Yemen 2015–2025: Ten Years that Rewired How Money Moves

Banking fractured. Humanitarian cash and hawala kept households alive. A shadow settlement layer emerged—redefining how millions of Yemenis send, receive, and survive on money that moves outside traditional financial rails.

A Decade in One Page

Yemen's financial transformation unfolded across five distinct phases, each fundamentally reshaping how money moved through the economy. What began as a banking crisis evolved into an entirely new monetary infrastructure—one built not by design, but by necessity.

1

2015–2016: The Split

Central Bank divided between Aden and Sanaa. Interbank settlement mechanisms collapsed. Retail transactions shifted rapidly to cash and hawala networks as trust in formal banking evaporated.

2

2017–2019: Humanitarian Scale-Up

Cash-based aid programs expanded dramatically through money exchangers and microfinance institutions. These informal actors gained unprecedented operational capacity and social legitimacy as lifeline providers.

3

2020–2022: Bank Decline

Traditional bank fee revenue engines shrank as customers fled. Off-bank clearing mechanisms rose to dominance. The financial center of gravity shifted irreversibly toward non-bank actors.

4

2023–2025: Institutionalization

Major exchanger houses transformed into licensed microfinance banks. A parallel "shadow ledger" operated outside unified Central Bank oversight—legitimized, scaled, and deeply embedded.

How Emergency Cash Changed the Rails

By 2025, approximately **$2.8 billion per year** moved through non-bank payment channels—a fundamental rewiring of Yemen's financial infrastructure driven by humanitarian necessity.

The flow of aid money tells the story: donors had to choose a road. The banks' road was blocked by liquidity crises, political fragmentation, and operational paralysis. The exchangers' road remained open—flexible, trusted by communities, and capable of reaching the last mile.

2017: Traditional Dominance

Banks handled the majority of humanitarian payments, leveraging established infrastructure and regulatory frameworks. Exchangers operated at the margins, primarily serving remittance corridors.

2025: Complete Reversal

Exchangers and microfinance institutions became the primary payment agents for UN agencies and major donors. Banks retained only niche corporate and government payment roles.

This wasn't policy—it was survival. UN agencies, facing impossible trade-offs between speed and compliance, pragmatically chose the rails that worked. The humanitarian imperative transformed informal money handlers into quasi-banking infrastructure.

Two Economies, Two Prices

Yemen's monetary split created not just two central banks, but two distinct economic realities with diverging exchange rates, inflation trajectories, and price levels. By 2025, the same basket of goods cost dramatically different amounts depending on which authority controlled your territory.

Aden: IRG Territory

Exchange Rate: Weaker YER/USD reflecting fiscal pressures and limited FX inflows

Food Basket Index: Higher costs driven by import dependencies and supply chain fragmentation

Annual Inflation: Double-digit rates persisting through external shocks

Sanaa: De Facto Authority

Exchange Rate: Artificially managed YER/USD through strict capital controls

Food Basket Index: Different baseline but similar upward pressure

Annual Inflation: Masked by price controls but visible in parallel markets

Dual foreign exchange regimes produced fundamentally different price signals, shaping divergent economic expectations and planning horizons. Traders arbitraged the gaps; households bore the uncertainty. This wasn't just monetary policy fragmentation—it was the fracturing of economic reality itself.

What Helped, What It Cost

The emergency cash transfer system saved lives and preserved economic function—but it came with profound, often hidden externalities that will shape Yemen's financial future for years to come.

Benefits: Immediate Impact

- **Reach at Scale:** Millions reached monthly when banks couldn't deliver
- **Speed & Continuity:** Payments flowed even during intense conflict
- **Local Multipliers:** Cash circulated through community economies
- **Dignity & Choice:** Recipients controlled spending decisions

Externalities: Long-Term Costs

- **Bank Disintermediation:** Formal sector hollowed out, skills lost
- **Regulatory Perimeter Loss:** Central bank oversight diminished
- **License Bubble Risk:** Rapid MFI licensing outpaced supervision capacity
- **Territorial Inequity:** Aid flows concentrated in accessible areas
- **Path Dependency:** Humanitarian rails became permanent infrastructure
- **State Capacity Erosion:** Parallel systems undermined public institutions

This wasn't a choice between good and bad options—it was a choice between immediate survival and long-term institutional health. In crisis, survival won. Now the question is how to preserve what worked while rebuilding what was lost.

