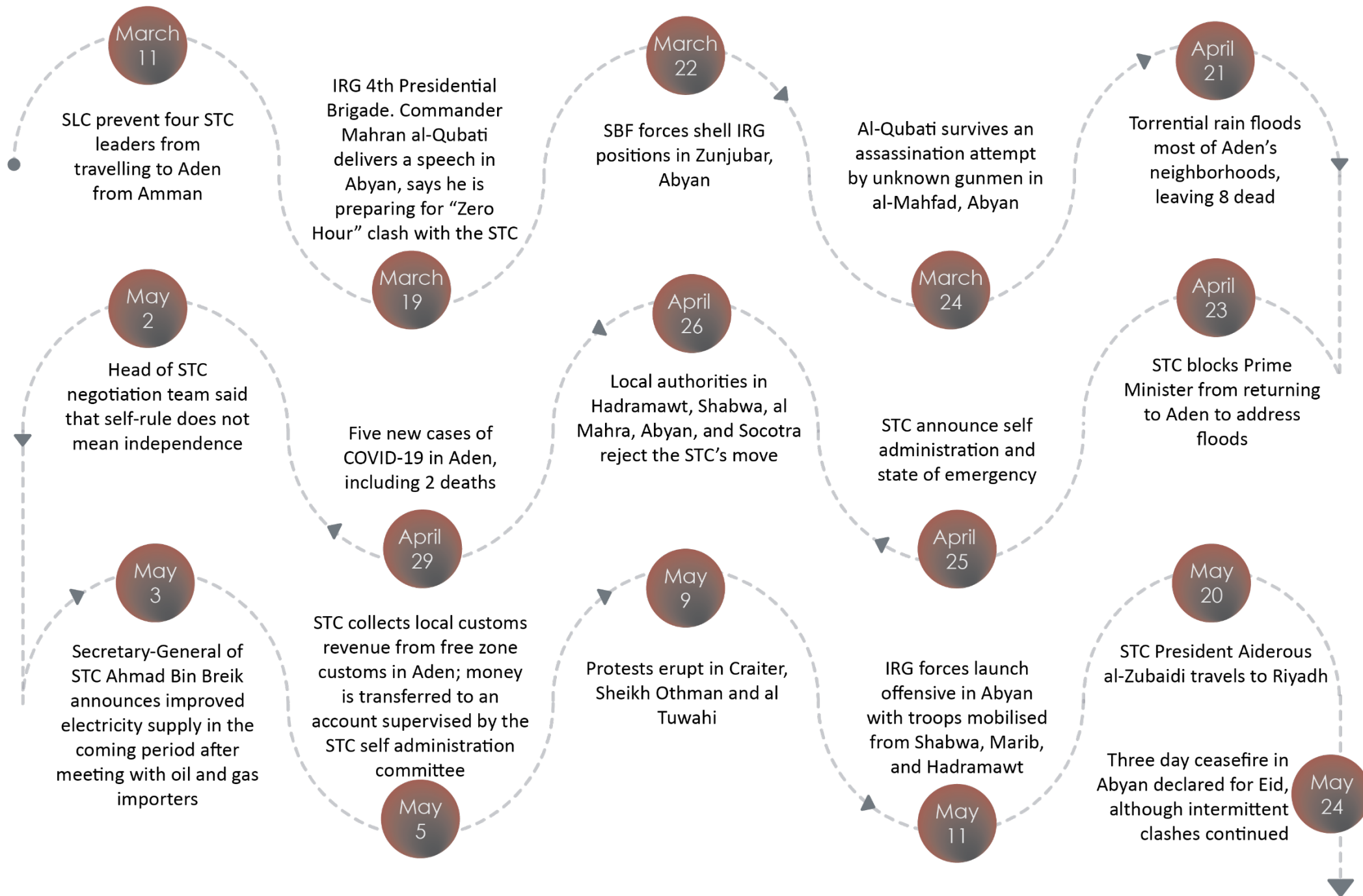


STC declaration of “self-administration” and ramifications for humanitarian actors

May 2020



Summary

This paper looks at impact of the recent declaration of self-administration by the STC on governance in the south, on the ability of Yemeni institutions to deliver public services and on the operational environment for the aid community. The announcement will likely lead to a new national conflict with control of public institutions, similar to that between Aden and Sana'a. This competition will in turn be disastrous for already struggling public services, increasing humanitarian need. International aid actors will be called on to fill the 'public service' gap in order to prevent a negative humanitarian spiral. This will necessitate the international aid community working *collectively* to create and advocate for a 'neutral space' for public services that avoids politicisation of aid.

