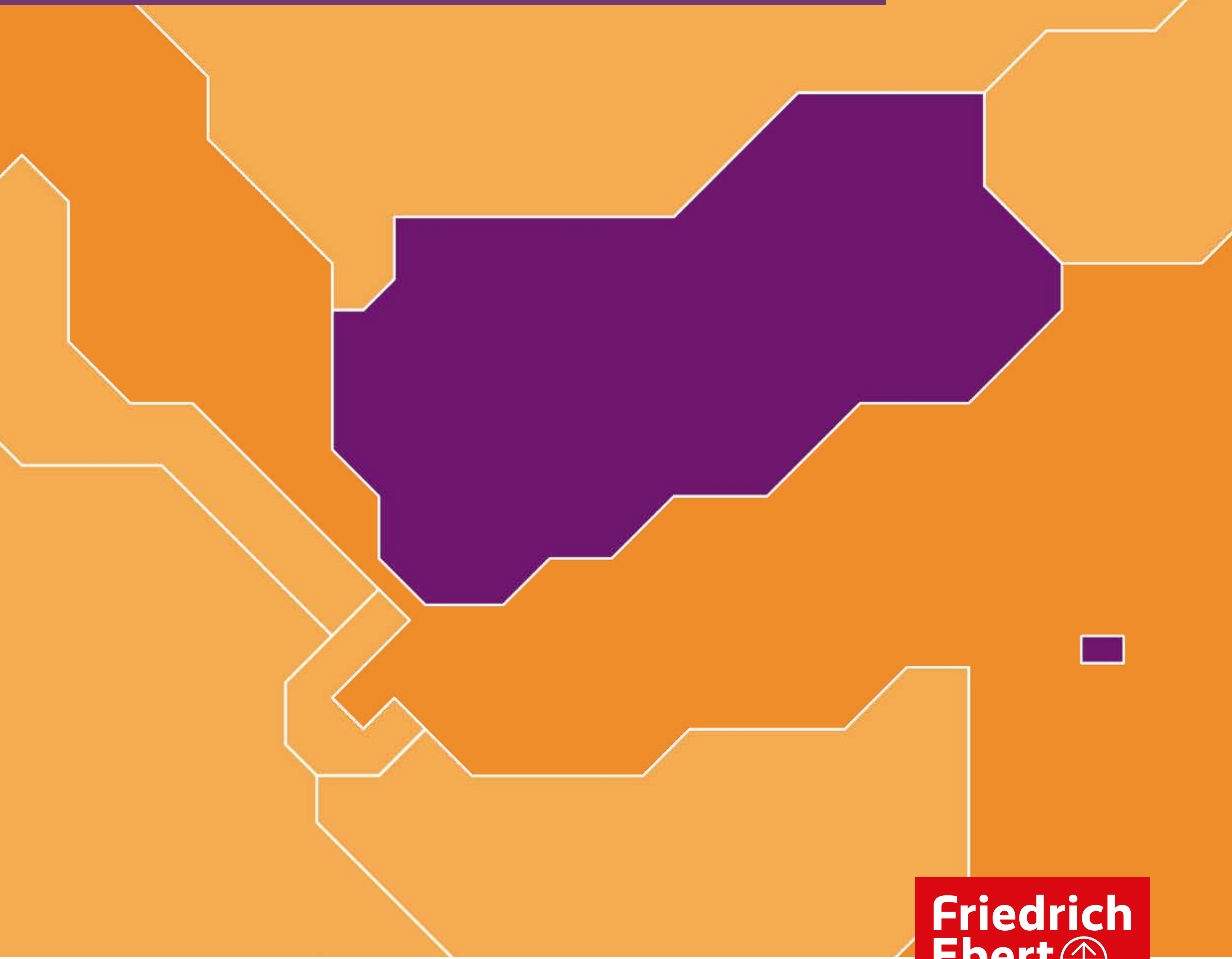
ANALYSIS

Mohammed Al-Amrani and Julia Pickhardt
September 2026

Fragile Consolidation

Yemen's New Government and the Case for European Governance Engagement



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Contents

Acronyms

CBY	Central Bank of Yemen
IRG	Internationally recognised government
MoI	Ministry of Interior
PLC	Presidential Leadership Council
SMC	Supreme Military Committee
STC	Southern Transitional Council
UAE	United Arab Emirates

Executive Summary

The dissolution of the Southern Transitional Council (STC) and the formation of a new Yemeni government under Prime Minister Zindani have created a unique political constellation that offers a genuine window of opportunity. Its elements include a more coherent Presidential Leadership Council, Saudi Arabia's uncontested role as mediator and a published reform agenda that has already delivered the first state budget since 2019, customs rate liberalisation and a biometric payroll rollout in an effort to tackle decades of fiscal leakage. The consolidation is real but fragile, resting on three unresolved faultlines: Southern representation, which is still managed procedurally rather than resolved; fiscal dependence on a financial architecture controlled by Riyadh; and the integration of former STC forces, which has deferred rather than settled the question of accountable security provision. Since mid-2026 this has unfolded amid renewed conflict, driven primarily by the broader US–Israel–Iran confrontation. Ansar Allah (also known as 'the Houthis') are using a regional conflict to boost their political leverage, as they did during the Gaza war, this time directly targeting Saudi Arabia and Red Sea shipping. The escalation has intensified pressure on all three faultlines and is designed to force the government to choose between fighting and governing, a choice it is unlikely to navigate successfully without external support. The choice is therefore also a European one. Yemen's governance trajectory bears directly on Red Sea security, Horn of Africa stability and migration at a moment when the maritime infrastructure connecting Asia, the Gulf and Europe is being reconfigured. This paper argues that European actors should treat this as a 'governance investment opportunity' rather than as a humanitarian holding pattern — and resist the reflex to reprogramme governance commitments into emergency response now that fighting has resumed.

