

Policy Planning White Paper: Addressing the Currency Crisis

Prepared by the

**Public International Law & Policy Group
and
Resonate! Yemen**

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**POLICY PLANNING WHITE PAPER:
ADDRESSING THE CURRENCY CRISIS**

Executive Summary	1
Statement of Purpose	2
Introduction	2
Methodology	2
Background	3
<i>Exchange Rate</i>	3
<i>The Central Bank</i>	6
Impact	7
<i>Impact on Yemeni Citizens</i>	7
<i>Impact: Cause and Responsibility</i>	10
Credibility	12
Recommendations	13
About the Public International Law & Policy Group Policy Planning Initiative	15
Annex I: Methodology	16
<i>Surveys</i>	16
<i>In-depth Interviews and Focus Group Discussions</i>	17
<i>Limitations</i>	18
<i>Table 1: APPY Data Collection Sample, 2019-2021</i>	20
Annex II: Social Media Survey	21

Executive Summary

Yemen's economic crisis is marked by rampant inflation and a lack of government control over economic regulation, public servant salaries, and the provision of public services. The riyal (Yemen's currency) is experiencing sharp and consistent devaluation as the war continues, and its citizens are feeling the harsh impact. The civil war led to both a territorial split between the internationally recognized government of Yemen and Ansar Allah-controlled territories to the North, as well as a split in the control over the Central Bank. This split in the Central Bank is a major, if not the main, contributor to Yemen's currency crisis. The division of the bank created two parallel economies within Yemen, deeply fracturing an already divided state. While this paper will address the general causes, effects, and public perception of the economic crisis in Yemen, it cannot provide a technical analysis of how to solve the currency crisis. This paper offers policy recommendations related to the impact on the public and its potential to influence public support for armed groups and political parties.

Statement of Purpose

The economic and currency crisis in Yemen is one of the leading causes of humanitarian suffering in Yemen. It is characterized by a severe devaluation of Yemen's currency on the international marketplace and with drastic wartime disruptions in trade, has led to extreme inflation and a rise in the cost of basic goods for civilians. When combined with the division of the Central Bank, the crisis is even more impactful on those in ROYG-controlled territories. This white paper looks at the causes and effects of this crisis, and provides recommendations to mitigate the impact of the crisis on Yemeni society.

Introduction

Yemen is facing multiple, parallel crises as the civil war enters its eighth year. In addition to the armed conflict and ensuing internally displaced persons (IDP) crisis, Yemen's economic situation is exacerbating the hardship facing its citizens. The current economic crisis is marked by steep and ever-increasing inflation and rapid devaluation of the riyal, and as a result many citizens are not able to cover the costs of basic necessities.

Many citizens (but not all) blame the crisis on the Republic of the Yemen Government (ROYG), its recently adopted exchange rate system, its decision to print new banknotes to cover the increasing deficit, and the overall lack of intervention and proper management of the economy, which have compounded the effects of the war and COVID-19 pandemic. As a result, many find themselves frustrated and disillusioned with the ROYG's ability to govern.

Moreover, both sides of the conflict (the ROYG and Ansar Allah) utilized the opportunity to wage an economic war following the split in the Central Bank (CBY) as Ansar Allah chose to not accept currency produced by in Aden, sparking further inflation in the South, and the ROYG decided to restrict imports to minimize resources for Ansar Allah.

Methodology

This paper is written based on data collected from two sources

- First, PILPG’s data collection missions consisting of large-scale quantitative surveys conducted in 2020 and 2021 (Phases II and III of data collection);¹
- Second, additional field interviews conducted in five regions for purposes of this paper; and
- Third, PILPG’s social media survey that collected 50 responses from Yemenis in 6 governorates, of which solicited responses from 15 women and 35 men, ages 18 and over.²

The data demonstrates how the currency crisis is impacting people on the ground and potentially shaping their views of the various political parties and armed groups. Critically, APPY’s research design did not include Key Informant Interviews with experts on the Yemeni banking system. Therefore, this policy paper will only focus on the currency crisis, and how it portrays the way it is shaping citizens’ lives. To account for this, PILPG conducted further data collection through a tailored survey on social media in Yemen, asking Yemenis for their views on the currency crisis, who or what is the cause, and how it has impacted them.

The paper offers policy recommendations related to the impact on the public and its potential to influence public support for armed groups and political parties.

Background

Exchange Rate

The war in Yemen has devastated the standard of living for millions of Yemenis. The ROYG’s last eight years of financing the war has led to an increased deficit, only offset by printing money, which subsequently led to the severe devaluation of the Yemeni rial and therefore, mass inflation.³ For one of the most humanitarian-assistance dependent countries in the world, continued inflation could lead to more than three quarters of the population falling into poverty.