Context

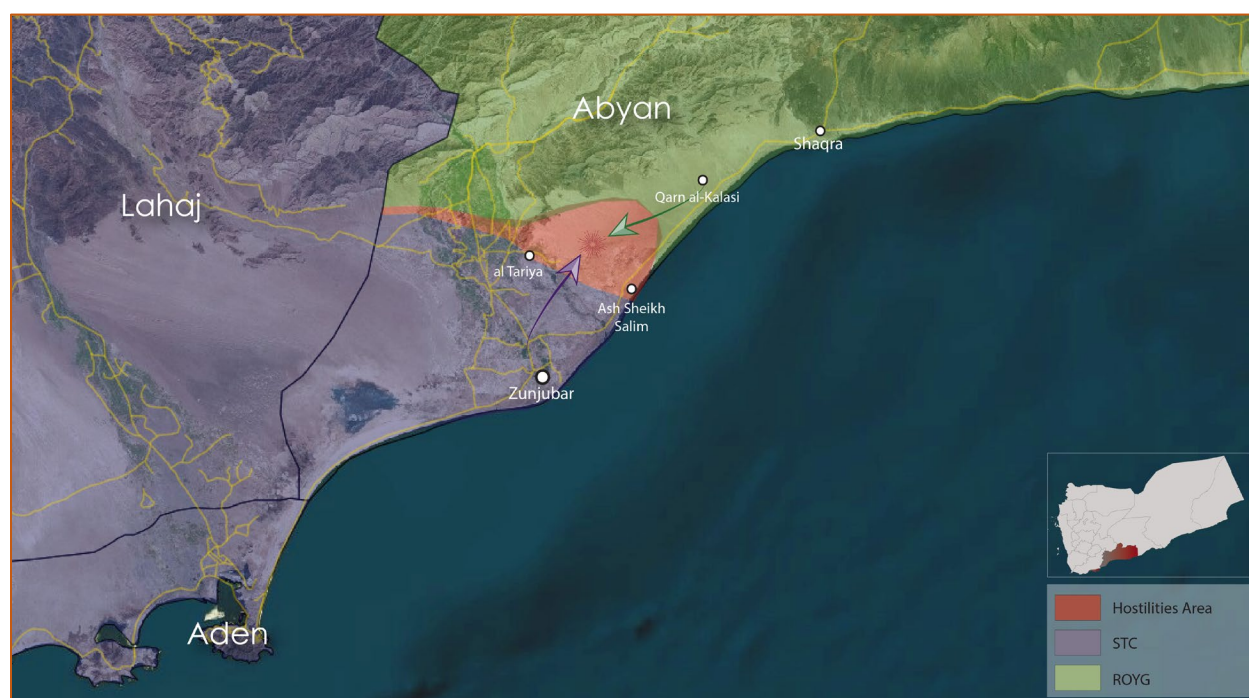
On April 25, the Southern Transitional Council (STC) announced that it is implementing "self-administration" and a state of emergency in all southern governorates, attributing the decision to deteriorating public services, insufficient frontline support against the De Facto Authorities (DFA), and accusations of Internationally Recognised Government (IRG) failures to pay civil servant. Local, regional, and international actors quickly denounced the move: Governors in Hadramawt, Shabwa, al Mahra, Abyan and Socotra publicly rejected the declaration; the Saudi-Led Coalition issued a joint statement opposing the action and reaffirming the coalition's commitment to the Riyadh Agreement; and Martin Griffiths, the UN Special Envoy for Yemen, criticised the move as ill-timed given that Aden and other southern areas are yet to recover from recent flooding, and the risk of the spreading of COVID-19.

The announcement has seen the STC formalise administrative functions and access to revenue sources in the areas it controls. In a move designed to further its financial independence from the IRG, the STC opened accounts under its name in al-Ahli bank, which is the former Central Bank of the People's Democratic Republic of Yemen, and the only Yemeni bank headquartered in Aden. Several public institutions announced they have begun, or will begin, depositing revenues in these accounts, including Al-Mualla Customs, Free Zone Customs, Senior Taxpayer, the Yemen Ports Authority, Yemen Petroleum Company and Aden Refinery Company. However, there is contradictory information over the extent to which transfers to STC bank accounts are taking place, and it is still unclear whether momentum is growing for public institutions to use these accounts.