Fragile Consolidation: Yemen's New Landscape

Yemen's political landscape as of mid-2026 is the product of a rapid political reconfiguration that began in December 2025 and has not yet settled down. Within the past eight months, the country's most prominent secessionist movement has been officially dissolved; a new government took office with a published reform agenda; the Presidential Leadership Council (PLC) has achieved a degree of internal coherence it has lacked since its formation in 2022; and the conflict with Ansar Allah has returned in force. Understanding how this constellation emerged, and why it may not last, is essential for any actor who might be considering whether and how to engage.

Operation *Promising Future*, launched by the Southern Transitional Council (STC) on 2 December 2025, was the result of three interrelated dynamics. First, PLC Resolution No. 11 threatened to centralise oil and gas revenues, undermining the informal economic networks that had financed the STC's security and administrative apparatus. This made control of Hadhramawt and the eastern governorates, where those resources are concentrated and which the STC's own strongholds lacked, essential to any viable Southern project. Second, repeated PLC crises throughout 2025 had convinced STC leader Aidarus al-Zubaidi that decisive action would yield greater influence than continued internal negotiation. And third, Washington's renewed designation of the Muslim Brotherhood as a terrorist organisation, following a November 2025 meeting between Crown Prince Mohammed bin Salman and President Trump (The White House 2025), signalled support for a regional campaign against Islamist movements. This probably explains the United Arab Emirates' (UAE) tacit accommodation of an operation targeting Islah-affiliated forces. However, this accommodation did not extend to secession.

When the STC expanded the campaign into a secessionist agenda by seizing oil infrastructure and strategic border corridors, it crossed Saudi Arabia's red line on Yemeni territorial unity. Riyadh responded decisively: It issued a formal warning demanding the STC's withdrawal, followed by air strikes targeting STC military assets (Asharq Al-Awsat 2025). PLC President Rashad al-Alimi simultaneously gave the UAE 24 hours to withdraw its forces from Yemen and suspended the bilateral defence agreement underpinning UAE-Yemeni security cooperation (Yemen Monitor 2025). Under Saudi pressure and without Emirati backing, the STC collapsed within days, and senior representatives announced the movement's official dissolution during a Saudi-mediated meeting in Riyadh in January 2026 (South24 2026). The STC's dissolution was not simply a military defeat but a structural consequence of dependency on external patronage: Once UAE support disappeared, the movement could no longer maintain its de facto authority over Aden and the South.

A New Constellation and Its First Stress Test

In the wake of the crisis, the PLC initiated a comprehensive government reshuffle. Foreign Minister Shaya Mohsen Zindani was appointed prime minister while retaining the foreign affairs portfolio, and the new 35-member cabinet was sworn in at a ceremony in Riyadh in early February 2026 (Al Jazeera 2026a). (Its composition is examined in more detail below.) Since the removal of al-Zubaidi and his deputy — both replaced by figures with stronger pro-unity orientations — the council has operated with greater internal cohesion than at any point since its formation in 2022. Saudi Arabia, meanwhile, has consolidated its position as the uncontested external actor, maintaining direct communication channels to Ansar Allah, providing the financial lifeline that keeps the internationally recognised government (IRG) functioning, and facing no rival that openly contests its vision of a unified Yemen.

However, PLC cohesion was tested in July 2026. A government reshuffle decree issued in the PLC's name on 23 July set out three ministerial changes: Afrah al-Zouba would move from Planning and International Cooperation to become Minister of Foreign Affairs and Expatriates, thereby becoming the first woman to hold the post in Yemen's history. Badr Basalama was named to succeed her at Planning and Dr Ahd Ja'soos was proposed for Local Administration (Yemen Monitor 2026a; The National 2026). Several PLC members objected, arguing that the decree bypassed the council's consensus-based decision-making. Notably, the objection targeted the process rather than the appointments: Al-Zouba's appointment proceeded, while the other two transfers were paused. Basalama subsequently resigned while Dr Ja'soos remained in her original position as Minister of State. Although the local governance portfolio remains vacant, the underlying political issue was resolved within weeks. On 25 August, Republican Decree No. 65 appointed veteran diplomat Mohammed Abdullah al-Faqmi — most recently Yemen's Deputy Permanent Representative to the UN in Geneva — as Minister of Planning and International Cooperation, this time with explicit PLC approval (Presidency of the Republic of Yemen 2026a).

Unlike the political rifts that characterised the PLC between 2022 and 2025, this disagreement concerned procedure rather than direction, and the council's own regulatory framework functioned as a self-correcting mechanism.

Escalation Returns

Since mid-2026, the consolidation of the PLC and government has been unfolding amid renewed conflict. Deadly Houthi attacks on government positions in Marib, al-Jawf and al-Hudayda in August and September prompted the Saudi-led coalition's first strikes in western Yemen since 2022. Ansar Allah retaliated by declaring a naval blockade of Saudi Arabia, calling for general mobilisation and stepping up strikes on Red Sea shipping and Saudi oil infrastructure (Al Jazeera 2026b, 2026c). In early September, they seized control of strategically important areas in Yemen along the Bab al-Mandab Strait.