Furthermore the impact of the rial’s exchange rate has exacerbated the prices of basic goods and necessities. Since the March 2021 clashes between ROYG and STC in Aden, the exchange rate in Aden has risen 39%, averaging

¹ See Annex I, methodology, for full sampling information. Note that this paper utilizes data exclusively from the In-Depth Interviews (IDIs) as the responses elicited were most relevant.

² See Annex II, social media survey, for full sampling information. Note, complete data on hand with author.

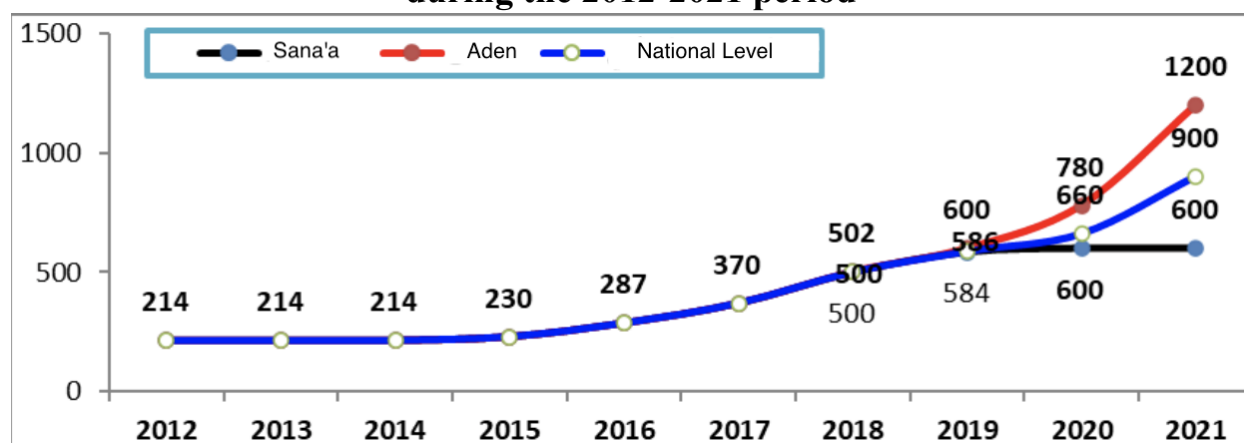
³ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 7

1,239 YER/USD.⁴ This marks a 400% rise from the pre-conflict exchange rate.⁵ Moreover, consumer price index inflation has remained much higher than that in developing countries, between 4-10% higher at the global level since 2014, paralleling a steadily falling GDP as well.⁶ While economic conditions around the world have gradually begun to improve following the COVID-19 pandemic, in Yemen, the Economist Intelligence Unit predicts that inflation will remain high through 2022, “at an average of 29.1%, mainly owing to the still-weak Yemeni [riyal] and conflict-related supply-chain bottlenecks.”⁷

The exchange rate has been more severely impacted in the South due to the split in currency in 2019, and Ansar Allah’s subsequent decision to not accept banknotes printed in southern territories, where the rial is valued at over 1,000 units to the US dollar, while it remains at approximately 600 in rebel-held areas.⁸ See below for a discussion on the split of the CBY.

The following chart shows the exchange rate movement for the period from 2012 to 2021.

Average exchange rate in the parallel market Rial versus Dollar during the 2012-2021 period



⁴ Famine Early Warning Systems Network, *Yemen Food Security Outlook*, (Mar-Sept. 2022) (based on data from the Food and Agriculture Organization of the United Nations)

⁵ Famine Early Warning Systems Network, *Yemen Food Security Outlook*, (Mar-Sept. 2022) (based on data from the Food and Agriculture Organization of the United Nations)

⁶ UNICEF and the Republic of Yemen Ministry of Planning and International Cooperation Economic Studies and Forecasting Sector, *Food Price Developments Analysis in Yemen and the Associated Socio-Economic Impact*, p. 9, (March 2022), available at <https://reliefweb.int/sites/reliefweb.int/files/resources/En-Analytical%20Paper%20%282%29%20Food%20Price%20Developments.pdf>

⁷ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 8

⁸ ContentEngine LLC, *Currency Dispute Deepens Crisis in War-Torn Yemen*, (Aug. 22 2021), available at <http://search.proquest.com.ezp-prod1.hul.harvard.edu/wire-feeds/currency-dispute-deepens-crisis-war-torn-yemen/docview/2563661019/se-2?accountid=11311>

