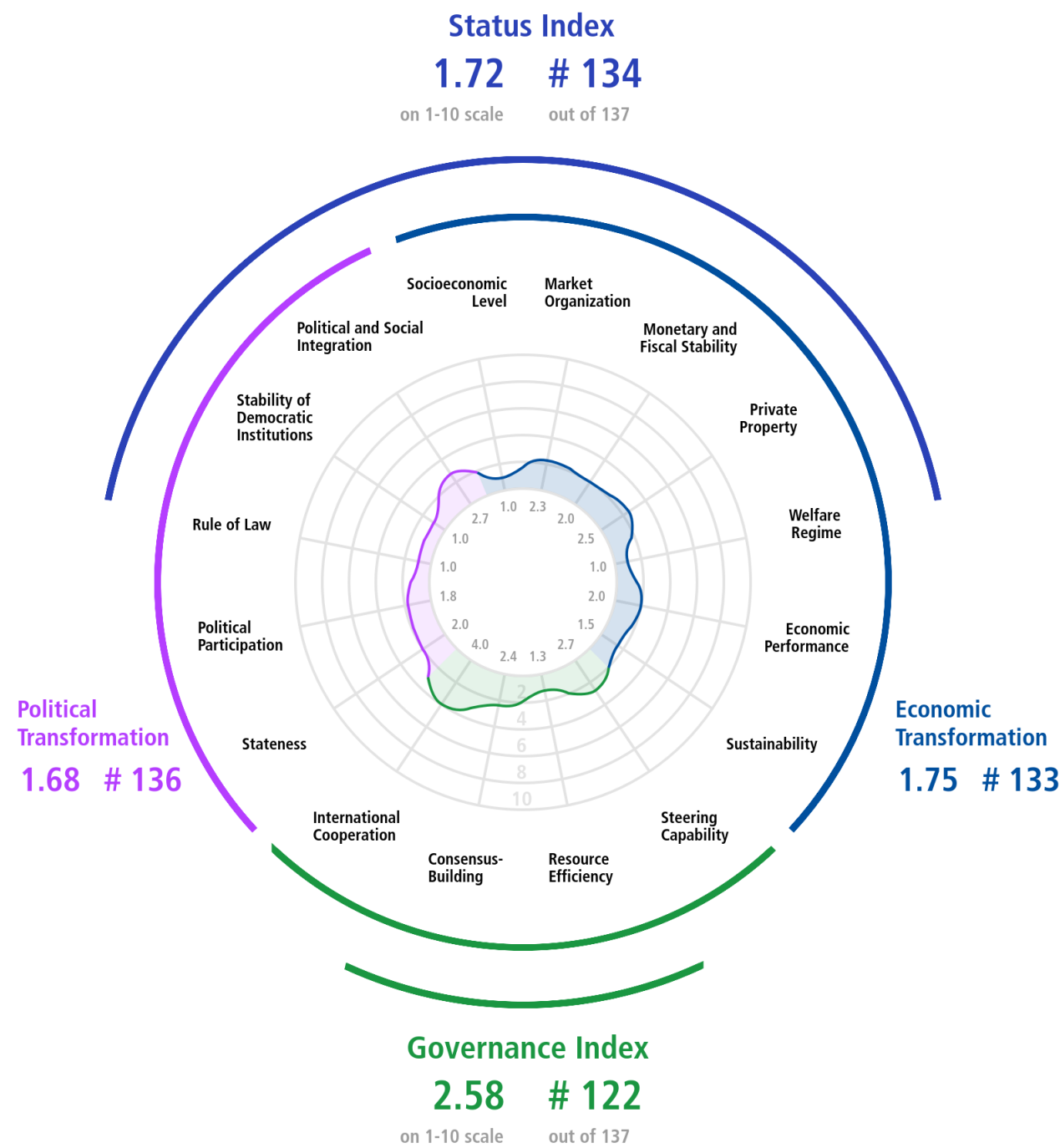


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Somalia



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Key Indicators

Population	M	17.6	HDI	-	GDP p.c., PPP \$	1364
Pop. growth ¹	% p.a.	3.1	HDI rank of 189	-	Gini Index	-
Life expectancy	years	55.3	UN Education Index	-	Poverty ³	% -
Urban population	%	47.3	Gender inequality ²	-	Aid per capita \$	140.4

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The period under review was overshadowed by rising political tensions that accompanied the prolonged electoral cycle and deepened the rift between the federal government of Somalia (FGS) and the governments of the federal member states (FMS). After a 16-month delay, and following a lengthy negotiation and selection process, a new parliament was established in April 2022. The parliament then elected a president in May 2022.

The transition of power went smoothly. In the meantime, however, electoral conflicts have blocked necessary reforms. The constitutional review process has stalled, and no progress has been made in clarifying the status of the FMS, their main tasks and responsibilities, and especially the modus of power and resource sharing between the federal and central institutions.

The election took place in the context of a prolonged drought. In 2021 and 2022, a humanitarian crisis unfolded across most parts of the country. Approximately eight million people, half of Somalia's population, were considered to be living through crisis levels of food insecurity in December 2022, with over 200,000 people already experiencing severe starvation, leading to mass displacements. Hundreds of thousands of people have left their rural homes and moved toward urban areas in search of humanitarian assistance.

While the country's economy has continued to grow at a modest pace, Somalia's vulnerability to ecological shocks and the extreme poverty of its population hinder its sustainable economic and social development.

Until mid-2022, the military stalemate between the Islamist militia Harakat al-Shabaab al-Mujahideen (al-Shabaab) and state security forces and their international backers (primarily the African Union Mission to Somalia, AMISOM) remained unchanged. Nonetheless, AMISOM was transformed into the African Transition Mission to Somalia (ATMIS) in April 2022 to initiate a phased withdrawal of the intervention forces by December 2024.

The FGS-AMISOM-ATMIS alliance continues to control major towns, while al-Shabaab has firmly established itself in rural areas in the southern half of the Federal Republic of Somalia. Al-Shabaab also controlled major supply routes to towns and intensified violence against civilian and military targets during the election period, relying predominantly on improvised explosive devices and suicide attacks.

In May 2022, clan militias, known locally as Ma'awisley, took up arms against the Islamists, primarily because of their imposition of extortionate taxes during the humanitarian crisis. The Ma'awisley were soon backed by state security forces and ATMIS, while the United States and Türkiye provided air support. As the unrest gained traction, al-Shabaab was forced to retreat from the central Hirshabelle FMS at the end of 2022. Although al-Shabaab lost a significant amount of territory, the organization is far from being defeated.

The new president, Hassan Sheikh Mohamud, has announced plans to continue fighting against al-Shabaab, using military, economic and ideological measures. He has already mustered considerable national and international support, including support from Somalia's neighboring states.

History and Characteristics of Transformation

With the complete collapse of state institutions in 1991, Somalia represents one of the modern world's most protracted cases of statelessness. Since 2012, the country has had an internationally recognized government, albeit with limited capacity to rule. While the central and southern parts of the country have been affected by intermittent violent conflicts since the 1990s, northern Somalia has developed differently. In the northwest, the Republic of Somaliland declared independence in May 1991 and has gradually rebuilt basic state structures. Although Somaliland has developed a modest capacity to govern and has embarked on a path toward democratization, it has not received international recognition. The political and economic developments in Somaliland are captured in the report, but the scores refer to Somalia and do not include Somaliland.

In 2004, after two years of complicated negotiations, an internationally mediated peace and reconciliation conference in Kenya led to the formation of the Transitional Federal Parliament and Government (TFG). Its relocation from Kenya to Somalia in mid-2005 changed the dynamic of the Somali conflict dramatically, with the rise of an Islamist movement, U.S. counter-terrorism operations, and the military involvement of neighboring and international troops in Somalia.

The Transitional Federal Institutions were challenged by the popular Union of Islamic Courts (UIC), but Ethiopia's military intervened in December 2006, defeating the UIC and helping to establish the TFG in Mogadishu. The new authority of the TFG was bolstered a few months later by a small contingent of African Union Mission to Somalia (AMISOM) forces, authorized by the U.N. Security Council in February 2007.

The combined TFG, Ethiopian and AMISOM forces were soon involved in tackling a complex Islamist insurgency, spearheaded by Harakat al-Shabaab al-Mujahideen (al-Shabaab). By mid-2010, al-Shabaab controlled vast parts of central and southern Somalia and started to create administrative structures. However, their early successes did not last. By 2011, AMISOM had increased its forces to the originally planned 8,000 soldiers and received additional support from Kenyan and Ethiopian troops, which were later integrated into AMISOM. During 2012, al-Shabaab successively lost control of major towns in southern and central Somalia to allied international and national forces.

At the end of 2012, al-Shabaab had withdrawn from all major towns but continued to control most of the southern and central Somali countryside until mid-2022, when a new counter-insurgency campaign was initiated by local clan militias and supported by state security forces and international intervention forces.

The war from 2007 to 2012 claimed the lives of more than 10,000 people, most of them civilians, forced hundreds of thousands to flee the capital and – in combination with a drought – initiated a severe humanitarian crisis from mid-2011 to mid-2012. Since 2012, al-Shabaab has continued to carry out regular attacks on government and international institutions, as well as on civilian targets. All fighting forces in Somalia have been involved in severe human rights violations.

The collapse of the state and the subsequent breakdown of its formerly centrally planned economy have led to the radical privatization of economic activities. In the mid-1990s, the economy, particularly in the areas of international trade and local services, started to grow. This progress was not a result of any cohesive economic management but rather stemmed from private initiatives by entrepreneurs who, operating in a precarious environment, frequently collaborated closely with influential politico-military entities.

Regular and often prolonged droughts have had a devastating impact on Somalia's economic and social development. The country is characterized by extreme poverty, widespread food insecurity and acute malnutrition.

Commercial activities in Somalia are primarily driven by short-term profit. The economy is import-dependent, and growth is mainly driven by consumption. International trade networks are dominated by a few powerful business cartels, often intertwined with the politico-military elite. Another source of economic development is the large Somali diaspora. Urbanization is rapid and unregulated.