Did Cash Create the System?

Cash didn't create hawala dominance—it institutionalized it.

Pre-Existing Conditions

Yemen's hawala networks were already deeply rooted before 2015. Risk-averse formal banks had long avoided rural areas and cross-border flows. Strong informal trust networks bridged geography and political divisions. The infrastructure existed; it needed only activation.

Market Forces

Remittances from the diaspora had sustained hawala for decades. Trader finance networks moved billions outside banking channels. Government salary arrears pushed civil servants toward informal rails regardless of aid flows. Demand was structural, not donor-created.

ECT's Distinctive Effect

Emergency cash transfers provided something transformative: **scale and legitimacy**. UN agencies normalized exchanger rails through partnership. Volume grew exponentially, creating operational sophistication. What was tolerated became institutionalized—and ultimately, indispensable.

The narrative matters: emergency cash transfers didn't invent Yemen's shadow financial system. They accelerated its evolution, validated its role, and—critically—made its displacement nearly impossible. The system was always there; aid made it visible and permanent.

Who Holds Financial Power (2025)

Yemen's financial landscape in 2025 reflects a dramatic power inversion. Traditional regulators and banks have been displaced by actors who were marginal a decade ago. Understanding who wields influence—and who has lost it—is essential to navigating the system's future.

Dominant: High Influence

Money Exchanger Networks: Control retail liquidity flows and last-mile access

Microfinance Institutions: Licensed intermediaries with operational legitimacy

UN Agencies & Donors: Set payment terms and channel selection

Weakened: Declining Power

Commercial Banks: Shrinking deposit base and limited territorial reach

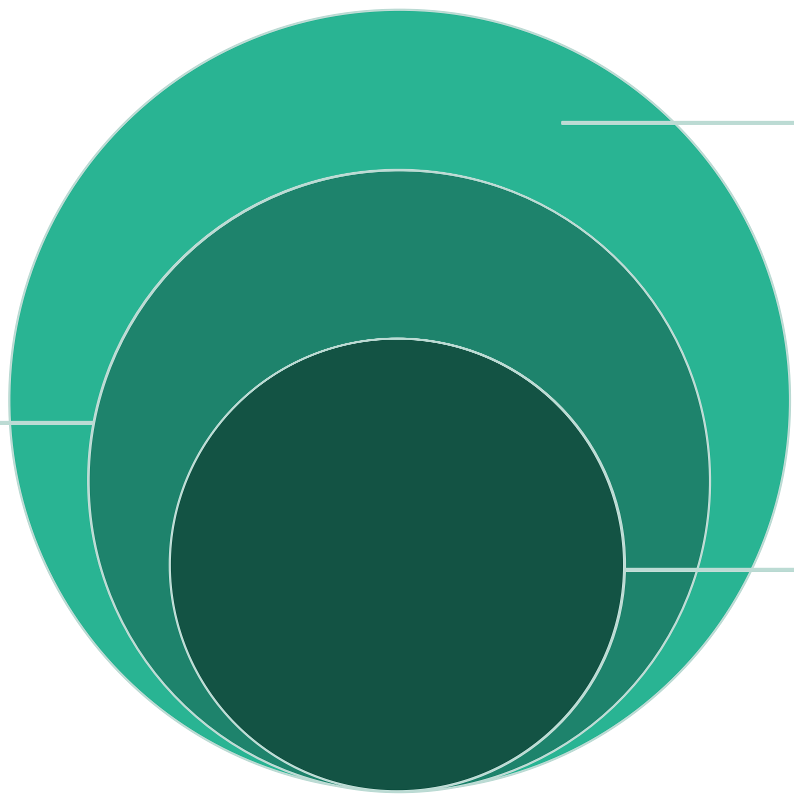
CBY Aden & Sanaa: Fragmented authority with incomplete regulatory control

Traditional Regulators: Oversight mechanisms bypassed by parallel systems

The scatter is revealing: operational reach and donor trust now matter more than legal authority. Legitimacy flows from function, not licensing. This power map will determine who shapes Yemen's financial reconstruction—and whose voice fades from the conversation.

Yemen's Financial Stakeholders: The Complete Network

Yemen's financial system operates through concentric rings of influence—from global institutions setting frameworks to local agents executing daily transactions. This network map reveals the complex interdependencies that shape every monetary decision.