Meanwhile, the combination of failing service delivery in key sectors, political competition over public institutions, armed clashes between the STC and IRG forces, environmental events such as severe rains and flooding and increasing temperatures, and the spread of COVID-19 has created a public health crisis in the temporary capital, and one which will likely get significantly worse in the coming weeks. The health sector in Aden appears to be overwhelmed by the rampant spread of disease, including COVID-19, both due to the scale of infection as well as challenges in training, supply and effective coordination among health facilities and actors. Rather than just adding another layer to the health needs of the population, COVID-19 appears to be significantly hindering the broader health response. Many with diseases with COVID-19 symptoms, including

conditions as common as asthma, have been denied medical treatment, or are scared to seek medical treatment for fear of the stigmatisation associated with the disease, or the greater risk of infection in hospitals. Hundreds of deaths are being attributed variously to COVID-19 and a slew of other diseases known to hit Aden and other Yemeni cities during this time of year.¹ Making matters worse, critical services such as water and energy, highly politicised and never good at the best of times, appear to be degrading, with reports of electricity and water available for as little as two hours at a time. For now, the STC and IRG appear to be focused on each other, with political attention diverted and blame narratives ascendant, further impacting the capacity of those ultimately responsible for delivery of public services. Predictably, public anger at the situation in Aden is rising against both the economic impact of the lockdown during one of Yemen's most important commercial periods and poor services. A number of protests have taken place in Aden since, with some appearing critical of the STC.

Outside of Aden, particularly in contested governorates such as Abyan, Socotra and Shabwa, clashes have broken out with varying degrees of severity. Most significantly, both sides are mobilising into, and fighting over, the strategic road networks and towns in Abyan. These clashes could have the potential to shift the balance of power in favour of either the STC or the IRG. However, fighting has lulled since Aiderous Zubaidi, the STC's President, visited Riyadh, perhaps reflecting the coalition's push for a return to the principles of the Riyadh Agreement signed in November. There has also been a noticeable rhetorical shift in STC statements since the initial announcement towards a more pragmatic, toned down, explanation of their objectives and the meaning behind the "self-administration" declaration. In a recent speech, Naser al-Khabgi, head of STC's negotiation team, emphasised that self-rule does not mean independence, and that STC was more looking towards a situation similar to Marib – a statement that appears to imply local control over service delivery and revenue collection but within the framework of the Yemeni state.



¹<https://www.france24.com/en/20200518-deaths-from-coronavirus-like-symptoms-surge-in-yemen-s-aden>

Analysis

A new national conflict for control of public institutions

The conflict is not just a military confrontation, but equally a legal and constitutional one. The IRG-STC power struggle will ultimately be decided by each side's ability to build and sustain alliances with southern security actors, and their ability to project military control through them. The military competition playing out in Abyan and elsewhere will hence play a large role in determining whether the STC can fulfil its ambitions. The ability of the STC to extend control over public institutions is also critical, and initial developments around the management of revenues appear significant, shifting the narrative towards one grounded on a legalistic discourse – i.e. what is or is not constitutional – rather than purely of security and control. Despite numerous reports of the STC taking over key government agencies, the reality is that the IRG continues to run most institutions in practice. However, this could shift in the coming weeks. Already there has been a softening of language used by STC figures to describe what the “self-administration” declaration means in practice, likening it towards how Marib governorate managed service delivery and revenue collection independently from the Central Bank of Yemen, and therefore possibly intended to be less of a direct challenge to the real or perceived sovereignty of the IRG (It is important to note that while Marib has operated relatively independently re. access to revenues from local petro-carbon extraction, and is perceived as such by the general population, in reality it has become far more integrated with central authorities since 2019).

Tit-for-tat punitive measures and a tug-of-war for influence over institutions and staff. This administrative conflict will likely play out through an escalation of punitive measures by the IRG and STC in the coming weeks to coerce public institutions to fall in line. This could include IRG threats of legal action against institutions working with the STC, or alternatively the STC putting further pressure on those seen as not complying with their revenue collection or administration goals. For example, the IRG ordered the closure of STC bank accounts in al-Ahli Bank in Aden, as well as an investigation of who opened the accounts in the first place.² Similarly, on April 30, STC-affiliated Security Belt Forces raided financial service providers in Aden over the non-payment of salaries.³ It is also important to note that the loyalties and positioning of many individuals and groups are fluid. While core members of each political grouping can safely be seen as loyal to those, many peripheral figures are subject to ongoing competition, to some extent a bidding war, between rival factions. This holds true for the STC and Hadi government aligned figures. Individuals coping with fluid and uncertain political dynamics are often choosing alignment based on a pragmatic evaluation of personal interest. A number of key security figures have shifted or switched alliances over the course of the STC/IRG competition. Civil servants will likely take a similar approach, an important dynamic in light of the escalation of administrative competition between the STC and IRG.