International Institutions have attempted to intervene to slow the continued inflation. In 2021, the World Bank and International Monetary Fund's Debt Service Suspension Initiative (DSSI), set up in collaboration with the G20 to help countries focus on using resources to mitigate the effects of the pandemic on the world's most vulnerable populations, deferred approximately 760 million USD of debt obligations (to be repaid annually over 2022-28), and leading to over 280 million USD in savings.⁹ Similarly, the IMF's Catastrophe Containment and Relief Trust, which provides grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters, established in response to the 2015 Ebola outbreak and modified to respond to the 2020 COVID-19 pandemic, provided relief grants to Yemen to cover both principal and interest payments.¹⁰ Two tranches, worth a total of 35.2 million USD were disbursed in 2020, followed by a third tranche in April 2021.¹¹ Moreover, even with this short term relief, Yemen's IMF repayments that have been paused due to the pandemic will resume in 2022.¹² This will be yet another burden for the Yemen government to manage.

Furthermore, the Central Bank of Aden has appointed a new Board of Directors. It is anticipated that the new Board will slow the printing of money to cover such burdens, but without stopping altogether the devaluation will continue. As it does so, the division between the two parallel institutions in Aden and Sana'a will only grow, and is predicted to "enhance speculation around the currency and allow for an increase in currency arbitration across borderlands."¹³

The Central Bank

The division of the CBY is a major factor in the current currency crisis, especially for those living in ROYG controlled areas. The original bank headquarters was in Sana'a which became Houthi territory, encouraging the ROYG to divide and move its state bank to Aden (with the Ansar Allah state bank being headquartered in Sana'a). The ROYG hoped moving the bank and controlling the monetary policy would provide an opportunity for a potential economic advantage in the war against Ansar Allah.¹⁴ However, each bank has a different monetary

⁹ EIU Country Report Yemen 1st Quarter 2022, p. 6; The World Bank, Debt Service Suspension Initiative, <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>

¹⁰ International Monetary Fund Factsheet, *Catastrophe Containment and Relief Trust*, (Apr. 9, 2021), available at <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust>

¹¹ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 6

¹² Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 6

¹³ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 7, 32.

¹⁴ International Crisis Group, *How Yemen's War Economy Undermines Peace Efforts*, available at <https://yemenconflict.crisisgroup.org/>

policy, leading to increased economic insecurity, frustration among citizens, and further division within Yemen.

In Ansar Allah controlled territories, use of riyal bills printed in or after 2019 are banned.¹⁵ This decision, in turn, led to a further increase in new bills in the less-populated South, exacerbating the inflation there.¹⁶ Because of this ban, currency in the North is not as devalued, although Ansar Allah is not able to regularly pay public salaries to those working in its territories. Many are therefore forced to make a choice between stable wages and or lower living costs [comments provided below].¹⁷ Besides the obvious effect on those living in the South, those in the North are similarly impacted as the currency split has affected the cost of money transfers *between* the South and the North. According to the ACAPS Analysis Hub Yemen, “on 25 September, transfer fees exceeded the value of the transfer sum. For example, sending YER 100,000 from Aden to Sana’a would cost YER 102,000 in fees.”¹⁸ This transfer rate, as well as the taxes placed on goods exchanged between the bifurcated territories, adversely impacts Yemenis in both territories.¹⁹

In ROYG controlled areas, where inflation is steeper due to Ansar Allah’s policy to not accept new bills, the government continues to print money to cover the cost of its war and other expenses such as public salaries, creating a snowball effect of rising inflation.²⁰

Not only has the depreciation of the riyal contributed to higher prices for Yemenis, since early 2021, fuel prices across the country have risen sharply, and nearly doubled due to a ROYG and Saudi alliance fuel embargo on Hodeida, on top of higher prices globally.²¹ Ansar Allah has taken advantage of the anger towards the ROYG to also increase prices in its area to make up for lost revenues.

¹⁵ International Crisis Group, *How Yemen’s War Economy Undermines Peace Efforts*, available at <https://yemenconflict.crisisgroup.org/>

¹⁶ International Crisis Group, *How Yemen’s War Economy Undermines Peace Efforts*, available at <https://yemenconflict.crisisgroup.org/>

¹⁷ Mohammed Sayers, *Central Bank Split Piles on Yemenis’ Problems*, The Jerusalem Post, Nov. 7, 2020, available at <https://www.jpost.com/middle-east/central-bank-split-piles-on-yemenis-problems-650429>

¹⁸ ACAPS Analysis Hub Yemen, *Increased civil unrest and worsening humanitarian situation in southern governorates*, (Nov. 29, 2021), p. 3, available at https://www.acaps.org/sites/acaps/files/products/files/20211129_acaps_anticipatory_analysis_yemen_civil_unrest_in_the_south.pdf

¹⁹ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 8

²⁰ Al-Jazeera, *Yemen replaces central bank governor, deputy amid currency crash*, Dec. 6, 2021, available at <https://www.aljazeera.com/economy/2021/12/6/yemen-replaces-central-bank-governor-deputy-amid-currency-crash>