While the central and southern regions of Somalia were engaged in violent conflicts, the Republic of Somaliland continued to democratize. Independence was confirmed by a public referendum in 2001. Somaliland has since held three district elections in 2002, 2012 and 2021; three presidential elections in 2003, 2010 and 2017; and two parliamentary elections in 2005 and 2021. Despite irregularities, all elections were considered relatively free and fair by international observers. Tensions between Somaliland and Puntland over the regions of Sool and Sanaag remain unresolved. Despite its overall success in peace and state-building, the Republic of Somaliland remains limited in its effective and material capacity and has established few measures to regulate economic activity. The state is also highly dependent on an emergent business class, and corruption and clan-based patronage networks permeate all levels of governance.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The federal government of Somalia continues to struggle to exert control over territory in the country and even the capital city Mogadishu. Much of the countryside remains under the control of the jihadi insurgency al-Shabaab. Other portions of the countryside are controlled either by clan militias or federal member state (FMS) militias that do not answer to the FGS. Most of the northwest of the country is controlled by the secessionist state of Somaliland. In Mogadishu, the government depends heavily on the 20,000 members of the African Union Transition Mission to Somalia (ATMIS) peacekeeping force to protect key installations. The Somali National Army and police patrol the city but are poorly integrated and sometimes act as clan militias rather than a national security force. Al-Shabaab continues to penetrate the city and launch terrorist attacks aimed at governmental and civilian targets. Somali special forces are the most effective of the government security forces and can successfully attack al-Shabaab. However, without an effective army, the government has been unable to hold liberated areas. In 2022, effective campaigns against al-Shabaab were conducted by local clan militias known as Ma’awisley. Operating independently of direct government control, these militias represent the introduction of new nonstate armed groups into the Somali security landscape. Private security companies provide much of the day-to-day security for Somalis who can afford their services. Clans and the threat of clan retaliation provide variable levels of security for Somalis. The expected drawdown of ATMIS forces by the end of 2024 will further expose the government’s lack of a monopoly on the use of violence.

Question
Score

Monopoly on the
use of force



Most of the population in Somalia self-identifies as a Somali citizen and an ethnic Somali. This reduces the level of disputes over citizenship that can plague other countries. Despite decades of war, clan division and state collapse, a strong sense of Somali nationalism exists. However, several factors are fueling disputes over citizenship and challenging the legitimacy of the nation-state.

First, the region of Somaliland remains an unrecognized secessionist state.

Second, the Islamist group al-Shabaab is advancing an ideology that emphasizes the Somali (and even global) umma (community of believers) and views those who do not subscribe to its “purist” interpretation of Islam as apostates who do not enjoy rights in Somalia. It rejects the notion of a Somali state based solely on national identity.

Third, a significant proportion of Somali citizens are members of one of several low-status, marginalized groups that have never enjoyed full rights of citizenship and protection under the law. The Somali Bantu are the best known of these minority groups; they and other low-status groups are treated as second-class citizens.

Fourth, debates are emerging about whether ethnic Somalis from outside Somalia – either those from neighboring states such as Ethiopia and Kenya or second and third-generation members of the extensive Somali diaspora – should possess full citizenship rights. For now, they do, but competition for jobs and power between Somalis born inside and outside Somalia is fueling exclusionary narratives that warrant close monitoring.

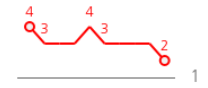
Fifth, the most serious dispute over citizenship and rights is currently unfolding at the FMS level, each of which is understood to reflect the domain of clans considered indigenous to a locality. Members of clans not considered indigenous to a federal member state or a town are generally treated as outsiders and guests with limited rights to own land, take jobs or compete for political positions. Debates on this issue are framed as “rights by blood” versus “rights by birth.” This issue is most serious in Mogadishu (Benadir region), where hundreds of thousands of internally displaced persons, mostly from the South West, are not viewed as citizens by the dominant Hawiye clan. A similar dynamic is visible in cities in Puntland, where a large number of in-migrants from the South West state challenge the numerical dominance of the Puntland Harti clans. Once the one person, one vote electoral system is introduced across parts of the country, the question of citizenship in federal Somalia will become an unavoidable conflict issue.

Legally, the provisional constitution of 2012 does not define who qualifies as a Somali citizen. Prior to 1991, citizenship was based on patrilineal descent; a person with a Somali father was considered Somali, regardless of where they lived. A Somali is defined as a person who, by origin, language and tradition, belongs to the Somali nation. In legal terms and despite their discrimination in everyday life and politics, so-called minority groups were viewed as fully-fledged citizens.

State identity

2

'06 '24 10



In the Somaliland Citizenship Law of 2002, patrilineal descent from the clans or people living in Somaliland was reaffirmed as the basis of citizenship. However, citizenship based on such principles is rejected by many residents of the Sool region. Protesters there carried the flag of Somalia during demonstrations in 2022 and early 2023. The state identity in the border region between Somaliland and Puntland remains contested.

With the collapse of the government in 1991, the state's secular law ceased to function in most areas. Simultaneously, two existing nonstate legal systems began to gain prominence: traditional (Xeer) and Islamic (Shariah) law, with the latter growing in influence since 1991. Islam is identified as the state religion in the 2012 transitional federal constitution and the propagation of religions other than Islam is forbidden. Islamic law is proscribed as Somalia's legal foundation, all laws must comply with Shariah law, and Islam is the only religion of Somalia.

The constitution, however, grants independence to the judiciary. Accordingly, judicial authority is vested in courts, which, together with the Constitutional Court, federal government courts and FMS (regional) courts, are supposed to operate on three levels. The finalization of the constitution, which will finally determine the form and status of the judiciary, remains pending. On August 10, 2022, the former co-founder and high-ranking member of al-Shabaab Mukhtar Robow (alias Abu Mansoor) was nominated as the new minister for religious affairs. While his appointment may support further defections from al-Shabaab, it also indicates the increasing influence of religion in political affairs.

Overall, the formal court system remains weak, and secular courts are only available in larger cities. Therefore, Shariah and Xeer are simultaneously practiced in varying combinations across the country. Religious norms exert an increasing influence on political, economic and social practices in the country.

In areas governed by al-Shabaab, politics and everyday administration are strictly guided by religious dogma. The opponents of al-Shabaab are publicly denounced as infidels, and AMISOM/ATMIS peacekeepers and international organizations are characterized as Christian crusaders or infidels.

In Somaliland's constitution, Islamic law forms the base of jurisprudence, and the state is supposed to adhere to religious norms. Nonetheless, Somaliland's constitution allows for legal pluralism and three legal systems based on Shariah law, civil law and customary law, which are applied in various combinations. The constitution, however, states that all laws must comply with the general principles of Shariah. Islamic courts primarily regulate family issues but have increasingly gained prominence among the business community, whose members appreciate the speedy judgments. Although secular legal codes, including the old Somali penal code, have been applied across the country, they remain subordinate to traditional law, as the courts' institutional capacity is limited, and judges and attorneys lack training and

No interference of
religious dogmas

3

'06 '24 10



1

expertise in secular legal codes. However, as in Somalia, religious norms in Somaliland are deeply intertwined with traditional law and shape everyday political as well as social life. Throughout Somalia and Somaliland, there has been a strong trend toward more conservative and “purist” interpretations of Islam. However, the communal uprisings against al-Shabaab in much of central and southern Somalia in 2022 are evidence of a backlash against the group’s imposition of the harshest interpretations of Shariah law and may be the start of a trend toward moderation of Islamist influences on politics, society and the law.

The foundation for the rollout of country-wide administrative structures was laid in 2017 with the establishment of district and federal structures. Somalia is de facto composed of five federal states: Jubaland, South West, Hirshabelle, Galmudug and Puntland. Officially, Somaliland is considered the sixth member state and is represented in the upper house (i.e., the Senate), although this is rejected by Somaliland.

Over the years, the government has improved the collection of taxes, and the FGS has steadily increased tax revenues. However, the FGS has no monopoly on tax collection, and its power of taxation does not reach beyond Mogadishu. In the capital city, revenues are mainly collected at ports and airports and stem from import and export trade. A sales tax was applied to products arriving at Mogadishu’s port, and income tax is extracted from those formally employed. By 2019/2020, revenue collection had been centralized and integrated into the Ministry of Finance. This ended decentralized taxation by district officials and increased tax transparency.

Under President Farmaajo, relations between the FGS and the FMS deteriorated significantly. The president made no serious attempts to address questions of power and resource sharing. He was regularly criticized for interfering in the internal affairs of the FMS, including regional elections. The president was accused of opposing federalism, and his actions were often interpreted as attempts to recentralize political power. He tried to influence the election processes in all FMS and successfully secured positions for his allies in the South West and Galmudug FMS, which heightened suspicions among leaders of the other FMS. His attempts to expand his term by two years were declared unconstitutional by the presidents of Puntland and Jubaland. Conflicts between the FGS and FMS impeded necessary reviews and reforms of the provisional constitution and security sector, respectively. The status of the FMS and their relationship with government institutions remain unclear. As one of his first steps in office, President Mohamud visited the South West and Galmudug FMS to mitigate rising tensions. In June 2022, he also chaired a meeting with FMS presidents in Mogadishu in which the leaders outlined their joint government priorities.

Basic
administration

2

'06 '24 10



Most federal member states are based on fragile clan balances and tend to neglect the interests of less powerful clans and minority groups in their areas of jurisdiction. Some of the member states compete with al-Shabaab for territorial control and have little capacity to administer their territories. Puntland is the main exception. It controls most of its territory, provides basic security, and has modest capacity to coordinate aid projects, tax imports and exports, and administer some basic services.

