

YEMEN risk overview

Outlook for December 2020–May 2021 (January update)

This is an update of the *Yemen risk overview* published in December 2020.

Risk 1

Depletion of foreign currency reserves drives inflation up; eroded purchasing power and high food prices result in increased levels of food insecurity.

The announcement of a new cabinet on 18 December 2020 as part of the Riyadh Agreement, and the approval in December of withdrawals from a Saudi deposit to cover letters of credit for the import of basic commodities, contributed to a sudden appreciation of the Yemeni riyal in areas controlled by the Government of Yemen (GoY). The riyal reached its highest value by the end of the year at 640 YER to 1 USD. As of January, the riyal in GoY-controlled areas resumed a steady depreciation. Contrarily, the value of the riyal in Ansar Allah-controlled areas remained stable at around 595 YER per USD during the same period. The UN panel of experts report highlighting a lack of transparency, allegations of corruption, and misuse of the Saudi deposit by the Central Bank of Yemen (CBY) in Aden ([UNSC 25/01/2021](#)) will likely affect further bilateral support by the Kingdom of Saudi Arabia (KSA) to the GoY, at least in the short term. This, however, could also push the GoY towards significant reforms within CBY Aden, aimed at improving transparency, possibly encouraging foreign financial support and contributing to currency stability. In the short to medium term, it is also likely that import food suppliers and corresponding banks will exert more caution when dealing with Yemen, because of concerns around financial reliability, possibly leading to reduced inflows of foreign currency. Dwindling foreign currency reserves will continue to drive inflation up, affecting people's purchasing power and their ability to afford food and other basic commodities. This could be further compounded by reduced incomes for people employed in the agricultural sector because of the impact on crops of this year's severe winter season in Yemen.

Risk 2

Reduced capacity to deliver assistance – because of further cuts in humanitarian funding – impacts millions of people in need.

The Humanitarian Response Plan (HRP) for Yemen for 2021 has not been published yet, and the HRP 2020 only received an additional USD 200 million in January, leaving a gap of 44% in the total requirements ([FTS accessed 09/02/2021](#)). The Foreign Terrorist Organization (FTO) designation of Ansar Allah on 19 January raised concerns about possible reduced humanitarian access in northern Yemen. The General Licences issued by the U.S. Department of the Treasury and early indication of the reversal of the designation by the new US administration have, however, likely helped to mitigate the impact of this decision. The reversal was again announced by the U.S. Department of State on 5 February and might be made official before mid-February ([VOX 05/02/2021](#)). Humanitarian access in Yemen continues to be severely restricted however, especially in northern areas, where bureaucratic impediments and interference with operations by Ansar Allah often cause delays and difficulties in targeting people in need.

Risk 3

An attempt by Ansar Allah to enter Marib city intensifies the conflict, leading to mass displacement, civilian casualties, disruption to livelihoods, and lack of humanitarian access.

Weekly clashes in Marib governorate have continued since the beginning of the year, especially in the surrounding mountain range and around strategic supply routes, with airstrikes throughout January having the biggest impact on civilians. Frontline locations did not see any shift however, and hostilities were less intense, in line with the overall decreased level of conflict in Yemen over the past months – with the exception of Saada governorate. Despite this, on 8 February Ansar Allah launched an offensive against Marib city from three fronts, which was repelled by army troops and tribesmen ([Arab News 09/02/2021](#)). Further attempts to enter Marib city will lead to casualties and displacement, increasing humanitarian needs while disrupting access to and around the area.

→ Risk 4

Sudden decline in public service provision in GoY-held areas leaves millions of people requiring external assistance for their basic needs, while humanitarian access is also reduced.

While the Riyadh Agreement between the GoY and the Southern Transitional Council (STC) has seen some progress – particularly in relation to the formation of a new government – many milestones are still up for discussion. Disagreements might derail the process, resulting in power struggles to control supply routes which would cause stalemates and disruptions to services. Protests continued to take place in January in Aden over the lack of basic public service provision, including electricity and water. Despite COVID-19 cases in Yemen continuing to be largely underreported, it is possible that if new variants of the virus spread in the country, the response to the outbreak might become a bone of contention between the GoY and the STC. For instance, the GoY needs to be able to provide security and access for the vaccination campaign; failing to do so could significantly erode GoY legitimacy, which the STC could exploit. If the Riyadh Agreement fails, this could lead to renewed conflict and disruption to services in the south.

MATERIALIZED RISKS

Fuel crisis

After a few months of regular fuel imports through Al Hodeidah between September–November 2020, a new fuel standoff has been in place since December. No fuel vessels are allowed to unload at Al Hodeidah port by the coalition inspection mechanism and the GoY. This follows a similar trend of previous fuel crises, such as the standoff at Al Hodeidah port in June 2020 and the fuel crises in April and September 2019 (ACAPS 15/03/2020). Fuel prices in northern areas have been increasing because of the shortages and rationed official supplies. De-facto authorities in the north have reduced the amount of fuel people are permitted to purchase from 30 litres to 20 litres per day per car, and only a few fuel stations are open, based on a daily list. On the other hand, fuel supplies on the black market have flourished and prices are two or three times higher than the official price. Decreased ability to purchase fuel will have a significant impact on the population. Prices of locally produced food might increase significantly because of both the price of fuel to transport goods to the markets as well as the increased price of water, which needs to be transported in tanks to many areas. Power generators reliant on diesel can affect hospitals and the provision of other public services and business activities. Increased transport costs would deter people from seeking healthcare, especially in remote areas.

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Discussions over a new fuel import system for Al Hodeidah, mediated by a UN envoy with Ansar Allah, have seen no progress over the past month. It is unclear as to what extent the FTO designation of Ansar Allah has contributed to the halt, but the limitations to fuel imports as well as rationed supplies are likely to continue, including after the designation is officially revoked – as indicated by the U.S Department of State on 5 February.

ON THE RISK WATCH LIST

This section covers previously identified risks that remain of concern.

FSO Safer tank oil spill/explosion

Following the Ansar Allah FTO designation by the US government, Ansar Allah denied access to the previously granted UN inspection of the oil tank FSO Safer – stranded off the coast of Yemen in the Red Sea – to assess the current conditions of the vessel. The risk of an oil spill or explosion continues to be very high, especially if damages are not promptly addressed and a more comprehensive and immediate solution is not envisaged. Read more about the risk and impact of an oil spill or explosion in ACAPS' FSO Safer risk report.

METHODOLOGY

ACAPS' Yemen Analysis Hub has developed a risk-monitoring framework which is updated daily with significant events. Every month, ACAPS analysts and technical experts, including economists and anthropologists, review the current development of indicators collectively and update the risk outlook.

The arrows next to each risk indicate changes in either the impact or probability. The table below provides an overview of changes in each monthly update and the overall risk level.

	RISK 1			RISK 2		
	IMPACT	PROBABILITY	RISK LEVEL	IMPACT	PROBABILITY	RISK LEVEL
First assessment	5	3	High	4	3	Medium
January update	5	3	High	4	3	Medium
	RISK 3			RISK 4		
	IMPACT	PROBABILITY	RISK LEVEL	IMPACT	PROBABILITY	RISK LEVEL
First assessment	4	2	Medium	4	2	Medium
January update	4	3	Medium	4	2	Medium