Competition for control of institutions will mirror that between Aden and Sana'a. In 2015, the DFA projected its authority through co-opting government institutions in Sana'a, or through their duplication or side-lining where co-option proved slow or difficult. A key step in co-option of

²<https://www.middleeasteye.net/news/yemen-stc-aden-revenue-bank-ahli>

³ Interview with INGO, May 2020.

government agencies was the establishment of a revolutionary committee by the DFA. For its part, the IRG created new institutions in the temporary capital to replace those left behind in Sana'a. The creation of two parallel administrations led to a complicated overlapping of roles and responsibilities. Similar dynamics are now occurring in Aden, through the escalation of tit-for-tat punitive measures, use of incentives to attract staff, and the establishment by the STC of committees to serve as shadow institutions on issues such as human rights, economy, security, media, and Foreign Affairs. Duplication of public institutions will also lead to a similar experience for tax paying companies and institutions, as for those operating in DFA controlled areas, such as the need to negotiation multiple sets of regulation and double taxation.

The IRG-STC competition will further divide the Yemeni public, creating conflict narratives.

While the STC and its affiliates maintain a narrative that the conflict is predominantly against “northern aggression and colonisation”, its announcement of self-administration will further expose and deepen existing divisions in the south. For example, in Aden, while support for the STC is widespread, the IRG maintain some support in the districts of Khormaksar and Sheikh Othman (although it is important not to conflate support with control). It is still unclear to what extent Yemenis in Shabwa and Hadramawt are invested in supporting the STC, with divisions in these areas fairly prominent. Likewise, historical divisions between the Yafa’ and al Dhale tribes that make up the military powerbase of STC rule, and those in other governorates such as Abyan, remain significant. Even among the broad range of southerners that favour independence there are major divisions. The potential public divisions in support for the STC and IRG are evident in the anti-STC protests in Craitor immediately before Eid. The STC has made efforts to be more inclusive but it is unclear how successful they will be, and to what extent it will be able to cast off the heavy shadow of history around key issues such as regional rivalries.

A new reality for public services, humanitarian need and aid agencies

Pressure on the STC to deliver services and manage humanitarian needs. The STC is under significant pressure to deliver critical services in the context of a major health crisis and the fallout of devastating floods. The recent announcement of self-administration was likely an intentional, yet risky gambit and will place added pressure on the STC to deliver essential services within a period of almost apocalyptic economic and public health challenges. It is possible that they may succeed, and services in Aden could improve in the coming weeks. However, this may be overly optimistic, given the scale of the challenges at hand, and the limited resources available to deal with them, in addition to the expected punitive response from the IRG. The IRG will likely continue and escalate its media and communication campaign in the coming weeks to undermine the STC, aware that failures in services can now be attributed to the STC in a manner that reduces its public support.

The STC has limited capacity for economic self-sufficiency, and public services will suffer. The STC and groups affiliated with it will continue to seek rent from limited local economic resources. This includes revenues stemming from control or access to Aden port, transportation and trade through areas it dominates, control over real-estate, (e.g. short term gains from confiscations, disbursements of formerly public lands, and administrative revenues) as well as taxation of produce and qat travelling from the north. Many expect that significant external financial support

from actors such as the UAE – through direct payments of other means such as fuel subsidies – will prove critical going forward, although the broader economic crisis affecting the budgets of Gulf countries due to COVID-19 and the collapse of oil prices will likely place external support within tighter parameters than previously expected. The result is that public services will suffer most, at a time when they can least afford to.

Move towards direct service support in the gap between the IRG and STC. The confusion created by parallel public institutions, competition between the STC and IRG to respond to the needs in Aden, as well as limited STC resources, will require the international aid community to play a greater role in providing critical services in the south. For example, Medecins Sans Frontieres has taken over the functioning of al-Amal hospital, a medical institution suffering from competition between the STC and IRG, for management of the COVID response.⁴ In addition, there are early moves to contract private companies to take over management of critical health infrastructure in Aden, similar to the role played in establishing field hospitals and rebuilding medical infrastructure in Mosul, Iraq, from 2017. In order to navigate these complexities, aid agencies will need to create and maintain a neutral space, which may include a greater role in delivering some services. It will also be important to consider the impact of direct health management by aid agencies and private companies on the legitimacy and functionality of Yemeni institutions. Such support may unwittingly further erode the capacity and public support that exists. Further, the addition of private companies to an already complex international picture may present a risk to the humanitarian space. Yemenis often struggle to understand the complex distinction between political, development and humanitarian actors as it is.