A significant source of contention between the FMS and FGS was the model for the organization of parliamentary and presidential elections, originally scheduled for December 2020 and February 2021, respectively. In April 2021, the parliament voted to extend President Farmaajo's term by two years. However, due to escalating violence and international pressure, the parliament reversed this decision in May. The selection of the Senate, Somalia's upper house, started in July 2021. By November, the assemblies of Puntland, South West, Hirshabelle, Jubaland and Galmudug states had nominated electoral colleges, which then elected the 54 members of the Senate. Somaliland is included in the process and is represented by members appointed by clan elders. However, no elections have taken place within the territory of Somaliland, as Somaliland rejects the legitimacy of both the involved elders and delegates, as well as the process itself. After several postponements, the indirect election for the lower house was eventually initiated in November 2021 and finalized in April 2022.

Al-Shabaab, in contrast, has built up administrative structures in the areas under its control. Above all, it has established a centralized system of taxation that stretches throughout its territory and even to areas under the control of FGS and its allies. Al-Shabaab collects taxes and fees on farm and agricultural products, livestock sales, the registration of vehicles, and the transport of goods and people. Taxation is systematic, organized, monitored and controlled. Al-Shabaab uses record-keeping and provides receipts to avoid double taxation. It, however, also relies on violence and intimidation. Many farmers lost their livelihoods or fled to AMISOM/ATMIS-controlled areas as a result of al-Shabaab continuing to levy taxes even during droughts. Its harsh taxation eventually resulted in the current uprising against the Islamists.

The FGS has slightly improved the provision of public goods and services. Nevertheless, most services, including water, electricity, schooling and health care, are privatized and difficult to access or totally inaccessible for large proportions of the population. The establishment of services, especially water supply, schools and health care, has received international support, but only a few schools and medical centers offer services free of charge to the population, and the quality of services is often limited. National forces are not able to provide security across the country, and security often depends on international forces and on local clan militias.

Some modest improvements have been made in government regulatory capacity, in reasserting control over foreign relations and contracts with foreign firms, and in national development planning. The government at both the federal and state levels has also made some modest improvements in organizing humanitarian relief.

Somaliland, in contrast, has established administrative structures throughout its territories. However, these structures are not fully functional and remain contested in the eastern border regions. Elected political decision-makers in these areas exercise greater sovereignty in governing their territories. However, while their decisions are usually implemented, they still require the consent of influential clan elders. With international support, the government in Somaliland has been able to provide some basic services to its population. Notably, it has improved education and health care services, although their operation continues to be hampered by the weak capacity of staff, and many institutions lack adequate resources and equipment.

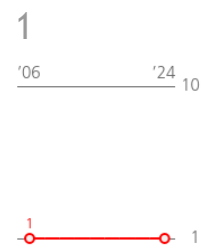
2 | Political Participation

Somalia is not an electoral democracy. The Provisional Federal Constitution, which was adopted in 2012, established a system of indirect elections for the lower house of parliament based on the principles of proportional representation and consociationalism. Every clan holds separate elections to fill the fixed number of seats allocated to each lineage. A small electoral college from each clan votes on their representatives for the lower house. The upper house representatives are selected to represent each federal member state. The members of the lower and upper houses then vote to elect a president every four years. Under this system, out of a total population of 14 million, about 27,000 people (as members of the electoral colleges) actually cast a vote in 2022.

This temporary system of indirect elections apportions equal numbers of seats to each of the four major clan families and then half that amount to several minority groups under the so-called 4.5 formula. The formula under-represents Somalia's minorities. The provisional constitution mandates that at least 30% of all selected members of parliament should be women, but the goal has yet to be met. Only 20% of the members of parliament elected in 2022 were women. However, the first female deputy speaker for the lower house of parliament was elected.

Aspirations to move to a one-person, one-vote electoral system have been stymied by the failure to complete the drafting of and referendum on a permanent constitution, which would establish the legal framework for direct elections. Insecurity and a lack of access to much of the countryside held by al-Shabaab pose additional constraints. Furthermore, some clans and constituencies may not be enthused about a move to a one-person, one-vote system, as it could empower larger, weaker clans at the expense of communities holding power due to their economic or militia prowess.

Free and fair elections



Three rounds of parliamentary and presidential elections have been held since 2012, the most recent in 2022. Each has been marred by vote buying, violence, intimidation, external state meddling and other irregularities. The 2022 elections are widely regarded as having been the least representative and inclusive, as presidents of federal member states, the president of the FGS, and political figures controlling militia dominated the nomination and selection process at the expense of clan elders and members of the electoral colleges. Disputes over prolonged delays in the election process and a failed attempt by President Farmaajo to engineer a two-year extension to his term nearly plunged the country into renewed civil war in 2021.

At the FMS level, indirect elections are also held for regional parliaments. Only Puntland has held routine indirect elections leading to changes in the presidency. In 2022, Puntland advanced a plan to hold one person, one vote elections for its parliament in areas where it was deemed feasible. The initiative was met with mixed reactions. If it succeeds, it will be the first location outside of Somaliland where even partial direct elections are held.

In each election, presidential incumbents have been voted out of office, and a peaceful transfer of power has occurred. In 2022, President Farmaajo lost to Hassan Sheikh, who returned to power having previously served as president between 2012 and 2017.

In areas controlled by al-Shabaab, the group has established a highly authoritarian and repressive form of rule. The Islamist militia aims to control all aspects of public and private life. Threats and harsh punishments have created a general climate of fear in the areas under its control.

In Somaliland, the long-overdue parliamentary and local elections were held in May 2021. These elections have frequently been delayed over the years, as the terms of office of the parliament and local councils were regularly extended by Somalia's upper house, the Guurti. The last parliamentary elections took place in 2005, and the last local elections were in 2012. Voter turnout for the 2021 elections was 65%, constituting an important step toward the democratic consolidation of the country. Three parties – the Somaliland National Party (Waddani), the Justice and Welfare (UCID) party, and the incumbent Peace, Unity and Development Party (Kulmiye) – competed for the 82 parliamentary seats. Waddani won 31, UCID 21 and Kulmiye 30 seats, which allowed UCID and Waddani to form a coalition government.

The leadup to Somaliland's elections was accompanied by political tensions and government interference in the election process. Several opposition candidates were detained, some because of accusations of upholding relations with politicians in Somalia, which is considered treason in Somaliland. However, after pressure from the Supreme Court, the National Electoral Commission and civil society groups, the candidates were released and detainments eventually stopped. The elections themselves went relatively smoothly. Despite some reported irregularities, overall, the elections were described as free and fair by independent observers, and Kulmiye acknowledged its defeat.

Neither the election of the Guurti, originally scheduled for May 2022, nor the election of Somaliland's president, scheduled for November 2022, took place during the review period. The Guurti was set up following Somaliland's secession and is composed of clan elders who are mandated to work for reconciliation and to oversee political processes. The current elders have now served for more than three decades without any effective checks on their powers. In October 2022, the Guurti extended the mandate of President Bihi by two years, a move that caused considerable tension, protests and clashes with security forces across Somaliland.

None of the political factions in Somalia exercise the power to govern the country effectively. The FGS is highly dependent on international donors and lacks the ability to implement laws in the area it controls. With the support of AMISOM/ATMIS, the FGS has expanded its territorial control and made some progress on governance issues since 2012. The establishment of federal member states was an important step toward the rollout of country-wide administrative structures. However, the highly confrontational relationship between the central administration and the FGS has brought administrative reforms to a halt. Under President Farmaajo, the FGS spent valuable resources and time on conflicts with the FMS. In turn, the FMS have criticized the unconstitutional interference in their internal affairs and distanced themselves from the central administration. Under President Hassan Sheikh, who was recently re-elected president, relations between the FGS and FMS have improved, but functional cooperation on matters of governance remains limited.

The FGS and FMS control only parts of the country's territory. By the end of the review period, the FGS had – with the help of clan militias – captured territory from al-Shabaab and taken control of all districts in the Hirshabelle FMS. However, large parts of the South West and Jubaland states continue to be controlled by al-Shabaab. Puntland is the most solidified of the FMS and governs most of its territory, although al-Shabaab and ISIS are also active in the region.

In addition to the main contesters, clan-based militias beyond the control of the regional governments remain active in all regions and occasionally clash with each other or governmental forces, often in disputes over local resources. Cooperation with the Ma'awisley clan militias strengthens these forces and demonstrates the limited capacities of the FGS and FMS to govern territories formally under their control.

In Somaliland, the government has the power to govern and implement policies and laws in most of the territory, excluding the eastern border region and some of the remoter rural areas. Government decisions, however, need the acceptance of clan elders if they are to be implemented smoothly.

Effective power to govern

2

'06 '24 10



The Provincial Federal Constitution provides for the right to association and public assembly. While officially allowed, public protests and assemblies are often restricted or confronted by security forces, who regularly resort to violence during protests. Public demonstrations and rallies remain risky for citizens and have, in the past, regularly resulted in casualties.

In areas controlled by al-Shabaab, association and assembly rights are severely restricted, and civil society organizations, aid workers and journalists are regularly victims of indiscriminate attacks and targeted killings.

In Somaliland, the right to association and assembly is guaranteed in the constitution. Most NGOs and political parties operate without serious interference. However, the previously identified trend toward restricting press freedoms, freedom of expression and political rights has continued. Demonstrations have often been dispersed violently, and many protesters have been arrested.

Despite provisions protecting freedom of speech in the provisional constitution, freedom of speech and the press are heavily restricted across Somalia, with some variation by region.

Journalists have been harassed and arrested and have been victims of targeted killings. Over the past 10 years, 54 Somali journalists have been killed. In 2022, a spate of assassinations of journalists prompted the head of UNESCO to express alarm and anger. Somalia continues to be ranked as one of the most dangerous countries for journalists in Africa and ranked first on the global impunity index, which highlights countries where the murder of journalists goes unpunished. In October 2022, the federal Information Ministry released a directive prohibiting the dissemination of extremist ideologies by traditional media outlets and on social media. The prohibition has raised concern among journalists about the right to free speech.