²¹ International Crisis Group, *How Yemen’s War Economy Undermines Peace Efforts*, available at <https://yemenconflict.crisisgroup.org/>

Overall, general fighting over control of Yemen's ports has disrupted imports and further deterred foreign investment, becoming another leading cause of a lack of revenue for both Ansar Allah and the ROYG and subsequently, a reason for the ROYG's decision to continue to print new banknotes.²²

Impact

Impact on Yemeni Citizens

The currency crisis has had a tangible and noticeable impact on North and South Yemen citizens. The World Bank estimated in November 2021 that poverty rates affected 71% to 78% of Yemenis, with women being more severely affected than men.²³ On March 16, the United Nations estimated that almost three-quarters of the population will depend on humanitarian assistance in 2022 and that 161,000 people will likely experience famine between June and December.

The price of food is a key area of impact for Yemeni citizens, especially considering that they are heavily dependent on agricultural imports. Another study found that “[b]etween September 2020 and September 2021, the Minimum Food Basket (MFB) price in [ROYG] - controlled areas increased by 66%.”²⁴ The MFB is a regularly relied upon indicator for the fluctuating cost of living in a country. By the fall of 2021, the MFB cost in Yemen rose to YER 66,807, an approximately 287% increase from 2014.²⁵ Combined with the instability of regular salaries, especially in the North, these figures concerning everyday purchasing power shed light on Yemenis' increasing hardships, especially on the more vulnerable groups, as many continue to be pushed to the brink of, or into poverty. Moreover, Yemeni salaries in ROYG controlled areas are not adjusted for inflation, meaning that

²² Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 8

²³ The World Bank Yemen, available at <https://www.worldbank.org/en/country/yemen/overview#1>

²⁴ ACAPS Analysis Hub Yemen, *Increased civil unrest and worsening humanitarian situation in southern governorates*, (Nov. 29, 2021) available at https://www.acaps.org/sites/acaps/files/products/files/20211129_acaps_anticipatory_analysis_yemen_civil_unrest_in_the_south.pdf

²⁵ UNICEF and the Republic of Yemen Ministry of Planning and International Cooperation Economic Studies and Forecasting Sector, *Food Price Developments Analysis in Yemen and the Associated Socio-Economic Impact*, (Mar. 2022), p. 14, available at <https://reliefweb.int/sites/reliefweb.int/files/resources/En-Analytical%20Paper%20%282%29%20Food%20Price%20Developments.pdf>

individuals' purchasing power has decreased rapidly, contributing to the already dire humanitarian crisis.²⁶

Respondents to PILPG's 2021-2022 data collection missions see the correlation between the current situation of inflation and the declining ability to provide for oneself and one's family, noting that "[i]n terms of living, the living situation is getting worse, especially the last month, with the increase in the currency, and this has led to the deterioration of the humanitarian situation." (al-Dhale'a, DM01, Ph. III).

Nearly all the 50 respondents to PILPG's social media outreach noted how the currency collapse and increased prices affected their ability to provide for themselves and their families. When asked if and how the currency collapse has affected him personally, a male from Marib (25-34 years old) responded in the affirmative and reasoned that "[t]his is because of the declining value of the Yemeni riyal, especially in the areas of Legitimacy control." A male from Aden over the age of 45 stated that the currency crisis has affected him and his family "[t]hrough our inability to purchase our daily and monthly necessities of food, drink, and transportation, forgetting about clothes and luxuries." A woman from Sana'a in her late thirties to early forties noted that she "can't afford the basics of life." One government employee said,

"The [currency collapse] caused me difficulties in providing for my family needs...as we are a government employee [household]. The salary that I received is the same as before the collapse of the currency and the rise in prices...However, my salary is still the same; it has not changed despite the decrease in the currency." (Male from Aden, over 45 years old).

Ansar Allah's decision not to accept the new riyal banknotes has also had a personal effect on local Yemenis. Some noted they have family in one territory, live in the other, and cannot support one another. A male from Marib between the ages of 25 and 34 responded that "[w]e were unable to transfer money to my family in the Houthi-controlled areas because of the very, very large exchange difference." A male between the ages of 25-34 from Sana'a explained how the decision not to accept southern currency affected him by stating that "I have borne the burden of the expenses on the family, even though I am the youngest and I am still a university student because my brothers in Aden and Marib were unable to send the

²⁶ International Crisis Group, *How Yemen's War Economy Undermines Peace Efforts*, available at <https://yemenconflict.crisisgroup.org/>

expenses due to the deduction of large sums when sending.” 42% of respondents also note that the decision not to accept banknotes from the South has increased the problem of inflation in Yemen in general, not just in the North or South (30% responded that it increased inflation in ROYG controlled areas).