1	**Global & Regional Layer** **Multilaterals:** IMF, World Bank/IFC, Islamic Development Bank, Arab Monetary Fund **UN Agencies:** UNDP, OCHA, UNICEF, WFP, UNOPS coordinating humanitarian finance **Bilateral Donors:** USAID, FCDO, EU; Gulf states (KSA, UAE, Qatar, Kuwait funds) **Compliance Regimes:** FATF standards, OFAC sanctions, SWIFT messaging protocols
2	**National Authorities (Dual Structure)** **IRG Side:** CBY Aden, Ministry of Finance Aden, Economic Council/PMO, Yemen Oil Company, Customs Authority **De Facto Side:** CBY Sanaa, Ministry of Finance Sanaa, Economic Committee, Yemen Petroleum Company, parallel AML/tax units **Sub-National:** Southern Transitional Council, key governors (Marib, Hadramout, Taiz) with fiscal autonomy
3	**Financial & Private Sector** **Commercial Banks:** CAC Bank, Tadhamon, Saba Islamic, National Bank of Yemen, Yemen International, Yemen Kuwait Bank **Microfinance Banks:** Al-Amal MFB, Al-Kuraimi (MFB and exchange network) **Informal Sector:** Exchanger unions, major trading groups (e.g., HSA Group conglomerate)
4	**Delivery & Communities** **Implementation:** International and local NGOs executing cash programs and service delivery **Real Economy:** MSMEs, agricultural cooperatives, trader networks **End Users:** Households, women entrepreneurs, displaced populations, wage workers

Solid lines represent regulation and political control; dashed lines show funding flows; dotted lines indicate compliance relationships. No single actor controls the system—power is diffused, contested, and constantly negotiated across these concentric rings.

Financial Governance Matrix: Who Controls What

Governance in Yemen's fragmented financial system isn't binary—it exists on spectrums of authority, capacity, and trust. This matrix reveals why some actors punch above their regulatory weight while others see their formal powers erode.

Actor	Legal Authority	FX Access	Territorial Control	Donor Trust	Public Trust
CBY Aden	○○	○	○○○	○	○○○
CBY Sanaa	○○○	○○○	○○	○○○○○	○○
International Donors	○○○○○		○○○○○		○○
UN Agencies	○○○○○	○	○○○		○
Commercial Banks	○○	○○○	○○○○	○○○	○○○
Exchanger Networks/MFIs	○○○	○		○	

***Scoring**:* *= Very High | ○ = High | ○○ = Moderate | ○○○ = Low | ○○○○ = Very Low*

The striking insight: exchanger networks and MFIs score highest on territorial control and public trust despite limited legal authority. They govern through delivery, not decree. Meanwhile, actors with formal legal powers struggle with legitimacy deficits. In Yemen's financial system, trust is the ultimate currency—and informal actors hold the most.

Both/And Strategy: Keep Inclusion, Restore Settlement

Yemen doesn't need to choose between financial inclusion and institutional integrity. The path forward requires a sophisticated "both/and" approach: preserve the reach and resilience of informal rails while rebuilding the settlement infrastructure that prevents systemic risk.

Agent Banking via Exchangers

Certify existing exchanger networks as formal banking agents with clear operating standards. Implement tiered KYC protocols that balance inclusion with integrity. Require daily net settlement to master bank accounts, creating audit trails without disrupting service.

Retail Switch (Lite Version)

Build low-fee domestic clearing infrastructure for banks, MFBs, and payment service providers—even amid dual CBY structures. Enable interoperability for basic transactions while deferring full monetary reunification. Let technical integration lead political settlement.

Discipline the License Boom

Pause new MFB licensing until supervision catches up. Establish prudential and conduct floors that all licensed entities must meet. Create credit-data sharing mechanisms to prevent over-indebtedness. Impose rural-service obligations to counter urban concentration.

Consumer Protection as Foundation: Publish agent rosters, fee schedules, and grievance statistics transparently. Data transparency builds accountability when formal regulation is weak.

This isn't about picking winners between banks and exchangers—it's about building connective tissue between parallel systems. Insulate core financial plumbing from politics. Make price signals believable. Turn emergency infrastructure into development infrastructure, deliberately and safely.