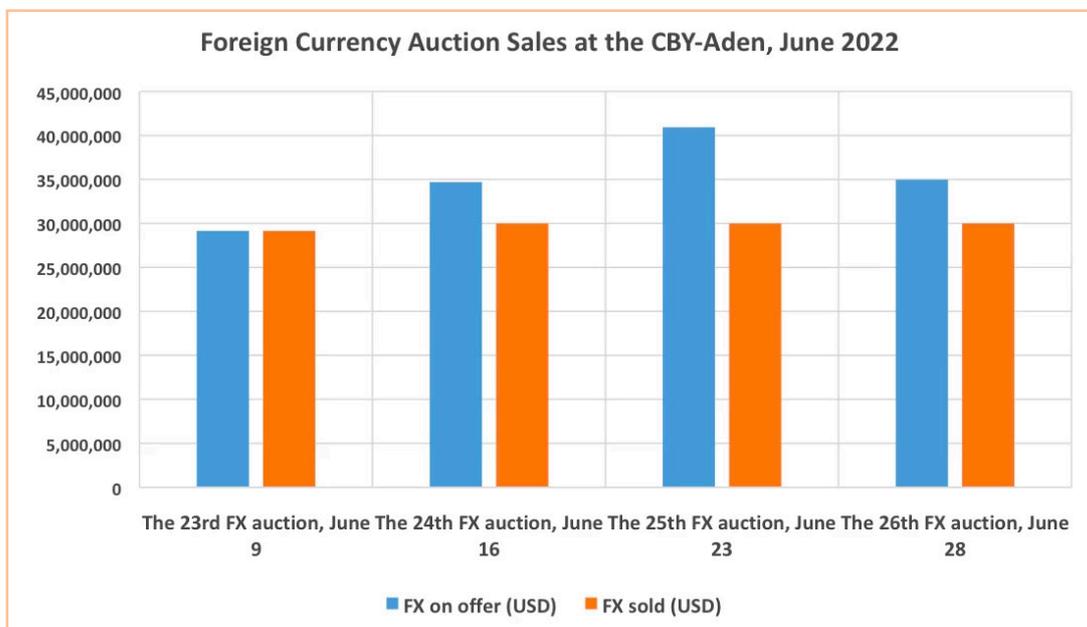
Rial Depreciates in Govt-Held Areas

New Yemeni rial banknotes witnessed cyclic volatility over the course of June, depreciating by 10 percent relative to the United States dollar. Printed since 2017 and circulating in government-controlled areas, new rials lost almost 13 percent of their value in the first half of the month alone, falling from YR1,020 per US\$1 to a low of YR1,150 on June 15, later rebounding slightly to close the month at YR1,114 per US\$1. The recovery followed Presidential Leadership Council (PLC) head Rashad al-Alimi's June 30 visit to Saudi Arabia, which saw Riyadh commit a further US\$400 million in financial support to development projects and another US\$200 million in oil derivative grants (see, '[New Saudi Financial Support Announced](#)').



In comparison, the price of “old” Yemeni currency notes – printed prior to 2017 and circulating mainly in Houthi-controlled territory – was stable throughout June, trading within a narrow band around YR560 per US\$1. The exchange rate for old rials has remained mostly stable since January 2020, when the Houthi authorities banned new rials from circulating in areas the group controls, in large part due to the fixed supply of old rial banknotes and the Houthi authorities’ strict enforcement of a fixed exchange rate regime. By contrast, the Yemeni government pursued an expansionary monetary policy for most of the past five years in order to cover budget expenses, with the increasing supply of new rials helping to foment exchange rate instability.

Over the course of June, the CBY-Aden held four foreign currency auctions, one each week, putting on offer a total of US\$140 million for Yemeni banks to purchase. Roughly US\$119 million, or 85 percent of the foreign currency made available, was sold, up from 72 percent the previous month.



Sana'a Center Economic Unit and CBY-Aden

The exchange rate offered by the CBY-Aden is a key determinant for banks to decide whether to participate in hard currency auctions trading. The four foreign currency auctions in June – there have now been 26 this year – sold hard currency above prevailing market exchange rates, at preferential rates of 12, 7, 2 and 7 percent, respectively. Notably, the first auction in June, which offered a 12 percent premium, was fully subscribed, while the third, which offered only a 2 percent premium, was the worst-performing of the month. While such premiums are designed to attract Yemeni banks, volatile cycles of rial depreciation decreased the incentive to bid.

An International Monetary Fund (IMF) statement released on June 7 concluded that the foreign exchange auctions introduced by the CBY-Aden have been an effective policy for allocating foreign currency resources and financing critical imports. However, the IMF indicated that banks’ participation has been inconsistent due to restrictions on the use of foreign currency, and that these should be lifted.

Under the [implementation mechanism](#) used by the CBY-Aden, the central bank first confirms that the foreign currency a commercial bank purchases will be allocated to serve customer demand – namely that of commercial traders looking to import goods – before it releases the funds.

New Saudi Financial Support Announced

On June 30, PLC President Rashad al-Alimi and other council members visited Saudi Arabia and met with Saudi Vice Minister of Defense Prince Khalid bin Salman. There, Salman [announced](#) that the Saudi Development and Reconstruction Program for Yemen (SDRPY) would provide the Yemeni government with US\$400 million to support 17 development projects in six vital sectors: energy, transportation, education, water, health and infrastructure as well as additional US\$200 million in oil derivative grants.

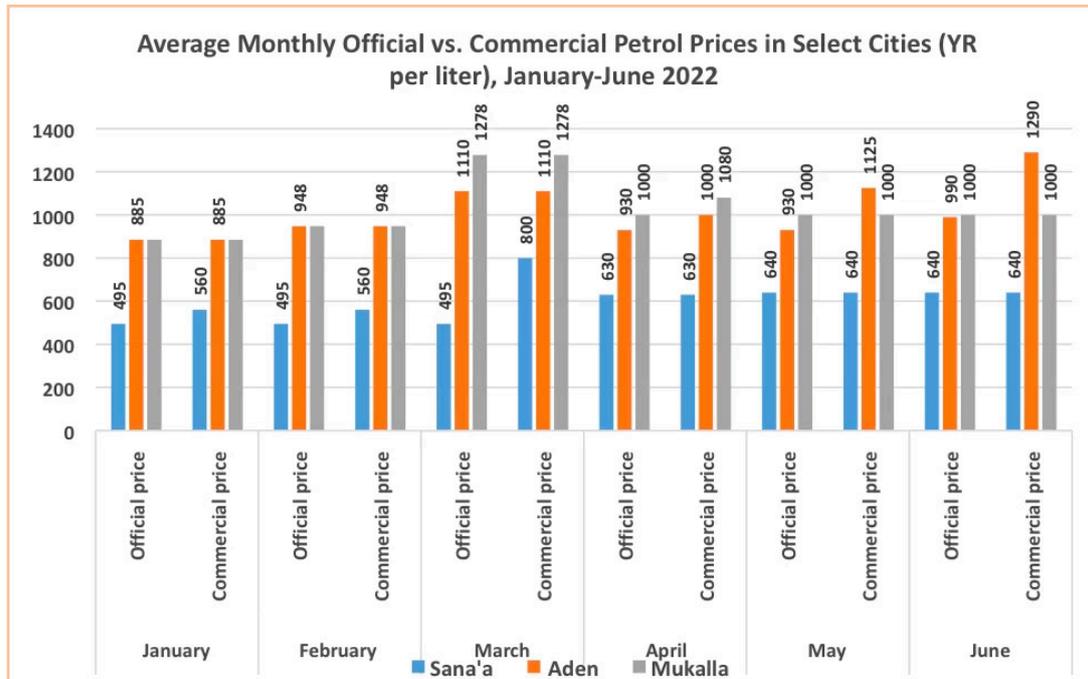
Since the formation of the PLC in April 2022, Saudi Arabia and UAE have [announced](#) numerous large-scale contributions, including US\$2 billion to shore up the CBY-Aden's dwindling foreign currency reserves and stabilize the rial; US\$900 million to finance oil derivatives (diesel and mazut) for power stations; US\$300 million for humanitarian relief; and the recent US\$400 million to support development projects. However, financing packages to support the CBY-Aden and fuel for power stations have yet to materialize. The funds are apparently being held up because of unimplemented governance reforms Riyadh and Abu Dhabi have demanded in return for their release, which the CBY-Aden and Yemeni government have struggled to put in place (see below, '[Saudi and Emirati Financial Support Facing Delays](#)').

Fuel Crisis Returns: Prices Soar in Govt-Controlled Areas

The interim capital of Aden and other cities under the nominal control of the government witnessed severe fuel shortages and price hikes in June, leading to social unrest and popular demonstrations. On June 4, the government-run Yemen Petroleum Company (YPC) announced a price increase of 6 percent, from YR930 to YR990 per liter of petrol at government-run stations (which usually sell at near cost). Two weeks later, commercial petrol stations increased their prices by 15 percent, from YR1125 to YR1290 per liter, following severe shortages and an increase in black-market trading. The black market in Aden has proliferated, as traders seek to profit from unmet demand, selling petrol at roughly YR1750 per liter. As a result, popular protests escalated in southern areas (see, Politics & Diplomacy: '[PLC President Faces Aden Protests After Regional Tour](#)'). Installed in April, the PLC has been criticized by residents as slow to deliver promised reforms, with the economic situation worsening in many southern regions of the country. Aden, among other areas, is suffering long power outages in the hottest season of the year.