As the devaluation of the currency continues and the costs of basic goods continue to rise, citizens have become more desperate for change, and waves of protests and violent clashes have increased.²⁷ The Economist Intelligence Unit predicts that political unrest and public protests will become increasingly frequent as the currency crisis continues to deepen.²⁸

Impact: Cause and Responsibility

Overall, when asked what they believed was “the most contributing factor to the current currency situation and the problem of inflation (the subsequent continuous rise in the general level of prices) that Yemen suffers from,” 52% of respondents to PILPG’s social media outreach survey noted the problem is multifactorial, including:

- The split in the Central Bank, with the ROYG branch in Aden;
- Ansar Allah’s decision not to accept the new currency;
- Wartime disruptions;
- The lack of exports, which limits the availability of foreign liquid funds; and
- “Other,” including foreign intervention and the lack of sound governmental monetary policy.²⁹

Yemenis understand that the war in Yemen is multi-dimensional in that there are numerous foreign interests playing a role in the conflict. In fact, 42% of respondents to PILPG’s social media outreach survey insisted that foreign governments, or foreign interests in the Yemen war, were to blame for the collapse of the currency, with only 18% attributing blame to Ansar Allah only and 14% attributing blame to the ROYG only. 14% of respondents answered that the Central Bank split is the largest contributing factor to the current currency situation. 84% of all respondents (not only those who think that the bank split is the largest

²⁷ ACAPS Analysis Hub Yemen, *Increased civil unrest and worsening humanitarian situation in southern governorates*, (Nov. 29, 2021), p. 2, available at https://www.acaps.org/sites/acaps/files/products/files/20211129_acaps_anticipatory_analysis_yemen_civil_unrest_in_the_south.pdf

²⁸ Economic Intelligence Unit Country Report Yemen 1st Quarter 2022, p. 32.

²⁹ See Annex II; Complete data on hand with author

contributing factor) believe that the Central Bank would never have been split if it weren't for the war.³⁰

On ROYG responsibility, many allude to the belief that the government has presumptuously abandoned its responsibility for the currency crisis due its lack of intervention and choosing to print new money to cover its expenses, rather than find other solutions. According to respondents, the government does not have the ability to govern, perhaps due to President Hadi and his cabinet's relocation to Saudi Arabia, pointing to "the absence of the State" and its inability to adjust the currency (LM03, Ph II). A respondent from Aldhalea noted that "[t]he currency is collapsing," and that "[t]he reason is the absence of the state and the government." (DM03, Ph. III). A respondent from Abyan similarly stated, "The reason for the bad situation is the absence of the role of the government and local authorities, the high prices and the lack of basic services." (AM01, Ph III). Moreover, a respondent from Lahj noted "things got worse because of the instability, the absence of the government, the weak work of institutions and others." (LM05, Ph III).

Yemenis do not solely blame the ROYG for their economic woes. Yemenis surveyed were also disappointed in Ansar Allah's governance of the North and how the group prevented transactions with the new currency issue in the South, causing difficulties in everyday banking, including limiting citizens to deal in currency denominations of 100, 200, and 250 riyals. They do not like that Ansar Allah enacted this strict policy instead of taking more decisive action to curb prices and ease the economic and humanitarian hardship, as those in the North face the same devaluation issues as those in the South. It should also be noted that Ansar Allah has not been issuing salaries for many public sector employees, choosing not to pay employees rather than print its own money to cover them as the ROYG decided to do. Interestingly, 42% of respondents to PILPG's social media survey, citizen respondents noted that they preferred a stronger currency with frequent interruptions in public sector salaries (as in the Ansar Allah territories). In comparison, 58% preferred higher inflation but regular salaries (as in the ROYG-controlled areas).

With respect to the issue of foreign intervention, the Saudi-led coalition actively supports the legitimately recognized government and funds and supports many armed groups that favor their interests while Ansar Allah is backed by the Iranians. Respondents unanimously agreed that the Hadi government, Ansar Allah, and the Transitional Council, in addition to the numerous foreign countries that have an

³⁰ See Annex II; Complete data on file with author.

interest in the outcome are contributors to both the political and economic crisis in one way or another.³¹

In sum, Yemenis surveyed through APPY program data collection and additional social media outreach are well aware of the currency crisis complexities, noting the many factors at play, including the mere existence of civil war, that together have led to a significant decline in the rial's value. A key finding of this research is that most Yemenis, if not all, have been deeply affected by the rising prices and that if serious action is not taken to curb the inflation in both the North and the South, Yemenis will continue to fall deeper into poverty, exacerbating one of the world's worst humanitarian crises.