Rights of expression vary by location. Among the FMS, Puntland has the most protected civil liberties and features independent civil society organizations that engage publicly and critically in local affairs. Mogadishu is the home of numerous, high-quality civil society organizations and think tanks that produce critical analyses of the government. However, the risk of harassment or attack in Mogadishu is real. In other regions of Somalia, civil society space is limited, and freedom of expression is dampened by fears of violent retaliation by state or nonstate actors.

In areas controlled by al-Shabaab, freedom of speech is nonexistent and the risk of recrimination for speaking out against al-Shabaab is high. The group has reached into areas beyond its direct control to intimidate and kill critics. Furthermore, al-Shabaab does not allow any independent journalism in areas it controls. When journalists are permitted, access is highly choreographed and designed to produce propaganda.

In Somaliland, significant backsliding has occurred with new restrictions on press freedom and freedom of expression. Censorship and harassment of media workers and opposition leaders rose after Muse Bihi Abdi was inaugurated as president in December 2017. During the period under review, media workers, political opposition

Association /
assembly rights

2

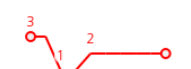
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Freedom of
expression

2

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leaders and critics of the Somaliland government were arbitrarily arrested, often on claims of spreading fake news or anti-national propaganda. In April, 14 journalists were arrested after they reported on a prison riot, although they were later released. The Ministry of Information revoked the license of the private CBA TV station in September 2022. In July, the BBC was accused of undermining the credibility of the Somaliland state and suspended for some time. In 2022, the Somaliland Human Rights Center reported that at least 48 journalists had been arrested and several media houses suspended. Most of those arrested have since been released.

One space where freedom of expression thrives, although not always in a constructive way, is on social media, with Somalis both in-country and in the diaspora generating copious amounts of opinions on all aspects of Somali politics. The quality and reliability of this source of political discussion vary greatly. Some posts are high quality, while others amount to inflammatory propaganda.

3 | Rule of Law

There is no strict separation of powers, whether in the area controlled by the FGS or the FMS. The establishment of key government institutions has progressed slowly, although there seems to be a clearer division of labor between ministries. However, nepotism, corruption and clan-based decision-making impede the independence of the powers. Judicial reform remained stalled for much of the review period, with the judiciary continuing to suffer from a lack of capacity, personnel, infrastructure and funds.

In 2022, members of parliament as a collective were new, inexperienced and inclined to vote when bribed. Power has been increasingly centralized in the Office of the Presidency, a trend that has continued under President Hassan Sheikh.

Al-Shabaab has established a Shariah-based administration in the areas under its control. It provides judicial services throughout Somalia and thus exerts power beyond the territory it directly rules. Powers are not separated. However, detailed information on the group's organizational and administrative structure is not available, as al-Shabaab operates in a highly secretive manner.

In Somaliland, despite a clearer separation of power, the executive tends to influence both the legislative and the judiciary to a substantial extent. The judiciary also continues to lack sufficient funding and training. Judges are often selected on the basis of clan or political affiliation.

Separation of powers

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There is no country-wide rule of law. The reform of the judiciary has moved slowly, if at all, and secular legal institutions remain in their infancy, understaffed and are regularly accused of corruption. Additionally, there is no country-wide agreement over the basic framework, institutional structure or composition of the legal system. Somalia is characterized by legal pluralism. The country's formal courts run parallel to two other legal systems: customary (Xeer) law, which is negotiated on a case-by-case basis and implemented by elders; and Islamic (Shariah) law, which is, however, interpreted quite differently in different courts and locations. Different versions of Shariah thus exist, and there are tensions about the interpretation of the Islamic law. The FGS has not put much effort into designing, debating or implementing a legal framework, or in providing legal services to its citizens. Neither state officials nor citizens necessarily follow court rulings, and Islamic or customary law seems to remain the first choice of citizens to address disputes.

Some progress has been made over the last decade, as consecutive governments have re-established state courts at the district level in Mogadishu and in other cities, although their procedures and frameworks are not harmonized. According to a justice and security review issued by the World Bank, two district courts currently operate in Hirshabelle, six in South West State, eight in Jubaland, one in Hirshabelle and one in Galmudug. However, many of these courts have limited capacities. The courts are responsible for the provision of criminal and even civic jurisdiction. Additionally, there is an appellate court and the Supreme Court in Mogadishu. Puntland and Somaliland have each established their own formally structured hierarchical court system. However, the government did not advance the reform of the judiciary and failed to conduct the planned revision of the outdated penal code from 1964.

During the state of emergency in 2012, military courts were established to deal with cases related to Islamist terrorism and militia violence. However, these courts have often dealt with criminal cases and tried civilians, albeit usually for offenses related to terrorism. These military courts do not follow basic standards or due process and fail to meet the minimal standards for a fair trial. Their verdicts often result in long prison sentences or the death penalty. Executions have been carried out across the country, with the number of executions increasing from 11 in 2020 to 21 in 2021, according to a report by Amnesty International.

Intelligence agencies and special forces operating in Mogadishu, Puntland and Jubaland continue to conduct arbitrary arrests and detain people for prolonged periods without charge. In Puntland, several 16- to 18-year-old boys, accused of being members of armed groups, were sentenced to death on January 31, 2022, while two other teenage boys received 20- and 30-year prison sentences.

During the review period, federal and regional forces have unlawfully detained children, often under allegations of working with armed groups. Neither the federal nor the regional governments have enacted legislation that codifies the Convention on the Rights of the Child.

Independent
judiciary

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The independence of the judicial system is a serious concern across all regions, and people display little trust in formal legal institutions, which are difficult to access, costly, inefficient, and open to political and clan-based manipulation. In some regions, judges have not received a salary, potentially contributing to the high (often informal) court fees. Furthermore, legal personnel in state courts lack training. In contrast, Shariah courts – many financed by private business owners – and the legal services provided by al-Shabaab are often described as efficient, less corrupt, faster and fairer.

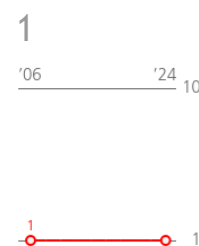
Al-Shabaab has established courts in areas under its control and follows its own, strict interpretation (a Salafi version) of Shariah law. This interpretation includes strict punishments (Huduud), including amputation of limbs, stoning and executions. At times, al-Shabaab does allow the application of customary law, if it does not contradict its interpretation of Shariah. Even in areas controlled by the government, many people prefer the legal services provided by al-Shabaab. The courts are easier to access, costs are lower, and decisions are made quickly and based on clear regulations.

Somaliland's constitution permits the coexistence of civil, Shariah and customary law, provided they do not contradict Shariah law. The country has established a legal infrastructure and court system that reaches most urban centers. With international funding, mobile courts have been established to increase the territorial reach of the judiciary. The judiciary is composed of a four-tiered court system, comprising the Supreme Court, regional appeal courts, regional courts and district courts. However, the courts are regularly criticized for being dysfunctional. In addition, judges and other judicial personnel lack capacity and often formal qualifications. The relatively low number of judges and prosecutors in Somaliland has led to very high caseloads, and judicial processes are rather slow. The judiciary lacks independence from the executive, judges are often appointed on the basis of clan or political association, and the judicial system is underfunded. Moreover, clan elders are regularly reported to interfere in and influence court cases.

A culture of impunity dominates Somali politics.

Corruption and the misappropriation of domestic revenues and foreign aid are endemic in Somalia. The decision to use an indirect election model further increases the risk of corruption. During the election, vote-buying, bribery and other forms of corruption and fraud were pervasive. In February 2017, President Farmaajo started his term in office by promising to fight corruption. However, subsequent efforts to contain corruption have been modest at best. The federal administration has introduced some internal audit and control mechanisms, albeit no information is available regarding how well they work. The new president, Hassan Sheikh Mohamud, was accused of widespread corruption during his previous term in office.

Prosecution of
office abuse



Endemic corruption includes the payment of bribes for government contracts and the diversion of international aid. Corruption also structures land and property transfers, especially in larger cities where land and real estate prices are spiking. The diversion of aid continues to be widespread in Somalia, and several “gatekeepers” provide paid access to vulnerable people, especially to internally displaced people (IDPs) living in camps. The forced evictions of IDPs continue en masse, with over 38,000 people forcefully evicted in Mogadishu in the first four months of 2022.

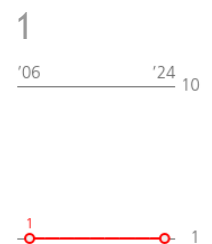
To date, persecution of corruption remains the exception in Somalia, where accountability mechanisms to oversee the conduct of public servants or politicians are missing. Corrupt officials mostly enjoy impunity. While individual cases of dismissal due to corruption are known, there are usually no legal repercussions, irrespective of how high-level the corruption is. The inability or unwillingness of the federal institutions and donors to address the endemic corruption hampers the ongoing state-building process, makes institution-building ineffective and undermines public trust in state institutions. The biometrical registration of security officials and their integration into the electronic payroll system were steps to limit corruption in the security forces.

In Somaliland, corruption and nepotism continue to be a serious problem and are often practiced on a clan basis. No further institutional safeguards were developed in the review period. Concerns about corruption were especially raised about international contracts given out by the Somaliland government to the United Arab Emirates (UAE) for a 30-year lease to manage and renew the port in Berbera in 2016.

In Somalia, civil and human rights are regularly and systematically violated. All political actors fighting for political and economic power in southern and central Somalia have been involved in severe and systematic human rights violations in recent years. Civilians bear the brunt of armed conflicts, and indiscriminate attacks and the disproportionate use of force are practiced in all areas. While international organizations and donors provide support and put some pressure on the FGS, no progress was made in establishing human rights protection frameworks and policies during the review period.