On June 19, the YPC [announced](#) that it would continue to supply the local market with petrol at the subsidized price of YR990 per liter, 30 percent lower than the price offered at commercial petrol stations and lower than prevailing global prices. Even while the YPC subsidy is likely to be costly for the government, access to government stations has been limited due to long queues.

It should be noted that the price of petrol differed in areas under government control during June. Government-run stations in Marib continued to provide petrol at the highly subsidized price of YR190 per liter, though the supply was limited relative to the more expensive petrol sold at commercial fuel stations at YR1,100 per liter. In Mukalla, the capital of Hadramawt, the price remained stable at YR1,000 per liter at commercial stations, while in Taiz city it increased 28 percent, from YR1,050 to YR1,350.



Source: Sana'a Center Economic Unit

Petrol prices in the south had remained relatively stable over the preceding two months, after the internationally recognized government **announced** a 16 percent reduction in the price, from YR1,110 to YR930 per liter in Aden. This followed the announcement of US\$3 billion in consolidated Emirati and Saudi financial support to the government, which induced a considerable improvement in the exchange rate of the new Yemeni rial. During the first quarter of the year, escalation between the warring parties over the supply and sale of fuel throughout the country resulted in nationwide fuel shortages and price hikes (see, *The Yemen Review, January & February 2022, for more details on the fuel crisis*).

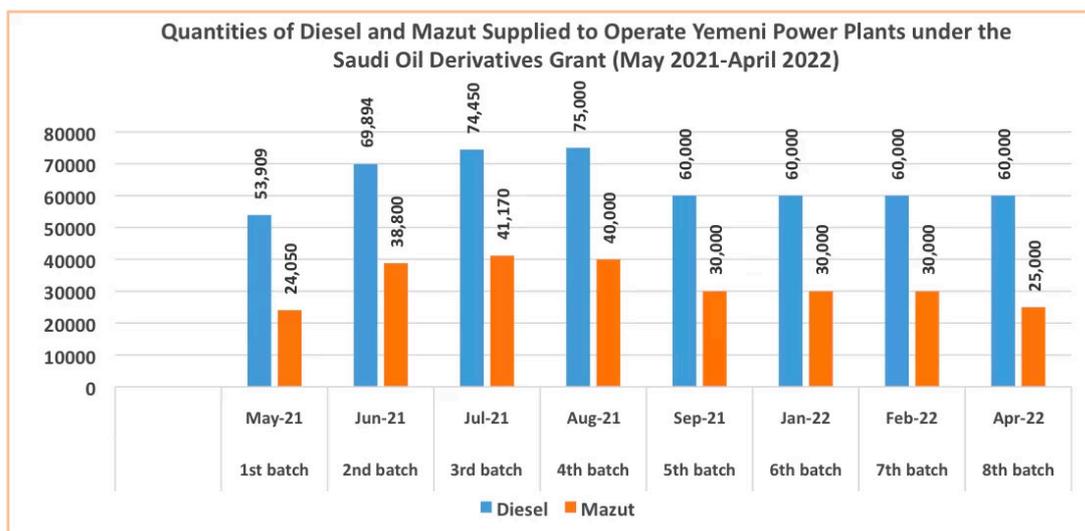
On 25 June, the General Coordination Council to the Yemeni Oil Company Unions (GCCYOCU) **issued** a statement detailing the reasons for the rise in prices. According to the council, price hikes have been driven by several factors: the depreciation of the rial; recent “economic changes in the world” related to the Russian invasion of Ukraine; liberalization of local fuel markets; the disruption of work between the Aden Refinery Company (ARC), the YPC and the CBY-Aden; and the entry of new private suppliers into the poorly regulated oil derivatives market.

Saudi and Emirati Financial Support Facing Delays

Currency volatility in government-controlled regions has been a major driver of soaring prices, with the currency experiencing significant downward pressure as more than US\$3 billion in Saudi and Emirati financial support, promised to the government with the formation of the PLC in April 2022, remains largely undelivered.

The extension of the Saudi grant has been subject to a set of reforms that the SDRPY has mandated to maximize its benefit, which include increasing the collection rate of electricity service bills, improving maintenance for power plants, reducing power waste and satisfying effective governance and control measures for managing the distribution, transportation and consumption of oil derivatives. Over the course of June, no Saudi oil derivatives were received to help operate electric power plants. Since August 2018, oil derivatives provided by Saudi Arabia have played an essential role in alleviating fiscal burdens on the state, slowing the depletion of the CBY-Aden’s foreign currency reserves and helping to stabilize the rial.

The last batch of Saudi fuel arrived in Aden at the end of April, the conclusion of a year-long agreement signed between the government and the SDRPY in April 2021, under which the government was eligible to receive oil derivatives valued at US\$422 million and totaling 1,260,850 metric tons to operate more than 80 power stations. Since 2018, Saudi Arabia has provided grants for oil derivatives worth US\$602 million, but these are not always received. The government had received only 61 percent of the pledged US\$422 million by the time the grant period ended in April.



Source: Saudi Development and Reconstruction Program for Yemen (SDRPY)

Based on Article No. 2 of the agreement signed between the Yemeni government Ministry of Electricity and Energy and the Saudi SDRPY, oil derivatives to operate power plants shall be provided at the prices prevailing on the domestic Saudi market, rather than international prices, with the difference covered by the Saudi fuel grant. According to the Saudi Press Agency, the quantities of diesel and mazut under the Saudi oil derivatives grant were, on average, 77 and 94 percent lower, respectively.

On June 20, Prime Minister Maeen Abdelmalek Saeed **held** a meeting in Aden with representatives of the ministries of finance, oil and minerals, and other relevant government authorities, to facilitate the resumption of the Saudi grant. The meeting centered on terms in the agreement between the Yemeni government and the SDRPY related to governance controls. Ten days later, Saudi Arabia pledged US\$400 million to support development projects in 17 sectors and another US\$200 million in oil derivatives grants.

On March 29 in a **televised interview**, Electricity and Energy Minister Anwar Kalashat had warned of severe electricity shortages due to the expiration of the Saudi grant and the government’s limited capacity to afford fuel on international markets. On June 28, a group of government leaders – including officials from the ministries of planning and international cooperation, and electricity and energy – met with a World Bank delegation in Aden to **discuss** the challenges associated with power generation and sustainable solutions for electricity and energy in Yemen, including the feasibility of gas power stations. Kalashat told the delegation that one of the largest challenges in the sector has been the large deficit in power generation, which reached almost 50 percent in June, as well as the amount of funding the Yemeni government would need to allocate every month to produce electricity, estimated at up to US\$100 million in the absence of the Saudi fuel grant.

In mid-February, the Ministry of Electricity and Energy released a **statement** outlining governance and management deficiencies that have prevented the effective utilization of previous Saudi fuel grants and reduced the chances of obtaining further support. According to the ministry, one of the obstacles has been a lack of commitment from certain governorates, which have been late to deposit their financial obligations into a joint account created under the grant agreement. By the end of January, the government-owned Public Electricity Corporation and its branches accumulated YR9.71 billion in debt, and a month later had paid off only 45 percent of what it owed.

According to a **report** released by the Yemeni Ministry of Electricity and Energy and the Saudi SDRPY in May 2021, the ministry has faced difficulties collecting electricity tariffs. The highest collection rate was in Aden at 49 percent, followed by Shabwa governorate at 38 percent, while the lowest collection rate was in Lahj and Al-Dhalea collectively at only 30 percent.

Battle Over Control of Telecom Companies

On June 27, the Yemeni-Omani Company “YOU” (previously MTN) **announced** the cession of its mobile network service in the interim capital of Aden “for reasons beyond its control” and said it sought to resume service as soon as possible. YOU offices and mobile services in other government-controlled areas, including Abyan, Lehj, Al Dhalea and Marib faced partial closures and suspension, but gradually returned online three days later. The suspension of services in Aden accompanies YOU’s launch of 4G mobile phone technology, and an intense dispute between the fragmented branches of the Ministry of Telecommunication and Information Technology in Sana’a and Aden over the right to regulate mobile phone services.

Aden-based judicial authorities **said** on June 28 that the government's suspension of YOU mobile services was a justified response to the company's failure to pay overdue taxes. On April 24, the Public Funds Prosecution in Aden had released a judicial order imposing a precautionary seizure of the company for failing to pay YR24.24 billion in taxes for the years 2015, 2016 and 2017. In response, YOU filed a lawsuit against the government over the closure of its branches in Aden, asking for the cancellation of the judicial order and demanding compensation. It is unclear how the cases will play out and whether the company will resume operations in Aden. According to a credible source in the telecommunications sector, there have been ongoing negotiation efforts led by Omani shareholders and government officials to settle the dispute.