Importantly, this escalation is not primarily a Yemeni conflict dynamic, but rather an extension of the wider US–Israel–Iran confrontation, and Ansar Allah's role in it follows a now familiar pattern: As with its Red Sea campaign during the Gaza war, the group is using a regional conflict to enhance its political leverage, this time by targeting Saudi Arabia directly. The regional character of the escalation is reflected in Riyadh's response. On 7 August, it signed the Mecca Joint Defence Agreement with Turkey and Pakistan, which commits the three states to treat an armed attack on any one of them as an attack on all (Al Jazeera 2026d). Analysts have noted, however, that similar Saudi defence arrangements have rarely translated into concrete mutual-defence action, and that the agreement's diplomatic value may exceed its military substance (Atlantic Council 2026). What it does indicate is that Saudi Arabia was neither prepared for nor seeking a return to direct confrontation with Ansar Allah and has been managing risk rather than implementing a clearly defined strategy.

Only gradually did Riyadh shift towards relying on Yemeni government forces, coordinated through the Supreme Military Committee (SMC), to lead the response. That shift carries a genuine institutional signal: Synchronised multi-front drone operations of the kind now being conducted would not have been possible for the fragmented forces of 2022, suggesting that the SMC's work on unifying command structures has produced real operational gains. Official media now present the Giants Brigades and National Resistance Forces as components of a unified national army. At the same time, a government fighting on active fronts while attempting to build functioning institutions is competing with itself for scarce fiscal resources and ministerial bandwidth. This is the choice the escalation is designed to force: between fighting and governing. It is a choice in which the government cannot prevail without assistance.

Taking Stock

The events of the past eight months are best characterised as a fragile consolidation: genuine structural change that creates conditions for reform, with limited guarantees of durability. The UAE retains a deep strategic interest in Yemen's ports and maritime corridors, and its current marginalisation is political rather than permanent.

This fragile consolidation is unfolding at a moment when the maritime infrastructure of the wider region is being structurally reconfigured. Disruption across the Red Sea and the Strait of Hormuz has evolved from an acute crisis into a durable condition, with shipping operators and Gulf governments building alternative corridors, pipelines and export hubs on the assumption that the old routes can no longer be relied upon (Windward 2026; Lloyd's List Intelligence 2026). Decisions taken now about which corridors have been secured and which states may be treated as viable partners in securing them will shape the region's economic geography well beyond the current conflict.

The question for international actors is therefore not whether Yemen is stable — which it is not — but whether the specific constellation of a united PLC and a reform-oriented government creates a meaningful window for engagement that complements rather than duplicates what Saudi Arabia is already doing. That window remains open. The renewed fighting has not closed it; it has raised the cost of leaving it unused.

Yemen's New Government: Set-Up and Reform Agenda

The formation of the Zindani government in February 2026 marked a deliberate break from the coalition-based structures that had defined Yemeni governance since 2014. For the first time, the government was announced as a technocratic body with a mandate focused on service provision rather than as an expression of existing political power balances. In practice, political considerations continue to shape cabinet composition: The 35-member cabinet distributes portfolios across the General People's Congress, Islah, the Socialist Party, figures formerly affiliated with the STC, and the Hadhramawt Tribes Confedecracy. Nevertheless, the composition signals a meaningful reorientation: The inclusion of three women ministers, significant Hadhramawt representation reflecting its increasingly central political role, and the strategic appointment of figures associated with pro-unity rather than secessionist orientations all indicate that the government's formation was driven as much by a logic of post-STC consolidation as by political accommodation. At the same time, it conveys a clear message of inclusivity and reform directed primarily at international donors.

Restructuring the Government and Key Appointments

The appointment of Shaya Mohsen Zindani as Prime Minister was strategic on multiple levels. A career diplomat and former ambassador who served as Foreign Minister until July 2026, Zindani hails from al-Dhali', a region that served as a critical base for the STC and is home to figures including al-Zubaidi himself. His selection both signals an attempt to bridge the Southern political divide and reflects a deliberate choice to prioritise diplomatic credibility over factional loyalty at a moment when the government's external relations matter as much as its internal ones.

The inclusion of women in ministerial roles for the first time since 2020 is a signal of intent in itself and was reconfirmed by the July 2026 reshuffle: Afrah al-Zouba, who brings extensive development and state-building experience, moved from Planning and International Cooperation to become Yemen's first female Minister of Foreign Affairs and Expatriates. Meanwhile, Judge Ishrak al-Maktari holds Legal Affairs and Dr Ahd Mohammed Salem Ja'soos serves as Minister of State with a portfolio focused on women's economic inclusion. In August 2026, the Planning and International Cooperation portfolio passed to Mohammed Abdullah al-Faqmi, a veteran diplomat who previously served as Yemen's Deputy Permanent Representative to the UN in Geneva. His multilateral background and fluency in German and English make the ministry an unusually accessible entry point for European engagement.