Credibility

Based on the open-source research and data collected from Yemenis, it is clear that Yemenis are frustrated. They are frustrated by the circumstances and by the various armed groups and political parties' inaction to mitigate the devastating effects on the economy. Interestingly enough, the majority of those surveyed through PILPG's social media survey blamed foreign governments for the collapse of the currency and subsequent inflation, followed next by Ansar Allah and then the ROYG. While not directly stated, it may be inferred that an armed group or political party could garner public support if they could simply demonstrate the capability to, or at the very least an intent to, tackle the devaluation of the rial, and better provide for citizens' basic needs.

From those interviewed in PILPG's Phase III qualitative IDIs (67 IDIs), 45% of respondents in Ansar Allah's areas viewed Ansar Allah's government positively. 67% of the positive respondents attributed their opinion to Ansar Allah's good performance in stabilizing the currency and restoring basic services as well as security stability. Of the 55% who viewed Ansar Allah governance negatively, 27% attributed their position to Ansar Allah's inability to pay salaries, despite its organized ability to collect and extort money.

As for the ROYG controlled areas (100 IDIs), 90% of respondents viewed the ROYG's government negatively. Of which, 46% pointed to its inability to make decisions (independently from local and regional actors) and to resolve the economic and security issues.

³¹ Field interviews were conducted in five regions: Sana'a, Aden, Taiz, Al-Hawban, and Ma'rib, with a sample that included citizens, merchants, money changers and bank employees.

Recommendations

Coordination between the economic and political sectors of the government is key to addressing the currency crisis. Furthermore, due to the severity of the crisis, drastic and creative solutions will need to be explored to mitigate the impact of the economic situation that has left many unable to afford basic necessities throughout Yemen. A male from Aden over the age of 45 shared that, in his opinion, “[r]adical solutions are required to strengthen the currency, [including] monitoring exchange offices and shops in general.”

Changes may already be underfoot with the Presidential Leadership Council, as Major General Al Zubeidi, leader of the STC, recently stated that while “the dire economic state of one of the world’s poorest nations will hamper the new administration’s abilities... [however], through austerity, fighting administrative corruption and rationing state spending on the most vital areas would allow them to make progress.”³² In another effort to fight corruption and limit unnecessary government spending, the PLC also plans to create “bodies to audit and oversee spending.”³³ Only time will reveal the impact of intended changes to the administration’s governmental and decision making processes.

Therefore, in addition to fighting corruption and generally taking steps toward a peace agreement that would end the war, there are multiple routes that the ROYG can take to mitigate the effects of the economic crisis and declining purchasing power among Yemenis.

- Implement a new monetary policy that further slows the printing of new banknotes in ROYG controlled areas. This would require reform of the Ministry of Finance, which oversees taxation and the generation of government revenue streams and expenditures, to contain the deficit.
- Reduce governmental operating costs. In addition to aforementioned intent to fight corruption, another approach would be to reduce the number of members of diplomatic missions, close embassies incurring high expenses, and appoint a resident or non-resident representative as needed.

³² The National, *Yemen’s New Presidential Council Plans Corruption Crackdown and to Rebuild Services*, Apr. 26, 2022, available at <https://www.thenationalnews.com/gulf-news/2022/04/26/yemens-new-presidential-council-plans-corruption-crackdown-and-to-rebuild-services/>

³³ The National, *Yemen’s New Presidential Council Plans Corruption Crackdown and to Rebuild Services*, Apr. 26, 2022, available at <https://www.thenationalnews.com/gulf-news/2022/04/26/yemens-new-presidential-council-plans-corruption-crackdown-and-to-rebuild-services/>

- Open ports to allow for increased commerce, increasing government revenue, and access to imported food and oil to address the accompanying humanitarian crisis and rising prices.³⁴
- Consolidate the Central Bank to offset the different exchange rates of the currencies accepted in the North and South and remove the transfer fees and taxes on citizens attempting to operate between territories, offsetting the burden on Yemenis. As a first step, even without combining the banks, a joint committee composed of qualified and competent experts tasked with managing and implementing a unified monetary policy may assist the diverging currencies. Moreover, to account for the years of divergent currency, the unified bank must create a mechanism that guarantees valid transactions with banknotes during the period of bifurcation and to assess and pay arrears to public employees whose salaries were suspended.
- Encourage the CBY to boost foreign exchange reserves. Considering damaged oil infrastructure, to increase revenue, the Economist Intelligence Unit recommends that the Central Bank “bolster Yemen’s foreign-exchange reserves if the recent currency gains are to be maintained. This will shore up confidence in the ability to import goods and help to maintain the downward pressure on consumer goods prices....”³⁵
- Encourage the Gulf Cooperation Council countries, led by Saudi Arabia and the UAE, to actively contribute to Yemen’s economic rehabilitation and start implementing infrastructure projects affected by the war.³⁶
- Encourage organizations and revenue-generating agencies, both domestic and international, to operate through the Central Bank rather than commercial banks.