In November 2021, South African multinational telecommunications company MTN Group **announced** its exit from Yemen. It subsequently transferred 82.8 percent of its equity in MTNYemen and its reported 4.7 million subscribers to Emerald International Investment LLC, which has faced **accusations** of being a Houthi front company facilitated by Omanis. At the time, the internationally recognized government **rejected** MTN's decision, stating that it violated the company's contractual obligations, and that the government was still owed overdue taxes and licensing fees.

The escalating dispute has left thousands of subscribers disconnected, and there has been widespread public panic as the service suspension disrupted businesses, personal communications and access to emergency services.

CBY-Aden Refutes STC Accusation of Planned Return to Sana'a

On June 12, the Aden branch of the Central Bank in Yemen (CBY) issued a **statement** denying STC **claims** that it was planning to relocate to Sana'a. The CBY-Aden release stated that: "The Central Bank of Yemen is surprised by the campaigns and statements issued by official entities, accusing the bank's leadership and some of its officials of conspiring to transfer the bank to Sana'a. Such misleading information aims at poisoning the relationship between the bank and those entities..."

Houthis Look to Develop Stock Market with Iranian Expertise

On June 21, the head of the Securities and Exchange Organization of Iran, Majid Eshghi, and the governor of the Houthi-run CBY-Sana'a, Hashim Ismail, signed a **memorandum of understanding** for developing Yemen's stock market infrastructure with Iranian expertise. Notably, the MoU appears to act counter to UN efforts to de-escalate the economic war by fomenting fresh fragmentation in the country's financial markets.

Other Economic Developments in Brief:

- **June 12:** The King Salman Humanitarian Aid and Relief Center announced that Saudi Arabia would provide US\$10 million to confront the existing threat from the FSO Safer oil tanker anchored in the Red Sea coast of the coast of Hudaydah (for details see, [“Every day that goes by is another day that we take a risk that this vessel will break up” – A Q&A with David Gressly about the FSO Safer](#)).
- **June 22:** The Yemeni government’s Minister of Planning and International Cooperation, Waed Badeb, [warned](#) that the country’s wheat stocks are almost depleted, in large part due to [knock-on effects](#) from the Russian invasion of Ukraine.
- **June 29:** S&P Global Commodity Insights published an [article](#) stating that the Austrian company OMV is looking to exit its oil and natural gas investments in Shabwa governorate. In the face of security challenges, the company plans to begin divestment and reduce its production activities.



People turn out for an annual pro-Houthi rally in Sana'a on June 3, 2022 // Sana'a Center photo.

Entrenched Power: The Houthi System of Governance

Maysaa Shuja Al-Deen

Introduction

One of the challenges to ending the war in Yemen is the changing nature of the Yemeni state under Houthi rule. The Zaidi Shia movement has created facts on the ground that considerably complicate the work of bringing the various parties together in a new political arrangement. The de facto Houthi authority has effectively transformed the institutions of government in Sana'a as part of a project to build its own state.

The group has deployed sectarian doctrine, built a large army and created an extensive network of supra-governmental supervisors, widening the gap between society and rulers. It is hard to imagine this vast political and economic network voluntarily dismantling to share power with other Yemeni factions.

Although the group calls itself Ansar Allah, meaning the Partisans of God, most Yemenis view it as a family enterprise based on the teachings of Badreddine al-Houthi (d. 2010) and other Zaidi religious scholars, that was built up by Al-Houthi's sons and seeks to revive the Zaidi imamate that was politically dominant in North Yemen for almost three centuries until 1962. This paper examines the Houthi movement's aims and origin as well as the structure of the Sana'a-based Yemeni state in its hands since 2014. It also seeks to inform discussions on issues and challenges that would be involved in attempting to incorporate elements of this structure into a post-settlement system of governance.

Houthi Origins

The Houthi movement began life in the early 1980s in the Zaidi heartland of Sa'ada in northern Yemen with the dual aim of countering the **spread of Wahhabism** from Saudi Arabia and reviving Zaidi Imamah rule. The family was able to assert primacy through the **Zaidi theory of the imamate**, which merges political and religious leadership in the figure of the state leader while extending the base of those who can take on this role to anyone from the socio-religious class of Hashemites (descendants of the Prophet Mohammed).

The Houthi family **established an extensive network** in Sa'ada governorate and other northern tribal areas. Mohammed and Hamed Badreddine were active through youth associations and summer camps in local boarding schools that came to be called the Believing Youth, while Hussein and Yahya Badreddine were active in politics, and Abdelmalek Badreddine was involved in military activities. Sheikh Badreddine chose Abdelmalek to lead the movement after his eldest son, Hussein al-Houthi, was killed in 2004 during the first of six bouts of fighting with the Sana'a government of then-President Ali Abdullah Saleh, known as the Sa'ada Wars, which lasted until 2010.

The Houthi theory of government mixes traditional Zaidism with a style of family rule similar to that of Gulf monarchies and elements of the Iranian revolutionary system, while technically retaining the republican structure of the Yemeni state. While the movement celebrates its 2014 seizure of Sana'a each year on September 21 as a victory against corruption and foreign intervention, it formally canceled the September 26 republican revolution day. Still, many Yemenis use the latter occasion – lighting up the roofs of their houses and playing songs of the 1962 revolution – as a means of expressing disapproval of Houthi subversion of the republican system.

While some opponents accuse the Houthi movement of trying to revive the Zaidi imamate, others point to family monopolization of power as a violation of the principles of the imamate. Historically, it was not uncommon for Zaidi rulers to consolidate power through their immediate family and transfer rule to their sons, though this risked rejection and coups. In his latter years in power, the late President Saleh also relied on family members to shore up power, but the Houthi format has taken the phenomenon to another level, possibly sowing the seeds of future dissent.

Keeping It in the Family

The Houthi **governing structure** is led from the top by Abdelmalek al-Houthi, who has absolute authority as a Hashemite Zaidi leader considered to possess charismatic power as a descendent of the Prophet. The influence and authority of any Houthi figure is defined not by his title or role but his proximity to Abdelmalek, who lives in a secret location and is described in Houthi media as “leader of the revolution” (qa'id al-thawra).

Although Abdelmalek al-Houthi occupies this unchallenged position as the movement's leader, only a limited group of people have access to him. He sits at the **center of two networks**. The first is composed of those who were loyal to the Houthi family and Abdelmalek personally during the Sa'ada Wars. Abdelmalek refers to these people, who

are mostly from Sa'ada governorate, as mujahideen (“fighters for God”). Many of them are Hashemites. The second comprises the extensive social networks established by the other sons of Badreddine in the 1990s.

Families with marital relationships with the Houthi family are important in forming the main supervisors, such as the Ijri, Mutawwakil, Mo'ayyed, Tawoos and Mashat families. Hashemite origin also connects the Houthis with dozens of families, most notably the Shami family. Regional ties are also valued, such that most of the primary supervisors are from Sa'ada governorate. Those who joined the group after it became dominant in Sana'a have come to be known as mutahawwitheen (“the Houthified”), playing more minor roles such as district supervisor within their own geographical locality.

These identities are important in managing internal disputes, in which Abdelmalek is the ultimate arbiter. The Houthi family, with its marriage connections, is at the top of the pyramid. Loyalists from Sa'ada governorate who fought with the Houthis in their early stages come second, and the Hashemites, in general, are third. If there is a conflict between a Hashemite from outside Sa'ada and a non-Hashemite from Sa'ada governorate, the latter will prevail. A Hashemite from Sa'ada has enormous leverage inside the group.

Abdelmalek's younger brother, [Abdelkhaleq al-Houthi](#), is the second in command, despite his young age (he is thought to have been born in the late 1980s). After the movement seized Sana'a in 2014, Abdelkhaleq was made leader of the largest Houthi military brigade, known as the Reserve Forces. Then in 2018, he became military leader of what the Houthi administration calls the Central Region, meaning Sana'a and its surroundings. [Yousef al-Madani](#), husband of Hussein al-Houthi's daughter, is another key military leader.

[Abdelkarim al-Houthi](#), the uncle of Abdelmalek, holds two vital positions as both chairman of the executive office of the group and the [interior minister](#). Yahya al-Houthi, an older brother to Abdelmalek, serves as education minister. Though he only acquired religious education and never attended public schools, education is a vital ideological tool for engendering loyalty to the movement. It is also the education ministry that controls much of the international food aid in the north. A new generation of the Houthi family is now taking on important positions – Hussein al-Houthi's son [Ali](#) is a [deputy interior minister](#) for the Houthi authority.

Houthis outside this ruling circle who raise objections to this form of governance appear to have been silenced. [Mohammed Abdelazim al-Houthi](#), a cousin of Badreddine, largely disappeared from public view in 2018 after he is believed to have indicated his opposition to Abdelmalek's leadership, though he was shown this year in a photograph that accompanied [a news report](#) in Houthi-run media.

Government by Supervisor

The Houthis established a [supervisory system](#) involving a network of loyal individuals as a parallel system to the official institutions of the state. Houthi supervisors have been dispersed throughout state institutions since the group seized control of Sana'a in September 2014, and it is these supervisors, not the official government office holders, who hold power in their various fields.

There is a general supervisor in every governorate, and below him primary supervisors in districts, villages and areas. According to their specialization, dozens or hundreds of supervisors work below every general supervisor. This first level of supervisors – the general supervisors – is directly chosen by Abdelmalek al-Houthi and operates under the authority of the revolutionary committee (al-lajna al-thawriyya), headed by Mohammed al-Houthi.