The Reform Agenda

The government's 2026 action plan, approved by cabinet in March 2026, establishes six strategic priorities spanning economic and monetary stabilisation, institutional governance and digital transformation, rule of law, extension of state authority, social cohesion and the transition from international aid to development partnership (Saba News 2026a). Within its first four months, the government completed several critical decisions that had stalled for years. The liberalisation of the customs dollar exchange rate addresses a drain on central revenues that had persisted since 2014. The nationwide rollout of biometric fingerprinting, covering military, security and civilian personnel through a new smart card ID system, addresses one of the most significant sources of fiscal leakage by correcting payroll records that have long enabled ghost employees and duplicate claims. The enactment of the first official state budget since 2019 represents the foundational fiscal instrument of the new government, which was a prerequisite for continued Saudi support and a signal that basic fiscal accountability mechanisms are being put in place. The government has also maintained consistent cabinet meetings throughout its first months, a signal of institutional coherence that stands in contrast to its two predecessors.

The reform agenda extends into ministry-level initiatives that signal a broader shift from emergency response towards institutional resilience. They include a Saudi-backed Yemen Health Fund embedding independent external auditing into health care (Presidency of the Republic of Yemen 2026b); World Bank- and UNDP-supported modernization of public financial management, HR and payroll systems at the Ministry of Civil Service (World Bank 2026a); a broader decentralisation effort from the Ministry of Local Administration to strengthen governance beyond Aden (Yemen TV 2026); and a formal 5 per cent employment quota for persons with disabilities from the Ministry of Social Affairs and Labour, alongside cross-ministry anti-corruption workshops (Yemen Monitor 2026b).

Despite the military escalation, the reform agenda has continued to advance. In August 2026, the Prime Minister's office launched a real-time tracking platform for administrative procedures in Aden, which allows citizens and businesses to monitor paperwork through reference numbers or QR codes without having to visit a government office (Yemen Future 2026). Later that month, as fighting intensified on multiple fronts, Zindani convened the first meeting of a newly established Ministerial Committee for Institutional Reform, tasked with moving the reform agenda from diagnosis and planning into implementation, with periodic progress reporting. Neither step is transformative on its own, but together they indicate that the reform process has institutional momentum that is not contingent on tranquil conditions — and this is precisely what makes it worth supporting now.

Central Bank Reforms

The Central Bank of Yemen's reform programme represents the most technically advanced dimension of the government's institutional agenda. Key achievements include transitioning from a fixed to a market-based exchange rate framework through competitive foreign exchange auctions, significantly increasing bank minimum capital requirements and implementing real-time monitoring of international financial transactions through the SWIFT Scope system. Following the relocation of major bank headquarters to Aden to mitigate international sanctions risks, the CBY has strengthened its Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance through modernised suspicious transaction reporting systems and Basel-aligned risk management standards. These reforms position the CBY as an institutional partner aligned with international standards, though sustained technical capacity-building and external support remain essential for full implementation (IMF 2026a).

Security Sector: Integration and Its Limits

The security dimension of the government's agenda is managed through a strategy of integration rather than dismantling, pursued on both military and security tracks. On the military side, the SMC, established by presidential decree with strong Saudi backing, works to unify command structures and consolidate personnel records. This addresses both the integration of STC-aligned forces and the broader fragmentation of Yemen's anti-Houthi coalition. Given the absence of viable alternatives and the political sensitivity of deploying non-STC forces in Aden, the SMC prioritises shifting these forces away from UAE patronage instead of confronting them directly. On the civilian security side, STC-aligned figures have been integrated into Ministry of Interior (MoI) roles and high-level security positions across Southern governorates, as formalised by MoI decrees 48 and 114 of 2026. This integration strategy represents one of the first efforts to move security coordination from informal, personality-based arrangements towards accountable structures. Its effectiveness, however, depends on sustained political will beyond the immediate stabilisation moment (Saba News 2026b).

This consolidation has its own risks, however. Critics and officials who oppose the integration of these high-ranking military and security actors warn that such a high concentration of power could allow these individuals to accumulate significant personal and regional influence, potentially weakening rather than strengthening state institutions. This concentration of power poses a long-term challenge to the government and further complicates the issue of Southern representation. Recent assassinations in Aden, targeting a prominent Islah member, a civil society leader and a National Resistance military commander, underscore the need for heightened caution in implementing security sector reforms. Though officially blamed on Ansar Allah forces and organised crime (2 December News Agency 2026; Algoumhouriya TV 2026), these high-profile killings reveal the volatility of the current security landscape.

The renewed fighting against Ansar Allah has highlighted what the ongoing integration process has achieved and what it has not. Operationally, the synchronised multi-front campaigns now being conducted would have been beyond the capabilities of the fragmented forces of 2022. Their ultimate success will indicate whether the SMC's work on unifying command structures has produced real gains. Institutionally, the picture remains unchanged. Integration addresses the political problem of accommodating armed actors within state structures, but it does not resolve the legitimacy question: Populations living under integrated security forces need assurances that those forces are accountable to the state and to the communities they serve, not to the commanders who brought them in. Building that trust requires a comprehensive security sector reform agenda that goes significantly beyond the current integration strategy. Indeed, it requires a strategy that addresses institutional deficits in oversight and complaints mechanisms, promotes community-oriented policing and establishes clear chains of command that cannot be circumvented by personal patronage networks (Al-Khameri 2026). This is a longer-term project than the current political window allows, but the integration process now under way will either lay the groundwork or foreclose it, depending on whether accountability mechanisms are built in from the start.