A new set of coordination challenges for aid actors. Balancing the demands of the IRG and STC will create complexities for aid organisations like those experienced in Sana'a, such as unclear regulatory environments and access pathways. In many places, STC control is the reality. However, administrative functions will necessitate coordination with the IRG, even where they have limited influence on the grounds. Already, the access environment is difficult to navigate with organisations needing to dance delicately between IRG and STC interlocutors to gain access to beneficiaries. It is unclear if recent events have changed this dynamic. A critical challenge for the aid community will be how to negotiate demands for payment and revenue from STC-aligned institutions. The IRG may attack or proscribe any actor that pays into STC revenue collection mechanisms. That said, despite the risk of political competition in Aden mirroring that between Aden and Sana'a, it is important to note that the STC is likely far more receptive of advocacy on humanitarian issues than DFA institutions. This is because the STC views its success as more closely tied to international recognition and support than its DFA equivalents, as demonstrated by the significant communication campaign it has undertaken among the international diplomatic community. Desire for international acceptance provides the space for the international aid community to press its case for neutrality on the issue of revenue collection.

⁴ <http://en.adenpress.news/news/19994>

Recommendations for the international aid community

Keep STC-coordination low key and informal and develop a collective approach: While recognising that working with the STC is necessary for organisations seeking to address humanitarian need in areas where it exerts control, STC coordination should remain informal. Agencies should avoid any actions that may make interaction with STC authorities public. For example, there may be a risk associated with sending official letters requesting access or project approvals to parallel institutions, especially given the penchant for meeting minutes and documentation to make their way into the local media or social media more broadly. Agencies would benefit from devising a common strategy for dealing with newly established STC parallel institutions, so that any unintended consequences of legitimisation are addressed collectively.

Focus coordination on 'neutral players' to the conflict who play a role in aid coordination: Aid actors, no matter how the power balance swings in Aden, will continue to need to work with a variety of actors on security, permissions and access. This will require aid actors to develop a nuanced understanding of the interaction of informal and formal authorities, especially those who are not overtly political. Identifying and working with decision-makers who maintain good relations with both conflict sides and are seen as potential conflict mediators, such as the Governors of al Mahrah and Hadramawt, will help aid actors navigate the political complexities in the south, and provide opportunities to feed into broader stabilisation, whilst upholding neutrality.

Collective positions on approval to avoid inter-institutional conflict:⁵ The Ministry of Planning and International Cooperation (MoPIC) Aden-Sub Office appears more STC-aligned while the Head Office appears aligned with the IRG, with the two agencies competing for authority over authorisation of aid in Aden. Institutional infighting within or between these institutions will likely have negative implications for aid operations and the delivery of assistance, as processes slow or become more convoluted. Aid agencies should continue to advocate consistency for established procedures for the signing of sub-agreements and other administrative steps required for the implementation of programming.

Collective assessment of the risk of predatory attitudes towards international aid: The collapse of public service capacity in the south, especially in STC-dominated areas, will increase the profile of humanitarian actors as the primary vectors for services delivery and sources of potential rents. Aid agencies will need to be aware of potential attempts by the STC to redirect aid or shift the response to one biasing their areas of influence. Collective action is needed to demonstrate a firm stance against politically influenced programming. However, there is a risk that agencies will react inconsistently, with some continuing to adopt a 'by any means necessary' approach to delivering aid and complying with STC demands.

Coordinated advocacy on a neutral space for service delivery: Humanitarian organisations, and the wider aid community, should coordinate advocacy towards both the IRG and STC over the importance of impartial service delivery as well as the ability of aid actors to provide assistance without political interference. Aid actors may provide a neutral option for the management and

⁵*Conflict sensitivity of aid in southern Yemen: the south and Aden Governorate*, Yemen Conflict Sensitivity Platform, January 2020.

delivery of critical public services and health responses, such as for COVID-19, should competition between political actors continue to hamstring the response. While doing so, caution must be taken so that this does lead to an overreliance on aid actors to fulfil the role of public service providers, or the such actors being wholly accountable for the COVID-19 response.

Improve understanding of control, personal allegiance and public support: In order to negotiate the new political reality, and maintain a neutral space, aid agencies will need to continuously evaluate the relative control and influence of the IRG and STC over public institutions and services, not only nationally, but at a district and sub-district level. Aid agencies will also need to understand the relative position of government figures and civil servants, as well as shifts in public support. As noted above allegiance can be fluid and change rapidly.