This **parallel system** first began in Sa'ada governorate when Houthi forces took it over in March 2011 during the popular uprising against Saleh. When they seized the capital in September 2014, they distributed their armed men along the city's streets in the form of security committees. Other armed men bearing the title "supervisor" (mushrif) were then dispersed among the different ministries under the claim of fighting corruption.

One month after the resignation of President Abdo Rabbu Mansour Hadi and Prime Minister Khaled Bahah in January 2015, the Houthis issued a constitutional declaration forming revolutionary committees to organize the work of the supervisors. There was pressure from former president Saleh, who after leaving office in 2012 had formed an alliance with the Houthis, to **shelve the committees**. The Houthi government agreed to this in **August 2016**, but in practice, the Houthis continued to run their own system and stepped up their use of committees after assassinating Saleh in December 2017.

The Houthi holding real authority can be the first person in the ministry, such as Education Minister Yahya al-Houthi, or the second-in-command, such as Hussein al-Ezzi, a deputy to foreign minister Hisham Sharaf. Keeping people like Sharaf in place presents a technocratic façade for the real power – the supervisor who is a Houthi loyalist with little or no experience in the specific field.

This can happen even if the front person was appointed by the Houthi administration. The current president in Sana'a is Mahdi al-Mashat, but behind him there is an office manager, Ahmed Hamed, whom Yemenis dub "**president of the president**". As a former member of the Houthi negotiating team following the group's seizure of Sana'a in 2014, Al-Mashat is effective as the face of the Houthi state as head of the Supreme Political Council, while Hamed is a tough figure better suited to working in the background.

In a few cases, the Houthis have established new institutions, such as the General Authority of Islamic Alms (zakat), which replaced the pre-war **General Administration of Islamic Alms** with a new staff and structure. They also created the **General Authority of Endowments** to replace the Ministry of Religious Endowment and Guidance. Both zakat and endowment revenue are handled by the office of Abdelmalek al-Houthi rather than any government ministry.

The movement has also created the Supreme Council for the Management and Coordination of Humanitarian Affairs and International Cooperation (SCMCHA) to manage NGOs and humanitarian aid. These new institutions have been set up in fields where there are significant revenue streams available to the Houthi government.

Supervisor Functions

Each governorate has a general supervisor, and below every general supervisor there are dozens or sometimes hundreds of minor supervisors, who are divided into five categories.

The first category is the security supervisor, who is responsible for sensing signs of opposition or even resentment against the Houthi authority. The names of these figures are kept out of the public sphere, where they are only referred to by patronyms such as Abu Hasan. Some disappear from public view altogether. For example, the death of senior security official **Taha al-Madani** in a coalition airstrike was announced in 2017, a year and a half after his disappearance. Sultan Zabin, the Criminal Investigation Department director, seemed to disappear after the UN **sanctioned** him for involvement in torture and sexual violence. Houthi media **announced his death** in April 2021.

The security supervisor also oversees the **three security agencies**, all of which operate under the aegis of the Interior Ministry. First, Preventive Security is an intelligence apparatus tasked with monitoring Houthi fighters to prevent them from fleeing and punishing any Houthi official engaged in subversive activities. Second, the Security and Intelligence Bureau is the body that resulted from the merger of the two official intelligences. Third, the Zainabiyat is a special intelligence agency of women whose responsibilities include monitoring and arresting women and supervising women's prisons.

Next, financial supervisors are responsible for collecting taxes and Islamic zakat. The third kind of supervisor is the social supervisor who deals with diverse social actors such as tribal leaders and traditional neighborhood bosses known as aqil. The fourth and fifth kinds are the intellectual and educational supervisors, whose interrelated missions concern disseminating Houthi propaganda. For example, the educational supervisor monitors schools, universities and other educational establishments, while the intellectual supervisor organizes various Houthi events, such as the commemoration of the 2004 death of Hussein al-Houthi. These supervisors receive their monthly salaries from the office of Abdelmalek al-Houthi but are also known to **collect levies from local communities** under their purview.

Houthi leaders have centralized power and sidelined traditional actors in Yemeni society through this supervisory system. Tribal sheikhs and aqils used to play important roles in serving their communities as figures who were chosen through processes within those communities. The Houthi centralization of power, a general feature of the modern state, runs counter to traditional patterns of governance in Yemen.

According to Adel Dashela, **a researcher on Yemeni tribes**, most of the northern tribal areas were left underdeveloped in the modern period and the presence of the state was minimal. Former President Saleh used a policy of divide and rule to buy the loyalty of tribal sheikhs, while empowering figures with weak social standing to weaken the genuine actors. The Houthi movement has applied the same strategy but on a larger scale, deploying various methods to cow recalcitrant sheikhs, including even **destroying their homes**.

As for the aqil, his traditional role was to mediate between residents and the government in resolving local issues. Under Houthi rule, his mission has been reframed as collecting

information on residents and passing it on to the social supervisors under whom they operate. The aqil will provide the names of young men who can be called upon to fight. He will also **distribute humanitarian aid** to families, with **priority given to those who show loyalty** in raising funds from the community or helping with the recruitment of fighters. The aqil is also required to make sure young people attend cultural programs that **instill regime ideology**.

This highly centralized system reflects the Houthi notion of power as emanating from a figure who does not in theory need to build ties to diverse local communities since he is invested with divine authority. But this approach risks failing to address the variety of needs of different elements of Yemen's complex society and could end up provoking a counter-reaction if those outside the Houthi nexus of power feel deprived of food, medicine and various forms of social mobility. The ideology also risks clashing with family and tribal traditions and other pre-existing social bonds, particularly through its **use of violence**. This raises the possibility of a backlash against authoritarian rule, not least in a highly armed society such as Yemen.

Houthi Economics

More than half of the Yemeni population live in Houthi-controlled areas that suffer from a lack of revenue-generating natural resources. Yet Houthi taxes collected in these regions, estimated to be **US\$1.8 billion** a year, are, according to a Yemeni economic expert, equal to the annual tax revenue during the last years of the Saleh regime. Saleh, of course, controlled the entire country as opposed to only one part of it.

The economic expert, who spoke on condition of anonymity, noted that the Houthis have been highly focused on taxes as a key revenue source. Banks and big companies have been required to reveal their tax accounts since their first year of operation, often long before the Houthi movement took over, and then been obliged to make up for any taxes they did not pay during the Saleh years.

The Islamic zakat has become a mandatory tax rather than a voluntary religious duty. The Houthi government makes sure to collect the tax during the month of Ramadan since the fear of government reprisals during this most-profitable period of the year means business owners are loath to argue about payment. For this reason, zakat gathered in Ramadan has been a source of tension between the authorities and chambers of commerce.

The Houthi administration has in effect applied a new standard of tax efficiency at the same time as introducing a double-taxation system. The taxes extracted from the private sector in particular have helped make up for the partial salary cut for public servants after the central bank moved in 2016 to Aden under internationally recognized government control.

The Houthi government has also been inventive in collecting money for a roster of popular state-backed commemorations such as the Prophet's birthday, the launch of the coalition military campaign, Ashoura, which marks the martyrdom of the Prophet's grandson Hussein, Jerusalem Day as well as impromptu fundraising in **support of political causes**. As a whole, this system of levies works like a machine, functioning year-round and including everyone, from the rich and powerful to street vendors and small farmers.

At the same time, the Houthi government has often neglected or been late in paying salaries and maintaining public services. Usually, state employees have received only **half their monthly wage** at irregular intervals, a measure justified as a taxing-at-source for zakat. Services such as water, electricity and road maintenance sometimes go unattended. The main reason given by the Houthi government for delays and cuts in salaries and poor public services is the difficulty of fighting a war, including the economic blockade (see, for example, the **speech made by Abdelmalek al-Houthi** on June 17). However, Sana'a real estate prices have soared during the war, with most buyers being a class of pro-Houthi Yemenis who have apparently grown wealthy. Real estate is a good investment while the currency suffers amid economic deterioration; such transactions can also provide a way to launder money and transfer it out of the country.

These activities have been enabled by a culture of corruption and absence of accountability, especially for Houthi supervisors, due to snuffing out the space for political activity and open media that had existed, albeit imperfectly, during previous decades.

In short, the Houthi economy has contributed to rising poverty, creating a wealthy class of war profiteers and widening the gap between rich and poor – factors that played a part in stoking the popular uprising against Saleh's regime.

Post-War Scenarios

Following the seizure of Sana'a, a **Peace and National Partnership Agreement** was signed in September 2014 to form a coalition government of the Houthis and other political parties in return for the withdrawal of Houthi forces. But once the government was formed, the forces remained. Already in those first months, **Bahah, the prime minister, complained** that Houthi supervisors were interfering in ministerial work and behaving as a superior authority. With Houthi governance now entrenched over more than seven years of war, change will be difficult. Most peace proposals since the peace and partnership agreement have envisaged some form of power sharing, but the Houthi movement appears determined to keep its supervisors. It would be a challenge to integrate them formally into state institutions due to their large number and lack of educational qualifications.