Obstacles to Reform: Three Structural Challenges

The reform agenda outlined here operates in a context of structural constraints that the government did not create and cannot resolve alone. The following three categories of challenges — interconnected but analytically distinct — will determine whether the current window of opportunity can be used to establish durable reform or the country reverts to familiar patterns of fragmentation. The renewed fighting since mid 2026 intensifies all three.

Challenge 1: Southern Representation and the Stalled South–South Dialogue

The formal dissolution of the STC has removed one of the most organised and institutionally consolidated actors in Southern politics without replacing it with an alternative representation mechanism. While the STC was never the sole voice of the South, its structure gave the movement a degree of dominance that other Southern factions and actors lacked. It employed a substantial administrative, security and military apparatus, exercised de facto governance authority in Aden and served as the primary channel through which Southern political demands entered national and international processes. Its absence creates a vacuum the current government has yet to fill credibly.

This vacuum coincides with a fragile balance of power across competing southern strongholds, particularly al-Dhali', Lahij and Yafi'. Recent restructuring measures have been aimed at coping with this friction through strategic appointments, but these arrangements reflect factional management rather than genuine resolution of deep-seated economic and governance grievances.

A South–South Dialogue Conference was announced by Saudi Arabia and is intended to address Southern grievances within a unified Yemeni framework, but no date, participant list or agenda have yet been publicly announced. The renewed fighting has made its convening less likely as the mediator's attention and the government's political bandwidth are absorbed elsewhere. Rather than functioning as a platform for structural reconciliation, the dialogue appears to be serving a parallel purpose, helping the IRG manage resistance from former STC leadership as it consolidates administrative space in which to govern. Fragmentation within the former STC compounds this: Figures willing to engage individually in Riyadh-mediated formats are increasingly divided from those rejecting any process not grounded in southern self-determination.

Elite-driven dialogue formats risk producing agreements that lack popular legitimacy so long as historical and structural grievances such as economic marginalisation, wealth distribution, political representation and unresolved governance questions remain unaddressed. The danger of this vacuum is already visible: Repeated clashes between security forces and STC supporters from February through April 2026 resulted in deaths across Aden, Shabwa, and Hadhramawt (Human Rights Watch 2026; Security Council Report 2026). These events confirm that dismantling the STC's institutional framework has not resolved the grievances that drove its popularity; the longer the process remains opaque to the Yemeni public, the greater the risk of renewed fragmentation or radicalisation of Southern demands.

Challenge 2: Dependency and Reform Accountability

The IRG's financial architecture is almost entirely dependent on Saudi transfers. They include SAR 1.9 billion (around $504 million) in development support in January 2026, SAR 1.3 billion (around $346 million) for salary and operating expenses in February 2026, $150 million in fuel derivatives support in May 2026 and a further SAR 224 million (around $60 million) salary transfer in June 2026 (Al Arabiya English 2026; Saudi Press Agency 2026a, 2026b, 2026c). This creates a structural vulnerability: If Saudi priorities shift, the political and fiscal space for reform would narrow immediately. This dependency is not only financial. The government's political positioning and its capacity to absorb former STC forces rest on continued Saudi backing. Reform momentum is therefore only as durable as continued Saudi support.

The economic environment remains extremely challenging: Yemen is in its third consecutive year of contraction, with inflation above 20 per cent and over half of all families reporting inadequate food consumption (World Bank 2026b; IMF 2026a). The collapse of oil exports following Ansar Allah strikes on the al-Dhabba oil terminal in 2022, which historically accounted for over 70 per cent of state revenues, has fundamentally changed the fiscal equation. The new state budget, the first since 2019, signals fiscal intent but is built on outdated 2014 baseline figures that do not reflect the economic reality of 2026: Compound inflation exceeds 650 per cent and an 86 per cent depreciation of the national currency since that year. Without a credible implementation plan translating budget lines into ministerial deliverables with clear accountability, it risks remaining merely a political document rather than a governance tool.

Saudi Arabia's primary interest in Yemen is political stability and secure borders, with less focus on quality of governance. Reform momentum therefore depends on external actors creating incentives and accountability mechanisms that Riyadh alone will not provide. Ministers with genuine reform intent face institutional constraints, including weak administrative capacity, fragmented bureaucracies and salary arrears that a budget framework alone cannot resolve. Critically, domestic reform priorities remain subordinated to Riyadh's broader strategic calculations. Nine months into the new political constellation, Saudi Arabia itself has yet to articulate a coherent Yemen strategy beyond crisis management. This gap is made more visible by the Saudi response to the August escalation, which prioritised external security guarantees through the Mecca Joint Defence Agreement over any articulated approach to Yemen itself (Al Jazeera 2026d). The IRG and international actors are left without a clear strategic direction around which to coordinate.

Yemen's executive bodies also operate under an obsolete legal framework that constrains administrative agility. The House of Representatives has barely convened since 2014, while oversight bodies, such as the Supreme National Authority for Combating Corruption and the Central Organization for Control and Auditing, remain severely under-resourced, despite PLC directives signalling a renewed intent to restructure them (DeepRoot Consulting 2025). Ministry-level initiatives are under way but lack the centralised institutional architecture needed for systemic reform (Saba News 2026c, 2026d; interviews with senior government officials, Riyadh and Aden, May 2026).