The National Intelligence Organization (NISA) and the Puntland Intelligence Agency (PIA) have detained children suspected of working with al-Shabaab and have used unlawful methods during investigations, and in some cases torture. The state’s security forces were also accused of using indiscriminate violence against civilians while fighting over land, during controls at roadblocks and in forced evictions or disarmament operations. On November 14, 2021, five Ugandan AMISOM soldiers were court-martialed by a Ugandan court in Mogadishu for killing civilians on August 10, 2021. Two were sentenced to death and executed and three received 39-year prison sentences.

Civil rights



Al-Shabaab has, in the areas under its control, systematically violated civil rights and arrested, beat and executed civilians, labeling some apostates and accusing others of spying for the West. State security forces and affiliated militias have, though to a lesser extent, resorted to arbitrary executions and indiscriminate retaliation attacks. People accused of working with al-Shabaab have been arrested and prosecuted without due process, among them many children.

During the review period, no legislative progress to advance gender equality has been made. Women and girls in Somalia lack protection and are subject to various forms of gender-based and sexual violence. The United Nations has reported incidents of conflict-related sexual violence against women, often involving girls. Victims of such crimes are often killed. Vulnerable population groups, including 2.5 million IDPs, are in urgent need of enhanced protection measures. Domestic violence is rampant across Somalia.

Existing legal codes do not address the severity of gender-based violence and often fail to provide protection and acknowledge the rights of survivors. The criminal penal code, for example, does not address the severe bodily violation of sexual violence but rather describes it in terms of violations of modesty and sexual honor.

In al-Shabaab areas, girls have been forcefully married to fighters and offered as a reward to volunteer suicide attackers. In some regions, women have been beaten for leaving the house without a male relative or for failing to obey strict dress codes.

All parties have been accused of recruiting child soldiers, with al-Shabaab at the forefront, using aggressive and violent methods. It has been reported that Al-Shabaab has systematically kidnapped children from minority groups, incorporating them into its army. In addition, the group has resorted to violence in order to coerce communities and elders to hand over young recruits from their villages and clan groups. All parties have been involved in the forcible displacement of civilians, often in an attempt to annex farmland or urban public land.

In the urban centers of Somaliland, some basic rule of law has been established, and the police force, the judiciary and other government institutions function reasonably well. However, in the more remote areas, local authorities, mostly elders, provide for a legal order. In such contexts, the rights of women, children and local minority groups are insufficiently guarded and frequently violated.

4 | Stability of Democratic Institutions

There are no democratic institutions in southern and central Somalia. Officials are appointed via indirect elections, by force or following political deals between elites. The system of indirect elections has resulted in representatives with little accountability to a constituency. The transition toward direct elections has been repeatedly postponed due to insecurity.

Performance of democratic institutions



The federal government has committed itself to democracy but failed to translate this commitment into practice. Major international donors advocated for the organization of general elections before 2016. Then, following the failure of an initial plan, they continued to push for elections prior to 2020. Both plans were highly unrealistic given the Islamist insurgency, the government's limited control over its territory, enduring conflicts among political elites and the government's high dependency on international donors, especially concerning the provision of security. So far, no government has taken serious steps toward implementing direct elections.

Commitment to democratic institutions



The commitment to democracy in Somaliland faces considerable constraints. Despite Somaliland's embrace of democratic representation following a public referendum in 2001, no elections have since been organized. Nonetheless, the country has organized three presidential, two parliamentary and three municipal elections. The House of Elders regularly extends its own mandate. Its members have been in power since the 1990s and have never been publicly elected.



Regarding a commitment to democratic principles, one bright spot in 2022 was Puntland's initiative to introduce a one-person, one-vote electoral system for the regional parliament in secure areas.

5 | Political and Social Integration

Somalia enabled the registration of parties in 2016. The National Independent Electoral Commission has registered over one hundred parties. While this was interpreted as a first step in the transition from clan-based political representation toward multiparty democracy, the 2021/22 election maintained the clan-based system. Although contenders were usually heads of political parties, the parties were nominal. Voting by members of the electoral college and by members of parliament was driven by personality, faction, clan and cash, delinked from any platform of ideas and ideological principles. Patronage politics was not a driving factor either, as voting in Somalia has been driven more by cash and a transactional culture.

Party system



Puntland has seen the formation of several new political associations. However, the public there has little understanding of the role of these associations, which at present serve mainly as platforms for individual politicians.

The Republic of Somaliland legalized the formation of political associations in 2001. According to the Somaliland constitution and to avoid the proliferation of clan-based parties, only three parties and no independent candidates are allowed to compete in elections: The Peace, Unity and Development Party (Kulmiye), which is chaired by the current president, the Allied People's Democratic Party (UDUB), which ruled the country up to 2010, and the Justice and Development Party (UCID) competed in the 2003, 2010 and 2017 presidential elections, and the parliamentary elections of 2005 and 2021.

The Somali public is politically weak and fragmented by clan affiliation. Cooperative organizations or interest groups that operate independently of either the clan system or religious affiliation are rare in both Somalia and Somaliland. However, an increasing number of interest groups have been formed, such as chambers of commerce and trade unions, although their overall influence remains weak.

Large private sector firms play an important role as sources of funding for candidates and expect that their core interests are protected by that candidate once in office.

A number of Islamist groups have come to play a more direct role in politics.

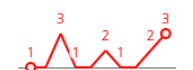
A nationwide survey of attitudes toward democracy has never been conducted in Somalia. Attempts to establish a multiparty system were abolished with the military coup in 1969. While many political parties were formed in recent years, their commitment to democracy has not yet been tested. However, democratic norms and procedures are also found in the traditional system, which points to an acceptance of democratic ideals within the Somali population. In 2014, a local think tank published a poll of 1,633 people from across the Benadir region (Mogadishu and surrounding areas). The poll found that 93% of Mogadishu residents strongly favored democratic elections, while 72% were dissatisfied with clan-based representation and the so-called 4.5 formula. The example of a peaceful democratic transition in Somaliland also points to the general acceptance of democratic principles.

Al-Shabaab, in contrast, is openly anti-democratic and condemns democracy as un-Islamic and Western, or as a form of governance informed by Christian and Jewish precepts.

Interest groups

3

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Approval of democracy

n/a

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n/a 1

The formation of social self-help groups and the construction of social capital is a prerequisite for survival within the volatile and conflict-prone sociopolitical context of Somalia. Social capital is often based on kinship lines and is grounded primarily in extended family systems. Membership in Islamic organizations and associations provides further opportunities for social organization across clan lines. There is also an emerging form of social capital among members of the younger generation, at least in certain parts of Somalia, who share biographical experiences and interests (education or jobs) and are sometimes organized in youth organizations or gather in informal discussion groups and online.

In areas controlled by al-Shabaab, public life and opinion are under the tight control of the militia, and the formation of interest groups outside of religion-based groups is forbidden.

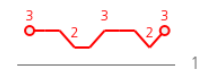
Social capital varies greatly by clan. Members of powerful clans have access to strong networks of mutual assistance, protection and information sharing. Weak lineages do not.

In certain instances, the private and non-profit sectors serve as arenas for building social capital that transcends clan affiliations, fostering strong trust relations. The Somali diaspora, especially its younger members, enjoys wider social networks and social capital transcending clan.

Social capital

3

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II. Economic Transformation

6 | Level of Socioeconomic Development

Barriers to the development of the Somali economy remain high. The ongoing Islamist insurgency, along with political and resource conflicts among the social and political elites, generates a climate of generalized insecurity. In a 2020 World Bank assessment, Somalia was identified as one of the worst out of 190 countries for doing business. The inequitable distribution of resources and entrenched structural inequalities further impede the socioeconomic development of the country. The economy remains vulnerable to ecological shocks. In the last decade, two famines occurred, and several regions are currently experiencing a prolonged drought that has already led to the death of livestock and the displacement of hundreds of thousands of people. These shocks, combined with violent conflicts and prevailing insecurity, have caused enormous destruction to Somalia's economy and regularly lead to humanitarian crises. Approximately half of Somalia's population suffers from food insecurity.

Question Score

Socioeconomic barriers

1

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Throughout Somalia, minority and caste groups have traditionally been excluded from politics and the economy, relegating them to inferior positions, despite their important contributions as specialized workers and traders. Women, as a whole, have encountered numerous barriers to economic participation and have often had limited access to capital. This exclusion persisted until 1991, despite the Somali government's superficial commitment to social reform and equality. Following the collapse of the state, these inequalities and exclusions intensified. Entire population groups (e.g., the Jareer and Somali Bantu, and Benadiri minority groups along the southern Somali coast) have been forcibly displaced from their homes and land, subjected to forced and bonded labor, and many killed. While women increasingly fulfill crucial economic roles and often serve as the primary breadwinners for their families in Somalia, they face multiple obstacles when seeking political and economic opportunities and often find themselves in low-paying positions within business chains.

Another dramatic development impeding economic progress is the ongoing occurrence of large-scale displacements, caused by a combination of violent conflicts, environmental shocks and increasing numbers of evictions associated with urban reconstruction. Rapid and unregulated urbanization is noticeable in most major cities. Approximately 70% of the Somali population lives below the poverty line, and the situation is even worse for internally displaced persons (IDPs), who number between two and three million people. IDPs residing in camps are among the most vulnerable groups and experience various forms of violence. Additionally, they contend with inadequate housing conditions and overcrowded settlements, as well as limited access to clean water and health care services.