There is little international leverage to persuade the Houthis to relent because their external political and economic ties are limited. **US and UN sanctions** on several Houthi individuals, including banning their bank accounts, have little impact when figures like **Abdelmalek al-Houthi** or **Abu Ali al-Hakim**, another senior Houthi military leader, neither travel nor hold Western bank accounts. They maintain only military and intelligence relationships with Iran.

The movement has long lost the elan of a populist movement fighting corruption that it had when it first seized power. The regional and sectarian nature of the group places severe limits on the ability of other areas of Yemen to accept its rule, even among communities that also reject Saudi-UAE military and political intervention. War has tightened the Houthi grip on society, enabled the group to develop a particular ideological culture that runs counter to Yemen's traditions, and created a class of war profiteers to boot.

Corruption and ill-gotten gains were the main reason for popular resentment against

Saleh and his successor, Hadi. When the war is over, the Houthis will face new challenges. There will be no more pretexts for corruption, bad governance, brutal oppression and multiple taxation. All these phenomena have created a vast chasm between government and society, and a silent anger against them that they will be wise to fear.

Maysaa Shuja al-Deen is a senior researcher at Sana'a Center for Strategic Studies. Her writing and analyses have been featured in many media outlets such as Jadaliyya, Assafir al Araby, al Araby al Jadeed, and Al-Monitor.

This analysis is part of a series of publications produced by the Sana'a Center and funded by the government of the Kingdom of The Netherlands. The series explores issues within economic, political and environmental themes, aiming to inform discussion and policymaking related to Yemen that foster sustainable peace. Views expressed within should not be construed as representing the Sana'a Center or the Dutch government.



Caption: Yemenia Captain Khattab al-Naami from Aden and co-pilot Mohammed al-Ansi from Al-Jawf, looked nervous, as if they were about to take their first flight test. They were in fact about to fly one of the most important flights in Yemen's history. The atmosphere was joyous as passengers awaited the departure of the flight from Amman to Sana'a on May 16, 2022. //Sana'a Center photo by Farea Al-Muslimi

Flight 649: On Board Yemenia's Return to Sana'a

Faree Al-Muslimi

Elegantly dressed in the pilot uniforms of Yemenia Airways, Captain Khattab al-Naami from Aden and co-pilot Mohammed al-Ansi from Al-Jawf, looked nervous, as if they were about to take their first flight test. They were in fact about to fly one of the most important flights in Yemen's history. The atmosphere was joyous as passengers awaited the departure of the flight from Amman to Sana'a on May 16. It marked the reopening of Yemen's main airport to commercial flights nearly six years after its closure, with expectations raised in June that routes may expand further.

Just hours before Flight 649's take-off, Al-Naami was unsure if the flight would happen, despite clearance from the Saudi-led coalition that has controlled Yemen's airspace since entering this war in 2015. A UN-sponsored truce that took hold in April secured the limited resumption of passenger flights through Sana'a, but a first scheduled flight already had been canceled at the last minute.

Anxious passengers gathered in front of the departure board as the word Sana'a finally appeared on the screen. On boarding, a flight attendant who introduced herself as only "Baghdad", from Al-Mahwit governorate west of Sana'a, smiled enthusiastically, greeting each traveler like someone receiving family after years of absence. Even now, passengers whispered their disbelief, predicting the flight wouldn't take off, just like the last time.

A Group Celebration

At first there was an eerie silence as passengers settled into their seats, some with tears in their eyes. Then, men and women began using their phones to take photos documenting the moment – one of the few occasions on a plane when the conservative mores of Yemeni society have been set aside. Normally, you would hear calls of "women around, no photographs, please!"

At the back of the plane, an old man with a nasal tube connected to a medical device found enough space to stretch freely in silent pain. Having exhausted treatment options, he was returning to live out his last days at home. Like him, most passengers had left Yemen seeking medical treatment in Amman and Cairo. A small number were students, expatriates or business travelers. A few could be classified as tourists: Amman is a transit point for Yemeni expatriates in America, coming from the land of Uncle Sam to spend their holidays in the city of Sam, one of the ancient names of Sana'a.

A young man from Bani Shaddad in Khawlan, east of Sana'a, said he had come to Jordan in 2018 to work in a factory. He paid 260 Jordanian dinars – more than a third of his monthly salary – just to change the destination of his flight from Aden to Sana'a. He rebuked my surprise over the large amount he had paid, saying it was worth it to have "lunch in Sana'a." His family, he said, hadn't believed him when he called the previous evening to say he would be home the next day.

Conversations on flights into Yemen from Amman and Cairo often are interrupted by the voice of a flight attendant asking, "Is there a doctor or nurse among the passengers?" as a patient's condition worsens. Last February, Al-Naami landed back at Aden airport minutes after take-off, trying to save the life of a patient traveling to Cairo to seek treatment for cancer. The woman died just before touching back down in Aden, but the captain won the appreciation and heartfelt tears of the passengers, including those who missed their transit in Cairo, for risking his livelihood by violating war-time aviation instructions to try and save another human life. Al-Naami's behavior was a common act of humanity understood by ordinary Yemenis, who are often frustrated by the seemingly indifferent behavior of the country's political leaders.

Suddenly I find Baghdad shouting at me, "You disappointed us!" – as if I was the spokesperson of the Yemeni Passengers Syndicate, or perhaps just because she saw me holding a pen and paper like an official note-taker. She then explained her surprise at the small number of passengers on board – the same aircraft had flown from Sana'a to Amman with more than 150 passengers, while the return flight had only 60. In other words, unlike any flight attendant one would imagine, she was disturbed rather than relieved by the small number of passengers on board, as if people had bailed on her eldest son's wedding party.

Meanwhile, Al-Naami and Al-Ansi were literally racing against the sun to land in Sana'a, deplane their passengers, many of whom required extra time and assistance, then take off again before nightfall. The airport's runway lost its lighting due to coalition bombing, making it impossible to take off or land after sunset. But despite the delay in Amman, the plane landed safely 28 minutes ahead of schedule, thanks to the skill of its pilots. Al-Naami, the son of the late Captain Abdullah Al-Naami, who was also a pilot, graduated from flight school in Texas in 1992 as did his co-pilot, Al-Ansi, in 2003.

At the other end, almost 2,000 kilometers away in Sana'a, air traffic controller Mutassim Abdelsalam woke up at six in the morning to begin his shift. Mutassim and his seven colleagues began working at Sana'a International Airport at the same time in 2017 but had never once guided a commercial flight down to safety. Today was a special day, however.

Abdelsalam shaved and dressed up as if it was Eid, as he put it. He and his colleagues also celebrated the incoming flight with a special breakfast their infrequently paid salaries could hardly afford: Sanani-style lamb kebab. Mutassim said his heart almost missed a beat when he heard the Yemenia pilot calling through the radio, "Sana'a tower, Sana'a tower?" He later said he was so happy he would have gone down from the tower to book the pilot a taxi and then prepared his breakfast, too, if he'd wanted.

Civilian Travel in Wartime: A Journey through Hell

According to Al-Naami, about 80 percent of Yemenia pilots and their families live in Sana'a, but with Sana'a airport closed, they were forced to travel by road back and forth to Aden or Sayoun to carry out their flight duties. With the war, checkpoints and closed roads, this journey had often been hellish, and periodically impossible, at times forcing pilots close to their 100 hours per month maximum flying hours as they covered for colleagues who couldn't make it for their shifts.

Before the war, there were 39 land, air and sea ports connecting Yemen with the outside world, according to Naser Shuraif, Vice Minister of Transportation. Most of them subsequently closed. Until the day of Flight 649, Yemenia had only four airplanes serving its entire population of 30 million people. Sana'a airport and Al-Rayyan in Mukalla, Hadramawt, which is under UAE control, have been closed to commercial flights throughout those years. The airports in Hudaydah and Taiz, two cities crushed by fighting and siege, also stopped running. All this generated a general sense of injustice among Yemenis that local and international parties were out to humiliate them and isolate them from the rest of the world.

Before the war, one could buy a plane ticket from Sana'a to Cairo or Amman for US\$300. Today, the taxi fare alone from Sana'a to Aden airport is US\$400, meaning for residents of northern Yemen in particular, leaving Yemen had become an expense only the upper class could afford. Patients with critical medical conditions often sell what they have or borrow beyond their means to travel abroad to seek treatment. Amman and Cairo have been the traditional destinations, particularly after the 2003 invasion of Iraq put Baghdad out of bounds.

The closure of Sana'a airport worsened people's suffering in other ways. For Yemenis, particularly the majority who live in the north, the pain begins with having to travel 24 hours to Sayoun airport in Hadramawt or between 12 and 18 hours to Aden airport. With the usual routes closed, the journey involves passing through various broken, unpaved and unlit sections of road, leading to accidents that have claimed the lives of entire families. To make matters worse, there is the proliferation of security checkpoints where people are abducted on the basis of political or other affiliation, or kidnapped for extortion, as well as the proliferation of militias, battlefronts and landmines. Regardless of age or health condition, travelers also are subject to humiliating inspections, while restrictions are imposed on women's movement through the obligation to travel with a male guardian, or mahram.