Challenge 3: Governance Gap and Limited Leverage

Yemen remains one of the world's worst humanitarian crises, with over 22 million people in need. Yet humanitarian funding is increasingly disconnected from governance support, in the sense that aid flows sustain populations without building the state capacity needed for durable stability (OCHA 2026). This gap reflects a deliberate narrowing of international engagement towards fragmentation management. The consequence is a self-reinforcing cycle: Weak governance makes reform harder, weak reform makes governance weaker, weak governance creates more space for non-state actors, while external actors continue to fund the symptoms rather than address the structural causes. The renewed fighting widens this gap, drawing attention and resources back towards emergency response at precisely the moment institutional capacity is most needed.

The political track has collapsed into open confrontation. Whatever leverage the government might once have hoped to attain over Ansar Allah has been overtaken by events, and the UN-led process offers no near-term route back. Since July 2026, Riyadh has increasingly relied on government forces to lead the military response, a reliance that changes the government's military position without changing its political one. The terms of any eventual settlement still run through Saudi timelines and Saudi priorities, and Riyadh's own posture is shaped by a regional confrontation it did not choose and has sought to contain, not escalate (Crisis Group 2026). Meanwhile, sustained fighting narrows the administrative, financial and international bandwidth that reform requires. The government is being asked to fight and to govern simultaneously, with insufficient resources for either task.

The government has, however, begun to convert its growing military relevance into a diplomatic argument. Speaking in Riyadh in late July, Foreign Minister Afrah al-Zouba framed the escalation as a regional rather than a Yemeni conflict, arguing that Ansar Allah is attempting to reproduce Iran's approach in the Strait of Hormuz along the Red Sea and Bab al-Mandab, and that the group is acting in concert with Iranian escalation across the region (Al Jazeera 2026e). She subsequently warned the UN that attacks on ports, civilian facilities and shipping may have consequences well beyond Yemen's borders and urged the international community to convert its stated positions into practical measures (Middle East Online 2026). The framing is substantially accurate: Disruption across the Red Sea and Hormuz is real, sustained and already reshaping global routing decisions. Whether the framing translates into standing, however, depends on whether the government can demonstrate that it can function as a state and not only as a combatant. That is precisely where the governance agenda and political track converge.

Western disengagement from Yemen is not a matter of fewer visits but of narrower ambition. Western policy towards Yemen has undergone a transactional shift that reduces a complex state-building crisis to a maritime security problem, weakening the international architecture that previously provided some counterweight to purely regional solutions. However, the relationship between governance and the political track is not purely constraining. A more coherent and institutionally functional government could, in the medium to long-term, strengthen the IRG's negotiating position. A government that pays salaries, manages its budget and represents Southern constituencies thereby provides credible and legitimate governance that a purely military or externally managed authority cannot hope to replicate. Supporting governance reform is therefore not separate from supporting the conditions for more durable peace, but a prerequisite for it.

A Fragile Window: Conclusions and Implications

The events between December 2025 and September 2026 have produced a governmental and political constellation that is genuinely different from what came before. For the first time since the PLC's formation in 2022, the structural conditions for meaningful reform are present: more internal coherence, an uncontested external anchor, a published agenda and ministers intent on reform. The PLC's handling of the July 2026 reshuffle dispute suggests that these developments are more than a cosmetic change. Nevertheless, they remain the product of a specific political moment rather than durable institutional changes. While they carry the seeds for real change, they are not self-sustaining.

The same reconfiguration exposes three fault lines that could reverse these gains: The Southern representation vacuum left by the STC's dissolution remains procedurally managed but not institutionally resolved. The reform agenda's dependence on Riyadh's financial architecture means that momentum is only as durable as continued Saudi support. In addition, the integration rather than the dismantling of STC-aligned forces has only deferred, but not resolved the deeper challenge of placing security provision in the service of the population, and not those in command.

The return to war intensifies pressures on all three. It absorbs the political attention that Southern reconciliation requires; deepens fiscal dependence precisely when Riyadh's attention is directed at a regional confrontation it did not choose; and pulls international engagement back towards the emergency response that the reform agenda was designed to move beyond. Although triggered by US–Iran–Israel regional dynamics, the escalation is nonetheless being paid for in terms of Yemeni institutional capacity. The window for meaningful engagement is open but time-limited. It could close through renewed Saudi-Emirati competition, a shift in Saudi priorities or simply through exhaustion as the government cannot sustain simultaneous efforts across multiple fronts indefinitely.

This poses a question European actors cannot ignore. European engagement has gradually narrowed towards fragmentation management, sustaining enough institutional coherence to prevent total collapse while ceding governance space to regional actors. That approach reflected the realities of the previous period, in which a paralysed, internally fractured government operated under competing external patronage. It is no longer adequate to the current moment, nor is it strategically coherent at a time when governance failures in Yemen generate broader consequences such as Red Sea security, stability in the Horn of Africa or migration flows, all of which are directly relevant for European interests. Continuing fragmentation management now is not a neutral choice. It signals that Europe does not believe the reform agenda is real, and so it risks forfeiting the comparative advantage of its unique technical expertise and governance experience.