The IMF and World Bank approved Somalia's eligibility for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative in March 2020. In addition to reducing the country's external debt burden, this decision grants Somalia improved access to financial resources and development aid. In July 2022, the World Bank approved a \$100 million grant to support fiscal transparency, the harmonization of customs across the FMS and the enhancement of fiscal transfer governance. This funding would enable Somalia to achieve the HIPC completion point and become eligible for debt relief.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	6485.0	6883.0	7628.0	8126.1
GDP growth	%	7.5	2.5	4.0	4.8
Inflation (CPI)	%	-	-	-	-
Unemployment	%	18.8	19.6	19.9	20.0
Foreign direct investment	% of GDP	6.9	7.8	7.9	7.8
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	5621.3	4659.7	4835.8	-
Total debt service	\$ M	0.6	820.9	17.4	-
Net lending/borrowing	% of GDP	0.0	0.0	-	-
Tax revenue	% of GDP	0.0	0.0	-	-
Government consumption	% of GDP	8.2	8.6	8.9	9.3
Public education spending	% of GDP	0.3	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

No state-based legal or institutional framework for market competition exists in Somalia. In the context of the state's collapse, all forms of economic transactions, including financial and currency systems, as well as services such as health care and education, have become radically privatized. Due to minimal economic regulation, Somalia serves as a hub for formal and informal trade in the wider region, which has led to the growth of a small number of large-scale traders and business organizations controlling import and export trade, often in close cooperation with state actors. The financial sector is also dominated by three major telecommunications companies. Trade and financial companies rely on a vast network of medium- and small-scale traders and transporters. The private sector generally tends toward anti-competitive behavior, and especially larger-scale businesses try to block competition and oppose formal regulation. In its National Development Plan (2020 – 2024), the FGS has committed to improving the regulation of the economy by setting up and improving the legal, institutional and administrative frameworks that regulate the market and monitor competitive and fair economic transactions. However, the execution of the plan has been overshadowed by conflicts caused by the delay of parliamentary and presidential elections.

The country remains dependent on international aid – a factor that has become deeply embedded in the political economy of the country.

In Somaliland, the private sector also plays a key role, although anti-competitive behavior is also a problem. The private sector provides funds to the government, with private actors often linked to the ruling elite through clan affiliation.

No anti-monopoly policy exists in either Somalia or Somaliland, and anti-competitive behavior is common. Business owners are often connected with political elites and ruling authorities.

In the absence of state regulation, economic actors in Somalia have organized themselves according to kinship relations and religious affiliation, with the largest clans taking the lead. Within clans, men dominate in economic and political matters. Structures of social control and trust within kinship groups or religious associations determine the parameters of economic interaction, rather than legal guarantees and general regulations. Membership in Islamic organizations, which promises new business contacts with the Muslim world, is becoming increasingly important. Within such organizations, clan belonging can be transcended to some degree.

Without adequate access to financial institutions or credit, the current Somali economy is primarily driven by consumption and relies on diaspora financing and international trade networks. These networks are controlled by a small group of wealthy businessmen. The majority of the population continues to live at a subsistence level, engaging in small-scale businesses as petty traders or small-scale producers of livestock and other agricultural products.

Market
organization

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Competition policy

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Remittances provide many individuals and families with a basic income, allowing a large proportion of the population to sustain consumption rates that include basic but privatized services such as clean water, health care, education and electricity. Remittances also contribute significantly to investment in the construction and housing sectors, surpassing international aid flows.

Urban economies throughout Somalia demonstrate signs of economic recovery, as evidenced by construction booms and the reopening of supermarkets, restaurants and shops. However, this resurgence has resulted in a surge in land and real estate prices. Without proper regulation from the state, it has also led to land grabs by the political and economic elite. Major cities in Somalia are currently experiencing large-scale, often violent evictions as a consequence of escalating land and rent prices. Political elites tend to invest in real estate, anticipating substantial profits.

Overall, the wealth gap in Somalia is widening, with disparities between the rich and poor increasing.

International trade is the backbone of the Somali economy. The country is largely dependent on imports of basic food items (e.g., rice, pasta, sugar, flour and cooking oil), building materials, fuel and electronics. Sugar serves as the main import product, followed by khat, a mild stimulant primarily imported from Kenya and Ethiopia. Concerning exports, the Somali economy relies on a few key products, including livestock, livestock products and charcoal. However, the quantity of charcoal exports has significantly decreased due to an international ban. Livestock exports to Saudi Arabia, the United Arab Emirates, Yemen and Oman account for approximately 80% of export earnings. Somalia has evolved into a trade hub for pastoral products, connecting Ethiopia, Kenya and Somalia with countries in the Gulf.

The global increase in food and fuel prices has led to an increase in domestic food prices, which – combined with a prolonged drought – has severely impacted the population in Somalia. Somalia imports 80% of its wheat and more than 50% of its humanitarian wheat supplies from Ukraine. Consequently, the war in Ukraine has contributed to food insecurity in Somalia.

In Somalia, humanitarian aid has also become a commodity, with business cartels controlling both humanitarian and food aid. Additionally, gatekeepers have emerged to facilitate the access of international organizations to vulnerable populations, particularly IDPs residing in camps.

In Somaliland, domestic and foreign trade is minimally regulated by the state. Nevertheless, a strong relationship exists between the state elite and influential economic actors. Historically, affluent individuals who contributed funds to state-building initiatives enjoyed tax exemptions.

Liberalization of
foreign trade

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When the state-owned banking system collapsed in 1991, private money transfer companies (Hawala) became the exclusive financial institutions connecting Somalia to the rest of the world. Remittances sent through the Hawala network to family members in Somalia serve as one of the main sources of financial support for many Somalians. Even in areas controlled by Islamist insurgents, remittance companies have managed to maintain their operations.

Hawala companies operated without formal regulations until 2014 and facilitated financial transactions, including those involving foreign currency, and safe deposits. However, they did not provide access to a capital market. Money transfer companies rely on trust and control within lineage groups to conduct their operations. Following the attacks on September 11, 2001, these companies faced accusations of supporting Islamist networks. Due to the remittance companies' inability or unwillingness to establish monitoring systems and adhere to international money-laundering standards, their international accounts were closed. In the United Kingdom, for example, 16 out of 35 remittance companies have had their bank accounts closed over the years.

Since 2014, the FGS has taken significant strides to regulate and formalize the financial sector, primarily with the support of the World Bank. The FGS has granted licenses and registered six commercial banks that operate throughout the country, as well as 14 money transfer companies, with three money transfer companies accounting for a combined 90% of the market share. According to World Bank estimates, only 16% of the population has access to formal banks. In recent years, a noteworthy development has been the introduction of mobile banking and money transfer services, leading to a shift toward mobile money and digital payments facilitated by telecommunication operators. Approximately 70% of the population utilizes mobile banking services due to their speed, low costs, and secure payment and savings capabilities. Around one-third of the population possesses mobile money accounts.

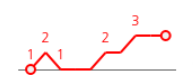
With support from the World Bank and IMF, the central bank of Somalia (CBS) has provided monetary oversight. It has established a national payment and automated transfer system, allowing for international payments and compliance with international norms and standards for financial transactions. Additionally, it has formulated anti-money-laundering policies and collaborated with the IMF to develop regulations for mobile money transfers. In 2019, licenses were introduced for mobile money traders. At present, two mobile money operators have obtained licenses and collectively dominate 80% of the market.

The internal operations and accounting procedures of the CBS have improved and were acknowledged as operational in an independent audit. Currently, the National Payment System Bill and the revised Financial Institutions Law and Insurance Bills are under final technical and legal review. In 2022, the central bank licensed an Egyptian and a Turkish bank, marking the first international banks in Somalia.

Banking system

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Overall, the capacities of the CBS have improved, but its monitoring and regulation of the financial sector remain limited, and the finance sector remains largely deregulated and insecure. Most financial institutions lack access to global banking or insurance systems.

Al-Shabaab benefits from the lack of monitoring. The Islamists use domestic financial institutions and mobile money services to store and transfer large sums of money collected through revenues and the extortion of fees.

Somaliland and Puntland have established their own banking sectors, and the central bank in Somaliland and the Puntland State Bank have opened branches in some cities. However, they offer very few commercial banking services, and people in Somaliland and the Federal State of Puntland continue to rely mainly on informal banks and the Hawala system.

8 | Monetary and fiscal stability

Without a proper functioning banking system, the Somali economy has become dollarized, while the Somali shilling (SOS) is primarily used for small-scale, face-to-face transactions. Somali shilling notes are no longer in circulation, and the few remaining notes are used solely for small-scale transactions. Digital money transfers have largely replaced the physical exchange of currency notes. Mobile banking and money transfers rely on close cooperation between money transfer companies and mobile telephone companies.

Plans by the central bank of Somalia to replace the Somali shilling with a new currency did not materialize during the review period. Owning its own currency is a prerequisite for implementing policies to regulate inflation. The central bank, therefore, has the support of the World Bank but has been asked to build up institutional capacity and independent monetary policy instruments before rolling out the currency exchange.

In 1994, Somaliland established a central bank and introduced a new currency, the Somaliland shilling. Somaliland's central bank is responsible for overseeing the monetary system and the currency. However, it faces challenges due to a lack of trained personnel, experience and market power, all of which undermine its institutional capacity. Despite its efforts to regulate the currency market, the central bank has been unsuccessful. Nevertheless, Somaliland operates successfully outside the formal financial economy. Like in Somalia, the use of mobile money is increasingly replacing the circulation of banknotes, and the economy is largely dollarized.

Monetary stability

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The government has developed a fiscal and debt policy, leading to increased domestic revenue mobilization. In 2021, tax revenue grew by 17% but remained 11% below its target. A major challenge and continued source of conflict between the federal and state governments is the harmonization of fiscal operations. The federal government has not made progress in negotiating revenue sharing. So far, no rules and procedures of fiscal federalism have been developed. The government primarily collects revenues in and around the capital city of Somalia, Mogadishu, while the federal states collect taxes within their respective jurisdictions. However, there are currently no measures in place to balance revenue differences between federal member states (FMS). For instance, states that have their own ports generate higher tax income compared to others.

Government spending is dominated by security expenses, which are likely to further increase in the context of the current counter-insurgency campaign. The bulk of security spending, estimated at \$1.5 million per year, is paid by international partners.

Somalia became eligible for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and World Bank. However, donor grants and multilateral budget support were halted in 2021 due to election delays and conflicts that accompanied the prolonged electoral process. As a result, government expenditure could not be matched by revenues and grants, and the period ended with a fiscal deficit equivalent to 1.1% of GDP. The government's 2021 budget targets could not be met, and the FGS has used cash reserves to finance its deficit.