Just the thought of having to pass through the Houthi-controlled security checkpoint “Abu Hashim’s” in Al-Bayda, or the Islah-affiliated security checkpoint at Al-Falaj in Marib, or any point between Ibb and Al-Dhalea controlled by the Southern Transitional Council, is enough to make anyone planning to travel from Sana’a think twice about making the journey at all, even if it was to save their lives.

Getting a passport has also become a trial. Someone residing in Houthi-controlled areas is obliged to get their passport issued from areas under the control of the internationally recognized government. This forces people to move and bear much higher costs than the normal passport fee – that is if the authorities do not run short on passport books as they have in the past. One of the passengers on Flight 649 paid 900 Saudi riyals to obtain a passport through connections, rather than wait for weeks in Aden.

Finding Hope in a Sky That Has Brought Years of Pain and Fear

Children born in Sana’a during the almost eight years of war are familiar with the sounds of coalition airstrikes coming from overhead, and the airport has been one of the most prominent targets. Flight 649 began to reshape Yemenis’ relationship with their sky, from being a domain of death to a source of life and hope. And possibly peace.

The current truce is the biggest breakthrough for many years. Keeping Sana’a airport open is necessary, regardless of the fate of the truce. All that is needed to ensure this can happen is what Al-Naami calls a “dudes’ agreement.” But there has been no final agreement yet among the “dudes” – the most-powerful Yemeni players on the political and battle fields. And although Houthi authorities are willing to make concessions to external forces – such as border security assurances to Saudi Arabia – they refuse any positive gestures to Yemenis, still stalling on easing their suffocating siege of Taiz.

As soon as the plane’s doors opened, able-bodied passengers jumped to the ground to dance in joy or to thank the heavens. They headed for immigration, largely ignoring journalists who turned up seeking comments. The passport officer took some time to activate the dusty passport machine, which finally sputtered to life as though it hadn’t been used in years and could barely recognize a passport.

Outside, Sana’a was what it always has been: a city that forgot to die. Hunger has decimated its people and the war has broken many people’s honor in various ways. But it has not defeated them. Uncle Faisal Said’s qat diwans, for example, were still full of singers, artists and poets who managed to find their way in. And the dancing of 80-year-old Uncle Mohammed al-Raymi to the tunes of a young oud player inspires life, love and hope. For more than a moment, it makes one almost forget that there is war and misery just outside the window.

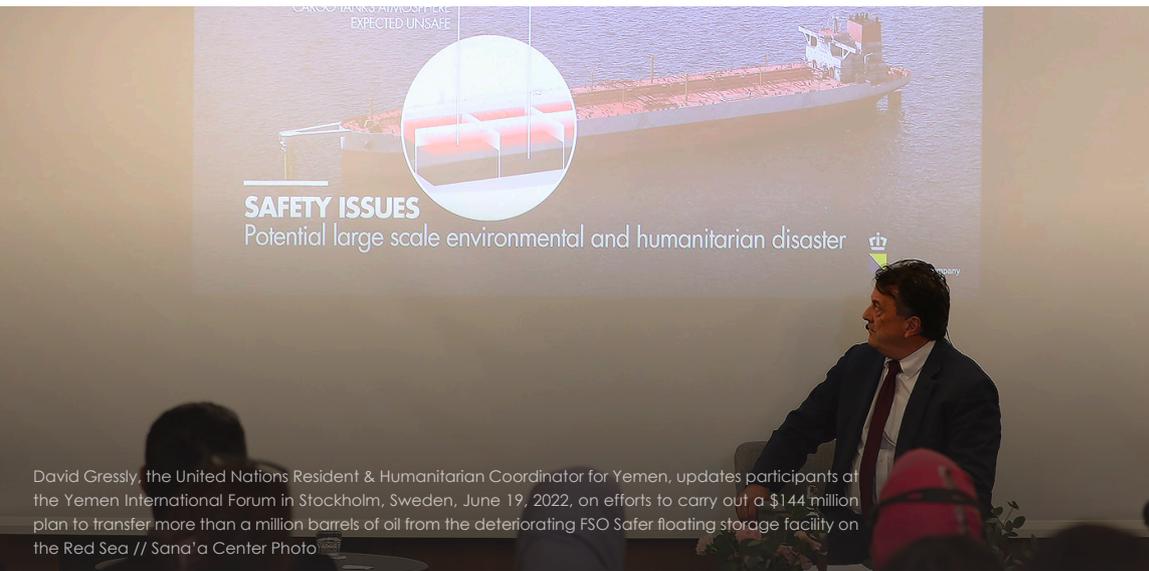
Two weeks after the first commercial flight into Sana’a, the truce was extended for another two months. Captain Al-Naami also flew the first passenger flight from Sana’a to Cairo and back on June 1, though it was the only such flight due to an unexplained problem Egyptian authorities had with flights from Sana’a.

He also relayed one more piece of good news for everybody: Rosa Abdelkhaleq, until recently a co-pilot, now flies an Airbus 320 for Yemenia, becoming the first female captain in the history of the Republic of Yemen.

At the outer gate of Sana'a airport, some dozen people who made their living as porters and helpers before the shutdown of the airport were waiting in an effort to win a new customer. As soon as I stepped out as the first passenger, one of them hit me with, "Is this the Yemenia Airways flight?" Without thinking, I answered "Aiwa!" – Yes! in my Yemeni accent. He and everyone around him chuckled at the joke I had just missed. "It's been a while since we've seen a passenger, what can we do, brother?" he said.

*Editor's Note: A **version** of this article first appeared in Assafir al-Arabi.*

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David Gressly, the United Nations Resident & Humanitarian Coordinator for Yemen, updates participants at the Yemen International Forum in Stockholm, Sweden, June 19, 2022, on efforts to carry out a \$144 million plan to transfer more than a million barrels of oil from the deteriorating FSO Safer floating storage facility on the Red Sea // Sana'a Center Photo

Q&A with David Gressly about the FSO Safer

“Every day that goes by is another day that we take a risk that this vessel will break up”

David Gressly, the United Nations Resident & Humanitarian Coordinator for Yemen, joined the Sana'a Center Media Call on June 13, fielding questions from journalists and researchers about the two-stage, \$144 million UN plan hoped to head off a Red Sea environmental catastrophe. Gressly, in a conversation facilitated by Sana'a Center Chief Economics Editor Spencer Osberg, spoke about phase 1 of the plan, which involves transferring more than a million barrels of oil from the FSO Safer to a new, temporary vessel to avert the possibility of the dilapidated floating storage facility failing.

Gressly said political obstacles have eased for now, and the four-month operation, which also involves cleaning and scrapping the Safer, can begin as soon as US\$80 million is raised to cover the first stage; the UN had commitments for about US\$60 million by the time Gressly discussed the project, and he was reaching out to countries, negotiating with private donors and even crowdfunding to raise the rest. Thorny issues surrounding sale of the oil, which have derailed previous efforts to resolve the crisis, will be dealt with after a replacement vessel is in place.

Editor's Note: This Q&A has been edited for length and clarity.

Spencer Osberg: The main topic of today's conversation is the FSO Safer oil terminal off the coast of Hudaydah and the recent efforts to mitigate the potential for a catastrophic oil spill related to such. ... Mr. Gressly, thank you for agreeing to be on this call. The floor is yours.

David Gressly: Well, Spencer, thank you very much. It's really great to be here. And I would like to thank both you and the Sana'a Center for the opportunity to reach out to all of the media that's online. ... I would like to start off with a brief outline of the overall plan that we have in place and then talk about the resource requirements, which is the critical piece that we're facing right now. We do have an operational plan that has the confirmed commitment from the authorities here in Sana'a. Equally important, the government of Yemen. In fact, we just had consultations on that today in both Sana'a and Aden to reconfirm that. So this plan is well endorsed in terms of the overall approach. So that was an important step to get this operation going. We are very far advanced on procurement of the salvage operation and vessel procurement for transferring the oil. So we're basically ready to go. We [require] about \$144 million. We need to carry the whole operation through in two stages: an initial emergency operation just to get the oil out of the current Safer tanker into a secure vessel; and then a longer-term second stage to replace the existing capacity that the current FSO vessel represents. And so, frankly speaking, the primary constraint we face is no longer really political, security or procurement or operational, it's resources.

And that's really why I want to highlight that aspect today. We made an appeal in the Netherlands back in May, where we raised about US\$33 million of the US\$80 million needed to start this operation to do the emergency phase. And we need the additional US\$64 million approximately to complete the second stage. So we get the US\$33 million plus the roughly US\$5-6 million that we already had in hand. So we're roughly in the US\$40 million range. ... Most recently, both the USA as well as the Kingdom of Saudi Arabia have pledged an additional US\$10 million each, which gets us approximately to the \$60 million threshold of the initial US\$80 million that we need to raise to start the operation. We have discussions with other donors for the second stage well underway, so we're optimistic that we'll raise the funding for both stages in an appropriate time.

So, for the operational plan, we have about a US\$20 million gap, and we really need to raise that as soon as possible. We're still in a good period for the operation, but by the time we get to October and November, the environment to carry out the operation becomes more difficult. But more importantly, it's because of the nature of the winds and currents. It increases the chances that this vessel, which is old and decaying, will break up. That would be the highest time of risk, in fact. ... And that's why we're calling on the public to help us cross the finish line to get that first US\$80 million in place. So US\$20 million is really not much when you look at the overall cost that this catastrophe would have if indeed there were a spill. The estimates that we've received on the cleanup alone would be US\$20 billion.