The Yemeni government has itself begun to argue that in confronting a group using regional tensions for its own ends, it is contributing to a shared security interest rather than asking others to fight its war. The argument has substance, but it will hold only if the government can show that it can function as a state and not merely as a combatant — and that is the part Europe is positioned to influence. Saudi Arabia can anchor a political process, but it cannot substitute for the governance infrastructure that makes reform durable. Europe, for its part, cannot compete with Riyadh's political weight in Yemen, nor should it try to do so. Instead, it can offer a strategic partnership aligned with regional initiatives, providing indispensable development support and institutional architecture to make reforms and stability durable. In a regional order in which US engagement is increasingly unpredictable and the maritime infrastructure connecting Asia, the Gulf and Europe is being actively reconfigured, Yemen presents a small but concrete opportunity to demonstrate that European commitment to alternative multilateral partnerships is more than merely rhetorical.

Recommendations for European Engagement

A European engagement strategy that complements regional actors offers a more viable and politically acceptable path forward than positioning Europe as a rival political counterweight in Yemen. Saudi Arabia's security-driven approach to containing Ansar Allah is in line with the EU objectives of safeguarding Red Sea shipping lanes and regional stability. However, it leaves the governance layer largely untouched — and having a governance vacuum in IRG-controlled areas is not without consequences. It strengthens Ansar Allah's narrative and weakens the IRG's credibility as a governing authority.

The EU already has the political mandate to act. Its May 2025 Council Conclusions commit the Union to supporting the Government of Yemen's Comprehensive Reform Plan, engaging on governance, anti-corruption and fiscal accountability and increasing direct engagement in facilitating an inclusive political settlement (Council of the European Union 2025). These commitments have yet to be operationalised. The recommendations offered here identify the lowest threshold for translating them into practice. They require no new funding mandates, no new institutional architecture and no political competition with Riyadh. They only require a decision to treat this moment as an investment in governance rather than a humanitarian holding pattern.

For EU Institutions

→ **Establish structured governance engagement through a dedicated focal point at the Ministry of Planning:** The EU Delegation in Amman should appoint a dedicated governance focal point. This staffing decision can be implemented without additional resources and would signal a fundamental shift from humanitarian management to governance partnership while creating the institutional continuity that such a partnership requires. The focal point should build on the work of the existing Yemen Partners Group to institutionalise regular contact with the Ministry of Planning and International Cooperation, working on the basis of a defined agenda around the government's own reform benchmarks. The post should be designated and operational within the current staffing cycle, with a mandate including, at minimum, quarterly ministry-level contact across the three cross-cutting reform ministries, namely Finance, Legal Affairs and Civil Service. These ministries exercise cross-government responsibilities and maintain liaison mechanisms across the wider ministerial system.

→ **Reorient the Strengthening Institutional and Economic Resilience in Yemen (SIERY) programme towards horizontal reform ministries using a payment-for-performance approach:** The current SIERY programme is focused on local governance resilience and civil society capacity-building through UNDP. The next programme phase should be expanded to target the cross-cutting ministries mentioned above. Support should be linked to governance milestones the IRG itself has set, mirroring its stated priorities rather than imposing external conditions. The design of the next programme cycle should be built on reform-oriented ministries identified during the current phase.

→ **Provide technical assistance to the Central Bank of Yemen's ongoing institutional reforms:** CBY technical assistance to date has come primarily through the IMF's Middle East Technical Assistance Center and Article IV engagement, focused on macroeconomic data, debt reporting, and fiscal coordination (IMF 2026b). European financial institutions could complement this by supporting two areas the CBY has identified as urgent and in which the IMF's mandate is narrower: foreign exchange market infrastructure, including the CBY's Bloomberg FX market modernisation initiative, and cybersecurity defences for financial sector systems. Both have become more consequential under war conditions, when payment systems are exposed and monetary stability is harder to maintain. The same applies to the payment and payroll infrastructure underpinning public sector salaries: Sustaining the state's capacity to pay its employees is the most visible test of whether it functions as a state and not just as a combatant. The biometric payroll reforms already under way make this a concrete and measurable area for support. These are areas in which European expertise is directly relevant and additive rather than duplicative, and the CBY has already demonstrated an institutional commitment to reform. Linking this support to the government's own financial reform benchmarks reinforces the payment-for-performance logic without new conditionality frameworks.

→ **Strengthen the link between PLC executive decisions and ministerial implementation:** The critical gap in Yemen's current governance architecture is not the absence of institutional structures but the lack of effective transmission mechanisms between PLC-level decision-making and ministerial execution. Executive decisions are taken but are not translated into coordinated ministerial action, undermining reform implementation regardless of ministerial intent. Targeted support should focus on decision-tracking systems, inter-ministerial coordination protocols and accountability mechanisms that ensure PLC directives are operationalised at the ministry level rather than remaining on paper.

→ **Support independent Yemeni civil society monitoring of the South-South Dialogue:** A small, targeted grant to credible local organisations with a mandate to monitor the inclusivity and implementation of the dialogue process adds a layer of independent oversight and accountability without competing with Saudi Arabia's convening role. The escalation makes an early convening less likely, strengthening the case for funding this capacity now: Monitoring organisations can use the interim period to document how the conflict is reshaping Southern grievances and how the government's service delivery holds up under pressure. Organisations with established monitoring track records and cross-regional presence in the South would be best placed for this role, and several are already part of the EU's civil society programming portfolio.