In 2022, three years after the initiation of HIPC, Somalia's performance was positively rated. The country successfully maintained macroeconomic stability, controlled expenses and continued to advance its reform agenda, despite various contextual challenges. These challenges encompass globally increasing fuel and food prices, which have resulted in high inflation rates, numerous environmental shocks (e.g., a prolonged drought) and pervasive food insecurity.

In Somaliland, the annual state budget has grown, and regulatory capacity has improved. In the context of successful reconciliation and state-building, Somaliland has established a revenue system, albeit one that is overly dependent on fees and customs.

Fiscal stability

2

'06 '24 10



9 | Private Property

The federal government does not ensure property rights, and political elites are often involved in illegal land transfers. Land conflicts are prevalent throughout Somalia. Competition for water and pasture has shaped conflicts in rural areas for decades, but land has also become a major source of conflicts in cities.

Somalis from the diaspora and local political and economic elites have purchased land, particularly in Mogadishu and other cities, despite the absence of a functioning land registry. Most of the land and buildings in Mogadishu have, at some point, been forcefully occupied by militias. The protection of individual and collective ownership of land and other property primarily relies on clan support and/or the military power of related factions. Due to ongoing urbanization (including the migration of forcefully displaced individuals) and increasing investments from diaspora communities in cities, urban land has become highly sought after, causing land prices to steadily rise. The political and military elites frequently engage in seizing public and private land and – in many instances – have carried out forced evictions of vulnerable populations residing in informal settlements and camps. The number of evictions remains high, especially in Mogadishu.

Private property is protected to some extent in Somaliland, with some parcels of land that were seized during the war having been returned following negotiations with elders. While a land registry exists, it is hindered by poor equipment and technology, a shortage of staff and inadequate staff training. There are ongoing reports of both large-scale and small-scale urban land grabs by politico-economic elites, as well as illegal enclosures in rural areas. These rural enclosures contribute to conflicts with nomadic pastoralists, who depend on accessible grazing zones.

All economic and social enterprise in Somalia is private. The government recognizes the central role of the private sector as a source of economic growth, jobs and even core social services. The World Bank and other donors emphasize this theme with the government. While security for enterprises was enhanced to some extent in government/AMISOM/ATMIS-controlled areas, the threat of violence remains very real. No legal safeguards exist apart from clan arrangements, and businesses continue to hire private security. Al-Shabaab imposes a huge tax burden on businesses, and refusal of payment is often followed by threats and, at times, assassinations.

In Somaliland, private enterprise is seen as the main driver of economic activity, and only airports and the port of Berbera are owned by the state. However, in 2017, the port was leased to DP World in a 30-year concession agreement. This agreement involves the transfer of port management and development to the Dubai-based company. The port has undergone significant modernization in recent years, with the construction of a free zone and transport corridor underway.

Property rights



Private enterprise



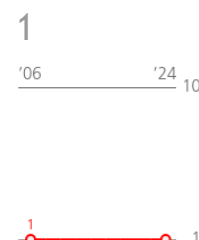
10 | Welfare Regime

No public welfare system exists in Somalia. Welfare is either provided by Islamic charities, through clan membership or the work of NGOs. With the collapse of state-run social services, including health care, housing, employment and poverty alleviation, services were “privatized.” The main social safety nets that exist are offered by extended families and clans. Remittances from Somalis living abroad account for a large part of this safety net. According to World Bank estimates, these remittances provide up to 40% of household income. However, this money is seldom enough and is unequally spread across the population. Overall, 70% of the population is considered poor, survives at a subsistence level and lacks adequate access to basic services such as housing, clean water, health care, schools and energy.

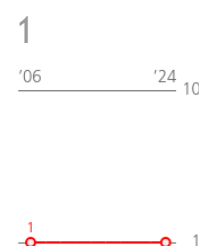
In Somalia, there is no substantive equality of opportunity. Gender discrimination is widespread in the clan-based and patriarchal social environment. Girls are subject to parental restrictions on education – albeit improvements in primary education can be identified – gender disparity rises in secondary and tertiary education. Many students fail to finish their schooling. Women face significant barriers to employment and developing an enterprise and have little access to capital. Social minorities often lack access to opportunities and services and are discriminated against in many aspects of their social and economic lives. Living conditions for the large numbers of IDPs in Somalia are catastrophic, and there are few support structures to enable them to access any services or opportunities. In general, in a society disrupted by decades of civil war, opportunities depend very much on a person’s individual and family background, as well as on their location, as there are more schools in urban and northern areas of the country.

Recent research has shown that a degree of social mobility does exist, but predominantly for those who are able to access education.

Social safety nets



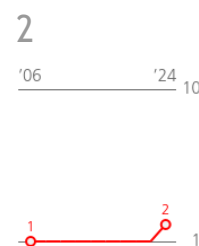
Equal opportunity



11 | Economic Performance

The examination of the real output strength of the Somali economy is challenging because there is limited access to reliable economic data. The World Bank began publishing economic trend assessments and improving data collection in Somali in October 2015. However, the informal nature of the economy and restricted access to various locations hinder the possibility of making a reliable assessment. According to the World Bank, real GDP has experienced a yearly average growth rate of 2.5%. However, in 2020, it contracted due to the COVID-19 pandemic and environmental shocks, before recovering to 2.9% in 2021. Although this growth matched the population increase, it did not lead to per capita GDP growth and had minimal impact on poverty reduction.

Output strength



The Somali economy is dependent on imports and mainly driven by private consumption, which relies significantly on remittances. Exports contribute to less than 20% of GDP. The trade deficit is financed by remittances and international budget support.

The economy is characterized by high levels of inequality and poverty, extensive unemployment, and a lack of infrastructure. Meanwhile, the economy is privatized, and anti-competitive behavior and monopolistic tendencies are prevalent. There is no regulation in place. Livestock, trade, communication and mobile money services are the primary contributors to GDP. Agriculture, particularly livestock production, accounts for at least 60% of GDP, followed by services.

The economic structure of Somaliland does not significantly differ from that of Somalia. Here, livestock and services are also the main drivers of GDP, while the economy is generally driven by consumption and dependent on imports.

Somali commercial and service sector firms have successfully entered the broader East African market and are performing strongly.

12 | Sustainability

Environmental concerns continue to be subordinated to profit opportunities and short-term benefits. The FGS has almost no influence on the management of natural resources. In February 2020, the FGS endorsed the National Environmental Policy and established the Environment and Climate Change Directorate under the Office of the Prime Minister. The directorate started to draft environmental policies and legislation, including an environmental act. However, these drafts have yet to be approved by parliament.

According to an environmental study commissioned by the World Bank, Somalia's natural resources are under tremendous stress. Soil degradation is estimated at over 20%, caused by droughts and unsustainable land-use systems. Deforestation rates are over 1%, almost twice the average rate of forest loss across African countries. Deforestation continues to be caused by charcoal production, and, with charcoal exports decreasing, the rate of deforestation may also decrease, although illegal export persists and charcoal is also produced for the domestic market.

Somalia is also extremely water-stressed, and massive deforestation contributes to groundwater shortages. Natural resources – from land or water to oil reserves – provide a source for ongoing conflicts that frequently lead to violence.

Somaliland's Ministry of Environment and Rural Development developed the National Environment Policy in 2015. The ministry lacks the necessary means and seems to lack the will to provide effective environmental protection or monitor environmentally sustainable economic growth. Similar to southern parts of the country, the discovery of oil wealth in eastern Somaliland has sparked conflict between local forces and the central government.

Environmental
policy

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In 1991, the formally organized education system in Somalia collapsed, and, since then, there has been no universal education system. The Ministry of Education has limited reach and control over education services in the country. It has made little effort to develop a harmonized curriculum, and no teacher training institutions have been created, meaning teachers often lack basic training. Quranic schools have been established across the Somali territory. Primary schools, secondary schools and universities have also been established, often with financial support from international organizations. The high birth rates and an overwhelmingly young population put pressure on the education system.

In 2016, the United Nations Population Fund published a census report indicating that the adult literacy rate in Somalia is 40%. The country has one of the lowest levels of adult literacy in the world.

According to a 2022 analysis of the education sector, literacy rates vary widely between regions, with Banaadir (Mogadishu) reaching 71%, while predominantly rural Hirshabelle (31%) and Jubaland (33%) FMS experience the lowest levels. Additionally, literacy rates are generally higher in urban areas (71%) compared to rural areas (45%), while nomadic populations have the lowest literacy rate at 16%. Various obstacles to education include poverty, insecurity and inadequate safe learning environments (security), as well as the insufficient number of teachers, whether qualified or unqualified. Somalia exhibits one of the highest global poverty rates, exacerbating the prevalence of child poverty and malnutrition, which in turn hinder educational attainment. Literacy rates in private and for-profit education are largely dependent on wealth, thus making education unaffordable for poorer populations.

In Somaliland, where peace and political stability have been established since 1997, there has been notable improvement in educational and training services. These services operate through the cooperation of state institutions, local communities, and external donors, including the diaspora. The private education sector is thriving, and numerous universities and colleges offer higher education opportunities across Somaliland. In Puntland and certain areas of southern Somalia, particularly in Mogadishu, there is a thriving education system up to the tertiary level. However, curriculum standards vary, and there is often a lack of resources and equipment.

Growing opportunities now exist for Somali-led research, especially in policy and socioeconomic fields. Somali think tanks are producing important research, and Somali researchers are successfully competing for donor-funded studies.

