

YEMEN Risks - Update 25 August 2020

1. Conflict in Marib intensifies

The probability of this risk has increased to medium-high. The Houthis took over Radman Al Awad in Al Bayda in the beginning of July and are currently pushing towards Marib from several directions. The GoY has shifted military resources to the South, particularly to Abyan, leaving Marib's local tribes to fight alone. Saudi Arabia is supporting with airstrikes, causing several civilian casualties, but no major shifts were recorded in the frontlines. Conflict will probably cause renewed displacement for IDPs who were severely affected by flooding around the Marib Dam in August and who have already lost assets and livelihood opportunities. Conflict around oil fields east of Marib, including direct attacks on infrastructure, risks sparking an oil fire causing environmental catastrophe and significant economic losses.

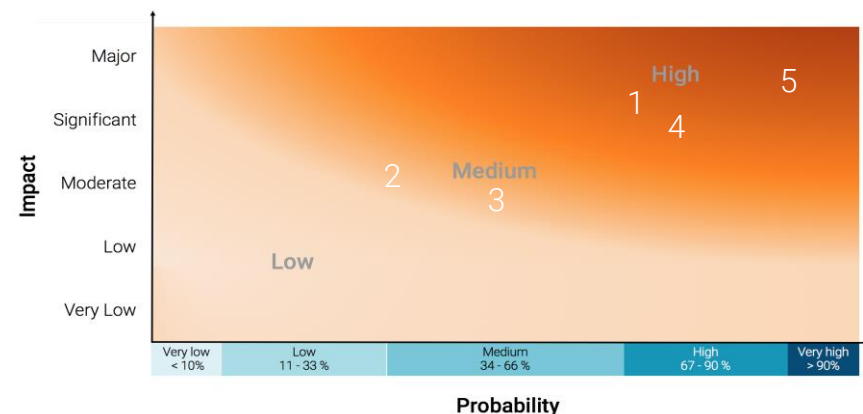
2. Gradual escalation of conflict in Abyan, Aden, and possibly Lahj

On 28 July, the STC rescinded its self-administration declaration and agreed to implement a modified version of the Riyadh Agreement, known as the Ritz Agreement. The new deal includes fifty-fifty representation in a yet-to-be formed government. It grants the STC a number of key positions, including the appointment of the STC's Secretary General Ahmed Hamid Lamlas, a technocrat, as Governor of Aden. However, neither side has redeployed its forces to pre conflict positions and clashes took place just two days after the new agreement was signed. The agreement makes escalation of conflict in the south less probable and reduces the risk of mass displacement and casualties. However, the risk is still assessed as moderate as adherence to the agreement is yet to be seen.

3. De-facto partition

Despite the new power sharing agreement in the South, the probability of de-facto partition remains unchanged at moderate. Saudi Arabia has engaged in talks with the Houthis to secure its southern borders and halt Houthi drone and missiles attacks on its land. However, the Houthis may only come to an agreement if their military capacity weakens, for example amid a second wave of COVID-19. Diverging political, economic, and administrative procedures in the North and the South are still expected to highly impact humanitarian operations, with donors remaining reluctant to fund projects in Houthi controlled areas in the absence of improved humanitarian access.

Methodology: ACAPS has a risk-monitoring framework we monitor daily. Every month, ACAPS analysts and technical experts, including economists and anthropologists, review the current development/trend of indicators collectively and update the risk outlook.



4. Rapid depreciation of the Yemeni riyal sparks inflation

The substantial drop in remittances and oil export earnings due to COVID-19 and the global oil price decreases, as well as major cuts in humanitarian funding, are continuing to deplete foreign currency reserves and depreciating the Riyal. The Riyal dropped from 602 to 758 between March and July in Aden. On 11 August, the Central Bank announced a disbursement of 60 million USD from the remaining balance of the Saudi financial support to cover letters of credit. This will put downward pressure on prices of imported goods. However, the lack of additional financial support to Yemen increases the risk of ongoing price rises. Divergent monetary policies between the GoY and Houthi authorities also undermines currency stability. Rising prices are reducing food security, reducing people's purchasing power, and increasing the cost of delivering electricity, water and sanitation services which rely heavily on imported fuel. The risk is now assessed as medium-high.

5. COVID-19 epidemic in Yemen

Covid-19 is thought to be widespread, though significantly under-reported. As of 23 August, Yemen reported 1,915 cases and 554 deaths of COVID-19, mostly from Hadramawt, Taiz and Aden governorates. Following the re-opening of the Saudi border in June and relaxation of preventive measures, cases are expected to increase. Information gaps contribute to false narratives about the virus, leading many people to be sceptical about the actual severity of the virus. Migrants stranded in Yemen have been blamed as carriers of COVID-19 and are experiencing acts of xenophobia and movement restrictions that are challenging their access to essential services. Up to 1,500 households cited COVID-19 as the main reason for displacement from Aden since March. An increase of cases in neighbouring countries, especially in the Gulf, will further affect remittances to Yemen, contributing to further economic hardship.