→ **Strengthen civil society and subnational accountability mechanisms as a core component of governance support:** Durable reform requires legitimacy in the eyes of the population, not only institutional capacity at the ministry level. The EU should incorporate efforts to strengthen civil society and citizen-state accountability explicitly into its Yemen programming, supporting policy dialogue platforms and monitoring capacity that connect citizens to the reform process at both national and governorate levels. Governorate-level committees and grassroots representation structures that have emerged outside Aden risk being overlooked in a donor landscape focused primarily on central government institutions and should be explicitly included in programme design. This is not a parallel track to ministry-level engagement, but rather a necessary complement: Without societal buy-in there is a risk that reforms will remain technocratic exercises that fail to generate legitimacy on the ground.

For European Bilateral Actors

European bilateral actors can complement EU institutional engagement through their direct diplomatic access, national development cooperation instruments and established bilateral relationships with Yemeni and regional actors that multilateral channels cannot replicate. Where bilateral actors already have programmes in Yemen, the priority should be to reorient towards governance and institutional resilience, by deploying existing instruments more strategically and in closer alignment with the IRG's reform agenda. For this purpose, European bilateral actors can engage the IRG through two complementary access points, which should both be used to deepen engagement: Riyadh for direct contact with key ministerial figures and political decision-makers, and Amman as the hub for development cooperation and humanitarian coordination, through which much of Yemen's international support is channelled. The following recommendations are relevant to all European bilateral actors actively engaged in Yemen:

→ **Lead advocacy within EU councils for Yemen to be viewed primarily through a governance lens rather than a humanitarian one, and resist reversion under conflict conditions:** This framing shift shapes how existing funding is allocated, how conditionality is designed, and whether European engagement is coordinated around political stabilisation or reduced to crisis response. The renewed fighting makes this argument harder to sustain and more important to make. The institutional default when conflict escalates is to reprogramme governance commitments into emergency response. Bilateral actors with standing in EU foreign policy deliberations should make the case for maintaining existing governance and institutional-resilience commitments through the escalation. Continuity is itself a form of support. A government that keeps reforming while under military pressure is demonstrating precisely the institutional resilience these programmes exist to build and withdrawing at that moment would signal that European commitment was dependent on conditions Yemen has never enjoyed.

→ **Explore alternative disbursement modalities that manage fiduciary and accountability risks without bypassing the government entirely:** Direct budget support to the IRG raises legitimate fiduciary concerns given absorption-capacity constraints and risks of corruption. Bilateral actors should explore modalities that maintain government ownership and engagement while managing these risks, including payment-for-performance tranches tied to agreed reform milestones, channelling through UN implementing partners with strong monitoring and auditing frameworks, and third-party monitoring arrangements that provide independent verification without substituting external judgement for Yemeni ownership. Coordination on effective modalities helps to avoid a situation in which donors attempt to solve the same problem in parallel. The goal is to find mechanisms that build rather than bypass state capacity.

For Germany

Germany is uniquely positioned among European bilateral actors in Yemen: It combines diplomatic access in both Riyadh and Amman, a longstanding development cooperation presence and a network of political foundations and research institutions with extensive country expertise and established relationships among Yemeni political and civil society actors. The following recommendations are built on existing German engagement rather than advocating fundamentally new approaches.

→ **Recognise Yemen as a partner in regional security and not as a recipient of assistance:** The Yemeni government is framing its fight against Ansar Allah as its contribution to a shared security interest. Germany can give practical effect to that argument by including Yemeni government representatives in European and multilateral discussions on Red Sea and maritime security as participants; by reflecting this framing in public statements on shipping and regional stability; and by maintaining high-level political contact, including a parliamentary or ministerial visit to Riyadh, where the government's senior figures are accessible. Such engagement would signal that Germany views the government as a credible partner and would help put Yemen on the political agenda in Berlin while the current window for engagement remains open.

→ **Reorient and deepen Germany's development cooperation towards governance and institutional resilience:** Germany's development cooperation is already moving in this direction, as KfW channels support through implementing partners into resilience-oriented programmes. The existing architecture is well suited to solve the disbursement question facing all European donors: It already operates at arm's length from direct budget support while maintaining a government-facing relationship. The task is to reorient it explicitly towards governance and institutional resilience in close coordination with the IRG while managing fiduciary and accountability risks, building on the payment-for-performance and third-party monitoring modalities already being considered by bilateral partners. The objective should be to consolidate and deepen a shift that is already underway.

→ **Leverage Germany's network of political foundations and research institutions to strengthen the link between field-based expertise and policymaking in Berlin:** Institutions such as FES, KAS, the Berghof Foundation and CARPO possess contextual expertise and access to a broad range of Yemeni actors that have yet to be adequately integrated into Germany's Yemen policymaking. Institutionalised regular consultations between these organisations and relevant ministries — Auswärtiges Amt and BMZ in particular — would help ensure that Germany's Yemen engagement benefits from field-based knowledge, incorporates a broader range of Yemeni perspectives beyond official government channels, and strengthens coherence across its diplomatic, development and peace-building engagement.

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About the Project

This paper is part of the 'Yemen Policy Analysis' series implemented jointly by the Friedrich-Ebert-Stiftung (FES) and CARPO. Against the backdrop of profound political and socio-economic transformations in Yemen, this project supports the development of publications on key questions of governance, sustainable conflict resolution and economic stabilisation, with a focus on areas under the control of the internationally recognised government. It combines in-depth analyses of current developments with short briefing papers contextualising core political dynamics in order to formulate realistic and actionable recommendations for German and international decision-makers. By combining policy briefs, short-term analyses and accompanying expert discussions and briefings, the project contributes to raising political awareness of Yemen and supports informed policymaking.

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