The disruption to international shipping would have a major cost as well, costing huge amounts on a daily basis. ... It will certainly have a significant impact on the ecosystems. The Red Sea is known for its pristine environments, which would no longer be pristine after such a spill. The reefs and the mangroves across the Red Sea could be affected. It might take as much as 25 years to restock the fisheries. Any country along the Red Sea could be affected. It would depend on the currents and winds at the time of the spill that would determine which countries, but that means all countries are currently at risk. Tourism on the Red Sea would be affected. The

desalination plants would be affected. It would affect not only the Arabian Peninsula coastline of the Red Sea but also the African coastline. So, of course, Yemen, currently in conflict, would be the most affected. Fishing communities would be devastated with maybe as many as 200,000 jobs wiped out overnight. This industry supports over 2 million people, directly or indirectly. Whole families would be exposed to the pollutants. Millions of people would be forced to breathe more polluted air.

The ports of Hudaydah and Saleef would be closed. These are the ports that supply the majority of Yemenis with food, whether commercial or humanitarian assistance, but also fuel and other life-saving commodities. Seventeen million Yemenis are already uncertain where their next meal comes from, even in the current circumstances with the ports open. There's too much at stake to allow this to happen. And we're so close, we just need to bridge that gap and we can start this operation. As I said earlier, we need about US\$144 million to carry the whole operation through. We need US\$80 million to start it, to get the emergency operation done, and then we'll work on the long-term replacement capacity. ...Every day that goes by is another day that we take a risk, a chance that this vessel will break up and the catastrophe that I describe will unfold. We need to take action. And as I mentioned earlier, as we get into October, November, December, the odds of that happening will be significantly higher. So, we're running out of time. That's why today I'm announcing a social media fundraising campaign to help us close the gap. We're asking the global public and not just member states, the global public, to crowdfund a quarter of the remaining gap.

That would be US\$5 million for this emergency operation. ... Importantly, every dollar that the public puts forward in this operation sends a message to all other member states and private companies and foundations that have not yet contributed or could contribute, that they also need to act now before it's too late. The campaign itself will be located on the UN website at [UN.org/stopRedSeaSpill](https://www.un.org/stopRedSeaSpill). It will be hosted by the UN website, and it will also be accessible through the UN Foundation where there is a donation page hosted.

Osberg: We've been following this at the Sana'a Center for a while, and one of the things that was very much aggravating about the situation is that the Safer was used as a political bargaining chip between the parties, essentially. And arguments over who would own the oil, where would it get sold? There have been previous attempts to do an assessment of the vessel and an agreement in principle agreed between the Houthis and the UN, only for that to be reneged at the last moment. What changed? How come there seems to be an amenability to addressing this issue now?

Gressly: Well, first of all, I think certainly here in Sana'a, there is a recognition that this vessel is decaying. More importantly, they understand that the vessel cannot be repaired. And I think it got stuck in the past over whether this vessel could be repaired or not. It cannot be repaired. It's deteriorated too much. It's not even a modern design. It was built in 1976. So it's a very old vessel, single hull, very inappropriate anymore for this. And that's understood here in Sana'a, as well as in Aden; I think that was an important step forward. Secondly, in Sana'a, we heard repeatedly that as a part of the solution, a replacement capability, not an augmentation of that, but a replacement capability — capacity, I should say, for storage — would, should, be a part of the overall program.

So we built that into the UN operational plan that we have shared. As you know, we signed a memorandum of understanding based on that approach, which is the two stages that I described earlier, and that seems to have very good political support here in Sana'a. And just as important are the discussions we've had with the government of Yemen on this issue. They really want us to move forward. We've spoken to countries in the region. ... They basically say the same thing,

if you can get this done, get it done, because it can only have a negative impact on all of us. So I think the key to answering your question is the understanding that the vessel cannot be repaired. It needs to be a replacement capability. We're working to make sure that that's included in the package, and that helped make the difference in these discussions.

Osberg: One of the things that we knew that was holding up the progress was basically, where would the sale of the oil go? Who would get the money from that? How was that dealt with in the current discussions? And what is the estimated value of the oil on board and what might happen to it?

Gressly: I think it's good-quality oil. We don't know the current quality after so many years of storage there. So that's still a bit of a question mark. But it's 1.1 million barrels. So you could take that times the current price. And, you know, it's a lot of money. So it is quite valuable, and we'll know more as this operation gets underway based on the actual quality after it's fully tested. So it's significant. And also, the ownership is a bit complex as I think many of you would know, multiple entities own it. So the way we're dealing with it now is not to confront that problem first. So, the oil will not be sold. It will simply be placed in a safer, assured vessel that is maintained and designed with modern design to safeguard the oil so it will not spill into the ocean. That buys us the time over months, who knows how long it might take, to discuss what to do with the potential sale of the oil. So the first thing to do is to secure the oil and then worry about the details of selling it and where the proceeds go later. It's going to be a bit of a complex political question, among other things.

Osberg: Thank you. I'll open up to the floor now.

Participant Q&A:

Is it possible to start the work before you have the full US\$80 million? And the second part of this is, will it be too late? When will it be too late to do the work this year if it can't be started before you have the US\$80 million? And finally, what has been the involvement – other than the Saudis who finally offered this US\$10 million – [of] all the other Red Sea coastal states, all of whom would be seriously at risk if the disaster happened?

Gressly: It's very difficult to start without the full amount. We don't need the full amount to do the initial salvage work. That would take roughly half the amount that we're talking about, which would be to secure the vessel and make it safe for the transfer and so forth. And that's the most technically complex part. But unless you have a vessel to put it in, which is the second part – and have enough funding to either purchase or lease it, and we're looking at leasing at this point in time – to store it properly and to keep it safe, then you don't have a complete solution, even for the emergency part. So at the end, maybe we can get away with US\$78 million, maybe we can get away with US\$77 million. But I think we have to stick to our target of US\$80 million to make sure that we can actually complete it. I don't want to start an operation that we cannot successfully see all the way through. It would break everybody's confidence if we started it and we didn't have a vessel to put the oil into, so we just can't go down that road. We'd also increase the overall cost to do some of these things twice. So that's why we're really insisting on the US\$80 million at this point in time. When will it be too late? ... Once the spill happens, it's too late. It's simple as that. What I'm trying to say is that the summer period would have been a good period to do it when the probability of a breakup is not so high. But as we go into the end of the year, October, November and December, that changes and the stresses on the vessel will increase.

... So we will start when we get the full funding. If it's more complicated, we'll still start because we need to do it. But we're taking a chance every day by delaying it.

In terms of the countries that are participating along the Red Sea coast, to my knowledge, it's only Saudi Arabia so far in the region. Qatar has put money in as well. They pledged US\$2 million. We have gotten offers of technical support from countries such as Egypt, for example, through the Suez Authority, and we appreciate those offers. But many of the countries don't have a great deal of resources, particularly if you start looking at Somalia, Djibouti, Eritrea, even Sudan. So I think we have to take a more broad, regional approach, a global approach, if we're going to find the resources to do this in the timeframe we need to.

Have you already purchased the new vessel? And when do you expect to start the oil transfer process, in case you receive the full funding?

Gressly: If we get the core funding, we need to do about two months of preparation work through a salvage company to prepare the current FSO vessel for the transfer, about nine weeks actually. So even from the start date of the operation, we need nine weeks before we can actually start physically moving the oil.

We have not yet finalized the procurement of a temporary vessel to hold the oil. We have a number of options that we can move quickly on, so that's not an operational constraint for the first stage. For the second stage, which is the longer-term replacement capacity, we intend to bring a salvage company here to Sana'a to review different options in [the] first week of July, to talk about the second phase and how specifically to carry that out. We will obviously do the same thing in Aden so that everybody knows what the options are moving ahead, so that we do things in a way that works for everyone.

In terms of outreach to regional actors, what discussions have you had with the UAE regarding the plan? I don't believe they've donated funds and their ambassador to the Security Council has questioned the sincerity of the Houthis' commitment to the deal.

Gressly: We actually did a joint mission, myself together with the Netherlands' ambassador to Yemen and the US special envoy, to speak with senior officials in Abu Dhabi. We got positive feedback and interest, but also some concerns about the ultimate commitment of the authorities, particularly here in Sana'a. That's a common question I get. So that discussion will have to continue as they have not made a contribution yet.

On the concern of the commitment here in Sana'a, I have had multiple discussions over the months, including today, in fact, where, as reiterated from the president of the Supreme Political Council here and the de facto authorities' Foreign Ministry here reaffirming once again, their support.

Will the money from selling the scrap be placed in an escrow account so that government employees can be paid? Will the Safer be dismantled immediately after the oil transfer?

Gressly: The current plan for the second stage is for the existing tanker to be sold as scrap. It's probably worth quite a bit given current steel prices. It would be used to offset the second-stage costs. Basically, it's more the oil. And that, as we discussed earlier, is still a very open question how that will be managed. ... However, with the existing vessel, it will be thoroughly cleaned so

that it doesn't present any pollution kind of threat at all. That's a pretty expensive piece of work as well, to make sure that even the vessel that will be salvaged will be very, very well cleaned.