³⁴ The World Bank In Yemen, *available at* <https://www.worldbank.org/en/country/yemen/overview#1>

³⁵ Economist Intelligence Unit, *Country Report Yemen 1st Quarter 2022* at 42, *available at* <https://tinyurl.com/4s4bkn9t>.

³⁶ Referring to the PLC’s intent to garner international and humanitarian support to aid the people of Yemen affected by the war, The National, *Yemen’s New Presidential Council Plans Corruption Crackdown and to Rebuild Services*, Apr. 26, 2022, *available at* <https://www.thenationalnews.com/gulf-news/2022/04/26/yemens-new-presidential-council-plans-corruption-crackdown-and-to-rebuild-services/>

About the Public International Law & Policy Group Policy Planning Initiative

PILPG's Policy Planning Initiative supports the development of long term, strategic policy planning that is crucial to international accountability, global conflict resolution, and the establishment of international peace. The Initiative provides timely and accurate policy planning analysis and work product on pressing and future policy conundrums by leveraging PILPG's deep network of talent within the international legal and policy communities and experience with its *pro bono* clients globally. PILPG Policy Planning focuses on advising policymakers, policy shapers, and engaged stakeholders on pressing issues within the arenas of international law, war crimes prosecution, and conflict resolution efforts. This includes identifying and addressing gaps within existing policies, anticipating key conundrums and questions that will riddle future policy decisions, applying lessons learned from comparative state practice, and proactively producing and sharing work product to inform such policies and avoid crisis decision making.

Annex I: Methodology

Beginning in March 2019 and ending in December 2021, Yemeni civil society organizations part of the Civil Alliance for Peace (CAP), with support from Public International Law & Policy Group (PILPG) and Resonate! Yemen, conducted quantitative surveys and qualitative in-depth interviews (IDIs) and focus group discussions (FGDs) throughout Yemen. In total, there were two quantitative surveys with 5,750 respondents. The team conducted over 350 in-depth interviews and held 159 focus group discussions over all three years. (See Table 1).

Surveys

The surveys were developed by Yemeni civil society leaders in collaboration with non-Yemeni survey design experts. In Phase I (March and April 2019), the CAP conducted 2750 in-person surveys about Yemeni views on and recommendations for the international peace process. Seven governorates *including Abyan, Aden, Hadramaut, Ibb, Lahj, Marib and Taiz were polled, with a conscious effort to include underrepresented voices and vulnerable populations.*

In Phase III, (July - September 2021), the team conducted in-person surveys of 3000 Yemenis about their views on and recommendations for the international peace process. Ten governorates currently controlled by the Republic of Yemen Government (ROYG) including Abyan, Aden, al-Dhale'a, al-Mahra, Hadramaut, Lahj, Marib, Shabwa, Socotra, and Taiz were polled. For security reasons, the quantitative survey was not implemented in areas currently held by Ansar Allah.

In-depth Interviews and Focus Group Discussions

Phase I (March-July 2019)

In addition to the survey component, CAP members conducted qualitative FGDs and IDIs in May, June, and July 2019. FGDs and IDIs took place in 14 governorates: Abyan, Aden, Amran, Dhamar, Hadramaut, Hajja, Hodeidah, Ibb, Marib, Raymah, Sa'ada, Sana'a municipality, Sana'a governorate, and Taiz. In total, the CAP conducted 64 FGs and 115 IDIs. For participation in FGs and IDIs, the CAP targeted influential social figures, academics, civil servants, business people, civil society activists, women, youth, and internally displaced persons (IDPs).

Phase II (September-November 2020)

Between September and November 2020, PILPG and its partners carried out 83 focus groups (FGDs) and 101 in-depth interviews (IDIs) in Arabic in ten Yemeni governorates currently controlled by the Republic of Yemen Government (ROYG). These governorates included Abyan, Aden, al- Dhalea, al-Mahra, Hadramaut (Coast and Valley), Lahj, Marib, Shabwa, Socotra, and Taiz. All surveys were conducted remotely due to the COVID-19 pandemic, except for one focus group led in person (February 2020).

Phase III (July-December 2021)

In July 2021, PILPG and its partners carried out 100 in-depth interviews (IDIs) in Arabic in nine Yemeni governorates currently controlled by the Republic of Yemen Government (ROYG), including Abyan, Aden, al-Dhale'a, Hahramaut, Lahj, Marib, Shabwa, Socotra, and Taiz. In November and December 2021, PILPG and its partners carried out an additional 100 in-depth interviews (IDIs) in Arabic in nine Yemeni governorates currently controlled by Ansar Allah, including Amana Capital, al-Bayda, Amran, Mahweet, Dhamar, Hajja, Ibb, Rayma, and Sana'a. All interviews were conducted remotely due to the COVID-19 pandemic.

Limitations

While the quantitative data provides rich insights into trends, it is limited by a number of factors. While there was significant overlap in the subject matter of each survey instrument, many questions were phrased differently in each phase. Some questions varied significantly, and sections of the data collection tools were added or removed across phases, making trend analysis challenging.

The large number of IDIs and FGDs represents an important source of qualitative insights, but representative generalized statements about population beliefs in the governorates surveyed cannot be inferred from the sample.

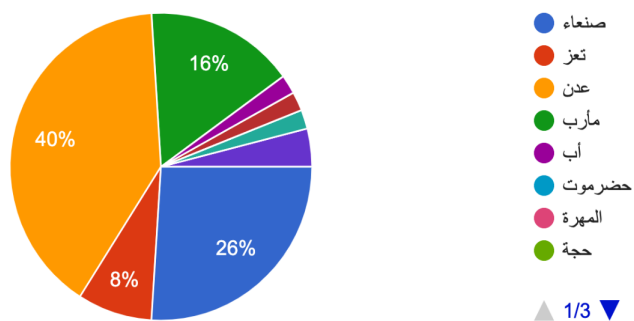
Table 1: APPY Data Collection Sample, 2019-2021

APPY DATA COLLECTION 2019-2021		Phase I			Phase II		Phase III	
		March-July 2019			September-December 2020		July-December 2021	
Governorate		Survey	PH I IDIs	Focus Group Discussions	IDIs	Focus Group Discussions	IDIs	Survey
ROYG/STC Controlled Areas	Abyan	248	6	3	9	6	7	271
	Hadhramaut	470	20	12	16	23	15	513
	Lahj	260	6	3	8	5	7	210
	Marib	400	20	12	15	13	15	485
	Taiz	620	20	12	16	13	21	510
	al-Dhale'a	-	-	-	10	4	7	183
	Shabwa	-	-	-	7	7	7	230
	Socotra	-	-	-	5	3	5	131
	al-Mahra	-	-	-	4	2	-	60
	Aden	502	13	6	23	10	16	420
Ansar Allah Controlled Areas	Amran	-	3	10	-	-	5	-
	Dhamar	-	3	2	-	-	6	-
	Hajja	-	3	2	-	-	6	-
	Ibb	250	5	3	-	-	8	-
	Rayma	-	3	2	-	-	4	-
	Sanaa	-	3	2	-	-	15	-
	Amana Capital	-	-	-	-	-	10	-
	Al-Bayda	-	-	-	-	-	5	-
	Mahweet	-	-	-	-	-	8	-
	Hodeidah	-	3	2	-	-	-	-
	Saada	-	3	2	-	-	-	-

Annex II: Social Media Survey

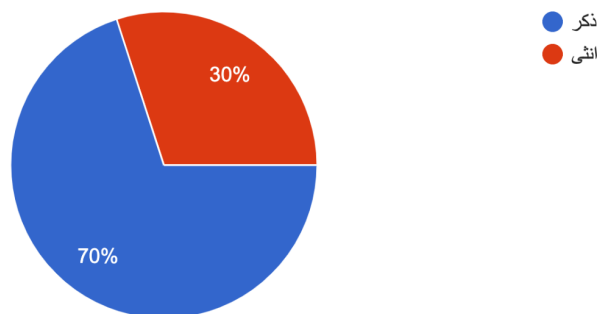
Governorate

50 responses



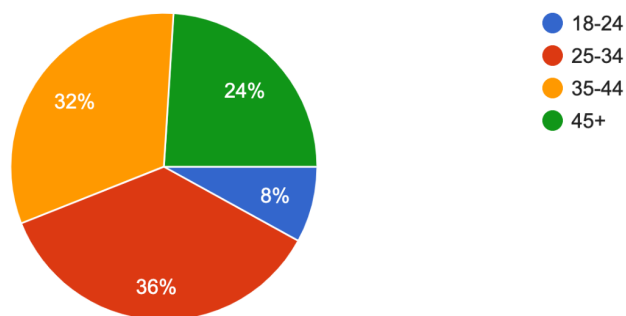
Aden	20
Sana'a	13
Marib	8
Taiz	4
Hodeidah	2
Al Dhale'	1
Other	2

Gender
50 responses



Male	35
Female	15

the age
50 responses



18-24	4
25-34	18
35-44	16
45+	12