Could you please share why the UN has chosen the path of public donations rather than going to the private sector to fill the gap?

Gressly: Well, we haven't decided that. We've decided to go to all potential donors, member states first. We are doing current outreach to private companies. In fact, together with the special envoy for the United States to Yemen and myself, we co-hosted a meeting with, I think, 30 multinational companies in Washington about a month ago to also call on them to contribute. So we're doing a multi-pronged approach. Member states, private companies, we're open to foundations. We haven't really initiated that work yet except for public support, but also now the general public, and I think over time we will see more funding come in from these different types of sources. So we're looking at all of them.

Why has the UN agreed to replace the FSO Safer in addition to salvaging the vessel and its oil? Isn't this effectively a ransom payment to the Houthis?

Gressly: Well, that's an interesting way of phrasing the question. Basically, all we're doing is replacing the existing storage capacity. That's all we're talking about – different options on how to do that. That was what opened the discussions to a successful conclusion. I'm not going to go any further than that on the answer, but we need to find a way forward on this. And this is what works. It doesn't seem to cause a problem in the region or with the government of Yemen. So right now, it's not causing a problem. And if it's a key to unlock this, I think it's a fairly low cost for finding a way forward.

Would it be possible to borrow the money off the back of the future proceeds of the sale, and does the dispute over ownership preclude this? Have any private firms, firms, foundations contributed?

Gressly: The answer to the second question is not yet, though we're optimistic that that could change. And we continue that outreach. The ownership is reasonably clear. But there's a difference between ownership and control, let's be frank about it. And that's a part of the dilemma that we face here. So given the different risks involved in the ownership of the oil and any potential to sell it at this point in time, to me, it's highly, highly unlikely that you could ever borrow funds against that in any secure way except an extraordinarily steep discount, which I don't think is in the interest of the people of Yemen in any way. So we haven't pursued that line.

One of the things I've heard is that a big fear companies have is that the area around the Safer is mined with sea mines or that there are other security, physical risks to the operation. Could you elaborate on that a little bit and how those are being addressed?

Gressly: We have a significant mine action program in Yemen with very good expertise, and their assessment is that this is a manageable threat, of the sea mines in particular. So this is not a game-stopper for us. It just requires careful work in order to avoid that. We're working with SMIT [Salvage] on this as the salvage company. They've done their own internal assessments from these kinds of risks, and we're all comfortable moving ahead, having taken all of that into account. So that's one of the operational challenges, but not one that we consider insurmountable at all.

Have you ever previously appealed to the general public for cash?

Gressly: Well, yes. ... I think most recently Ukraine, for example; in fact, we're following the footsteps of the UN Foundation in that regard. So this is not unique, but it's not what we do every day either. So I understand why the question is asked, but no, it's not the first time.

The US is only now contributing while Canada has not. How disappointing is it that countries have dragged their feet on supporting this project to the point where it may not start anytime soon?

Gressly: Well, I wouldn't call it disappointment. It's not a personal thing, it's just a risk thing. Every day that we don't get these contributions, the risk goes up. And it would be unfortunate, as I said, [if] we don't get the contributions. We look forward to continuing discussions with Canada and other member states who have not yet been able to contribute to do so. To be frank with the audience here, this is unusual to try to get contributions for something of this nature. It's far easier for me to raise money to respond to a catastrophe than to prevent a catastrophe. Most of the budget lines in various governments are not designed so much for prevention as they are for emergency response.

During the salvage operation of the oil, what are the risks of the operation itself causing this spill? And what is being done to mitigate them?

Gressly: The inert gasses that normally would inhibit explosions are no longer there because the system that maintains that no longer functions. So, one of the first things that will be done is to install a temporary system on board the vessel to reintroduce inert gasses to stabilize those chambers that contain the oil. That's just one measure among many. There will, of course, be oil booms around the vessel in case there is any kind of spillage in the process of transfer. But we're dealing with an extraordinarily experienced company [that] actually dealt with the problem in the Suez Canal. ... They know what they're doing. I've been quite impressed talking to them. They have to deal with toxic gasses, so they'll have to have breathing apparatuses to go in and do this safely. But they will work to secure the vessel, from a safety point of view for operation, as well as secure the vessel for a safe transfer of the oil. I have great confidence in the information I've received from them on how that will be carried out. Can't say that there is no risk – it is an old decaying vessel. But the operation is the best option to stop the spill.

I heard multiple times that Kuwait will donate the vessel. Plus we have the US\$10 million contributions from both Saudi and the US. This would make US\$60 million plus the vessel. Why are you not going ahead? Am I wrong if I have the impression that it is not about money but about politics – raising the pressure on both Sana'a and its opponents to give UN and SMIT Salvage more room to maneuver?

Gressly: Well, we have not received any offer from Kuwait for a vessel. So if we received from any one member state or private firm a vessel, of course that would go a long way, provided that it's an appropriate vessel, that would go a long way to bridge – and in fact, it would bridge – the gap. So we're not opposed at all to an in-kind contribution. ... If by a miracle, tomorrow somebody has a vessel for us to use, we would be happy to make good use of it. But so far, Kuwait – or any other member state or company – has not come forward to offer that to us.

Out of the US\$80 million, what are the costs of the ship, the salvage company and the other operational fees – what is the breakdown of the operational cost?

Gressly: I think it's about \$35 million for the salvage operation itself. That's an estimate. It's not a final figure. The leasing of the vessel is estimated around US\$13-14 million. But all of this is subject to procurement, so I'm not going to go into more detail on what the actual cost would be. But that's what the estimations are in the budget, and then, of course, other ... preparatory expenses that need to be done, insurance, things of that nature.

Has something like this ever been tried on this scale, transferring this much oil from one vessel to another in these kinds of circumstances?

Gressly: I don't know. I won't be able to answer it. We can find out. Actually, I think it's a fairly routine kind of operation. It's not that big of a deal for a salvage company, they deal with very complex operations. Technically, this is not that complicated of an operation. It's all the political, security issues revolving around it, and the need to mobilize the resources that made this one a difficult one to solve. Technically, for those who know what they're doing, it's not that difficult.

What will be the future location of the FSO Safer's final replacement?

Gressly: Well, it depends on the option selected, to be honest. If it's another FSO, which is an offshore storage vessel, it would be in the same place. But there are other options that we're looking at that we will be sharing with the authorities concerned. So I don't want to elaborate on those until we have a chance to talk to them about different options. The temporary vessel will be berthed adjacent – not next to, but in the same area – to maintain the oil, but in a secure area.

Has the Sana'a government agreed to withdraw any armed escorts on this operation? And must the coalition withdraw somewhat in order to get the Sana'a government to do this?

Gressly: In terms of military positioning, that doesn't seem to be an issue at this point in time. Of course, we would work closely with all parties in the conflict to make sure that this whole operation is fully deconflicted so that there are no issues there. Hopefully, the truce will continue. That's not even a big issue. But if not, we will, of course, do the deconfliction required. I'm very confident with all the parties involved wanting this to happen, that that's not a major consideration for us. And we'll be working with the local authorities. We have our own liaison officers on this, working on this. So we'll overcome any of these little local issues. I think we put the past behind us and just focus on getting this operation done.

Can you please go into more detail about the humanitarian consequences on the ground in Yemen in the event there is a spill?

Gressly: It will affect everything. It will affect fisheries, livelihoods, the ability to access the port, to deliver food into the country. It will affect international shipping because it could inhibit the passage of vessels, it would impact tourism and the revenue that's generated from that. It will affect the pristine environments. It could affect fishing stocks for 25 years in the areas that [are] ultimately affected, you know, US\$20 billion to spend [on cleanup]. Here's what I tell a lot of countries that I work with on this: 'You can do something upfront to prevent this because

if you don't, you're going to take your money when the spill happens out of money that's for Yemen – out of the development money, the humanitarian money. You will divert all of that money to clean up the spill.' And I had a really good discussion in that regard in Qatar, with the development foundation [director] there, who understood that instantly. The director said to me,

If we do not act, I will be spending more money cleaning this up than I intended to help Yemen with instead.' And I think that's [what] the biggest humanitarian catastrophe will be, the diversion of assistance that goes away to clean up the mess.

Before the war, the oil flowed from the Marib fields all the way across to the FSO Safer, where it was unloaded. The Houthis disconnected the pipe. Will the replacement FSO include the pipe connection all the way to the pipe on land?

Gressly: Well, the details we've agreed on are in the MOU that's also public. What we agreed in terms of a replacement vessel at that point in time, there are different options that could be used that might be more interesting. I would be in a better position to answer your question in July when we have those discussions. So I don't want to preclude those discussions at this point in time.

This issue of the Yemen Review was prepared by (in alphabetical order): Ryan Bailey, Casey Coombs, Ali Al-Dailami, Andrew Hammond, Khadiga Hashim, Abdulghani Al-Iryani, Maged Al-Madhaji, Farea Al-Muslimi, Elham Omar, Spencer Osberg, Salah Ali Salah, Susan Severeid, Maysaa Shuja Al-Deen, Ned Whalley and the Sana'a Center Economic Unit.