Education policy /
R&D

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Governance

I. Level of Difficulty

Somalia has lacked a functioning state apparatus for more than 30 years. Although a central government was re-established in 2012 and donor support for state-building has continuously increased, the government exerts little control over the territory and its people overall. A broad range of institutions govern at the local and regional level; some operate parallel to the central government, some complement or cooperate, and some compete with the central government. The structural constraints for the government, therefore, remain exceptionally high. The physical and social infrastructure in the country was destroyed during three decades of violent conflicts and insecurity, and the government must rebuild many institutions from scratch. Political infighting is common in all institutions. Al-Shabaab's continued insurgency, the recent intensification of the counter-insurgency, regular attacks, violent conflicts, recurrent environmental shocks and humanitarian emergencies place severe constraints on all forms of political regulation and management. The ruling elites are themselves shaped by the war, and their government capacities are weak. The government has to overcome a tremendous lack of human capacity, while still managing the few accessible resources.

During the review period, progress by-and-large stalled due to the prolonged electoral cycle and the deepening rift between the federal government and regional member states. The drought and globally rising prices add to the difficulties. The country is characterized by extreme poverty, and recurrent droughts and other environmental shocks place a huge burden on economic and social development. The social infrastructure is inadequate, and a large proportion of the population lacks access to even basic social services such as health care, clean water and education.

While Somaliland has succeeded in re-establishing state structures, it continues to grapple with massive structural constraints; the Somaliland state apparatus remains weak and poorly funded, the country is still characterized by unacceptable levels of poverty, and the initial efforts in support of democratization stalled.

Structural
constraints

10

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The Western understanding of civil society is misleading in the Somali context, where there are few distinctions drawn between the public and private sphere. Strong traditions of social organization beyond the state, primarily based on social trust within kinship groups, exist throughout Somalia. Since the onset of civil war, social network structures have reorganized and strengthened themselves to ensure their members' survival. Numerous NGOs and community-based organizations (CBOs) have also sprung up since the mid-1990s, initially in response to (real or expected) external funding from both Western and Islamic donors, but many of them have professionalized over time. In the areas controlled by al-Shabaab, many of these NGOs were forced to close down their operations as they were suspected of spying for Western powers. Following the withdrawal of al-Shabaab from most urban areas, many NGOs have resumed activities. There are also a significant number of professional associations, trade unions or guilds that represent the interests of a profession (e.g., the National Union of Somali Journalists), as well as business associations and women's business associations. Think tanks have been established in major cities and provide some kind of oversight of government activities. The power of civil society has increased over the years, but civil society oversight of the government remains comparably weak.

In Somalia, and to a certain extent even in Somaliland, trust in central authority and formal institutions remains weak.

That said, some Somali civil society organizations – devoted to issues as diverse as relief, human rights, political dialogue and women's rights – have proven to have staying power and are viewed as important contributors to Somali society.

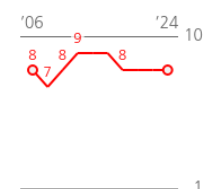
The conflict intensity increased during the review period. Over three decades of violent conflicts have deepened social cleavages in Somalia. The disputes and violence that accompanied the prolonged electoral cycle demonstrate the deep rifts. The lack of agreement about modalities to share power and resources often tends toward violence between clan militias, rival army factions, and central and regional forces.

The Islamist insurgency continued during the review period. Between 2021 and 2022, al-Shabaab intensified its attacks, disturbing the electoral process. Although it mainly operates from the countryside, al-Shabaab exerts considerable influence in cities and beyond the areas it directly controls. The review period saw attacks against civilians, government installations, and the military bases of AMISOM/ATMIS and national security forces. Al-Shabaab is responsible for the assassinations of government officials, civil servants, humanitarian workers and journalists. The organization poses a significant threat to all peace- and state-building attempts in Somalia and threatens the security of the wider region.

In the second half of 2022, a counter-insurgency campaign was initiated by local clan militias, and it was supported by state and regional security forces and ATMIS. Al-Shabaab lost territory in the Hirshabelle FMS, and fighting continues, especially in the central Galmudug FMS.

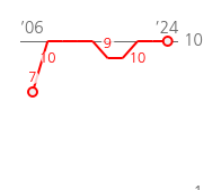
Civil society traditions

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Conflict intensity

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The review period saw an increase in the number of civilians killed, with al-Shabaab responsible for most of the deaths. However, all parties involved in the conflict have violated international humanitarian law and human rights and are responsible for killing civilians, gender-based violence and rape, forceful evictions, public harassment, illegal arrests, and executions.

In the contested eastern border regions of Somaliland and Puntland, conflicts flared up between Somaliland's security forces and protesters. The eastern parts of the Sool and Sanaag regions, as well as the district of Buhoodle in the Togdheer region, are contested between Somaliland and Puntland.

II. Governance Performance

14 | Steering Capability

There is no unified or common political leadership structure in Somalia. The development of policies and strategic action plans is supported by international donors. The FGS has made good progress toward developing policy frameworks and strategic action plans. It has developed the new National Development Plan (2020 – 2024) and submitted the nearly 400-page document to the IMF and World Bank in October 2019 to qualify for the Heavily Indebted Poor Countries (HIPC) Initiative. The plan includes a reflection on the challenges of implementing the eighth National Development Plan (NDP-8) between 2016 and 2020 and informed the development of the ninth National Development Plan (NDP-9) for the period from 2020 to 2024, emphasizing lessons learned and proposing a way forward. Progress in these development goals will enable the country to receive debt relief as part of the HIPC initiative. NDP-9 has four pillars: inclusive politics, improved security and rule of law, economic development, and social development.

Overall, the government has slowly but constantly improved planning capacities and implemented some policies. Overall, however, planning is donor-driven, policy implementation is slow or does not happen at all, and steering capability is weak.

The review period saw little reform progress and only modest improvement in the administrative capacity of the FGS. No progress was made in the constitutional review, politics was mainly concerned with elections, and, most importantly, no attempt was made to build up coherent administrative and security structures across the federal member states. Relations between the federal government and regional states improved on paper but did not yield any significant progress. Puntland's December 2022 decision to suspend its membership in the FGS marks a serious setback.

Question
Score

Prioritization

3

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Implementation

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The lack of progress in 2022 can be directly attributed to the political paralysis surrounding the elections and the transition period of President Hassan Sheikh Mohamud taking office and his prime minister forming a government.

One important government policy success was the military mobilization against al-Shabaab, which President Mohamud made a top priority.

The FGS has made modest improvements in policy learning and has started to implement some reforms. Within the context of a highly fragmented political culture, the scope for policy learning remains limited. The leadership is hampered by power conflicts, as demonstrated in the episodes of violence and ongoing political conflicts that overshadowed the prolonged electoral process. Such conflicts impede reform progress in crucial areas. The constitutional review has remained pending for years. No progress was made to initiate negotiations and stakeholder consultations for the establishment of mechanisms to share power and resources with the federal administrations.

The FMS are learning from one another. Galmudug, for instance, has drawn on Puntland's experience and is exploring possibilities for introducing its own a one person, one vote election system. At the national level, President Mohamud clearly learned from his first term in office and from Farmaajo. His foreign policy and relations with FMS are much more pragmatic as a result.

Policy learning

3

'06 '24 10



15 | Resource Efficiency

The FGS has neither the technical ability nor the territorial control necessary to establish a nationwide revenue system. The mobilization and administration of revenues in Mogadishu improved considerably, but federal member states continue to raise and administer their taxes. Revenue differences between FMS are not balanced.

The FMS rely on their taxation systems. In 2021, the World Bank facilitated a high-level dialogue on customs among the FGS and FMS, which ended with an agreement on a national tariff schedule. However, modalities of joint taxation and revenue distribution are among the contested topics between the FGS and FMS and need to be resolved before a national taxation system can be developed. The situation is further complicated by the informal collection of financial contributions by religious and clan groups and by the extortion of fees by various types of security forces at roadblocks across the country.

The al-Shabaab militia has established a comprehensive taxation system in their areas of control and runs a shadow tax system in Mogadishu and other cities. The Islamists tax import and export trade at the main port in Mogadishu. In addition, al-Shabab extracts taxes from businesses, farmers and livestock herders, and people living in areas under its control all over Somalia.

Efficient use of assets

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The government has improved its capacity in national budgeting. With the increase of donor budget support, security spending was maintained at around 20% of governmental spending. This will likely increase in the context of the intensified counter-insurgency. The state budget for building the Somali National Army, for example, was increased from \$93.7 million in 2022 to \$113.3 million in 2023. A crucial challenge for the government is to secure and hold the captured territories and provide services for the population that legitimizes its control.

The Somaliland government manages its revenues, which – as in Somalia – are mainly derived from customs on foreign trade. The government has steadily increased its tax base, but revenues are not sufficient to provide services to the population. The country has one of the lowest tax-to-GDP ratios worldwide.

Corruption and the misuse of public and foreign funds persist.

Policy coordination remains very weak. Competition and conflicts between the federal government and federal member states hampered institution-building at the national level. The cohesion of the political elite is fragile. Politicians pursue clan and personal interests and seem more interested in amassing political and economic resources than in achieving common goals. Corruption remains endemic, and conflicts between the central and federal institutions have continued and occasionally led to violence.

President Mohamud, however, is showing greater dexterity in dealing with tradeoffs. This applies both to foreign relations, where he is balancing rival states (e.g., Ethiopia and Egypt), and to domestic politics, where he is trying to balance counter-insurgency efforts with the desire to reduce the direct role of Ethiopia inside Somalia.

Somalia continues to be ranked as among the most corrupt countries in the world. An anti-corruption framework exists, and a new anti-corruption law was enacted in October 2019, although it is yet to be implemented. No measures have been put in place to enhance the accountability and transparency of public transactions, and impunity regarding the misuse of public funds remains the norm. Without progress at the system level and with a culture of impunity for corruption, individual ministers and public servants are not able to address the problem. Public contracts continue to be provided in a nontransparent manner, and bribes are common. The misappropriation of public land, land grabs by elites and evictions of vulnerable population groups, and the diversion of aid are evidence of the endemic nature of corruption in Somalia.

Somaliland has made some attempts to fight corruption but is yet to establish regulatory or monitoring mechanisms or vetting procedures for public officials. State officials are closely linked to the business elite, and public transactions are often not transparent.

Policy
coordination

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Anti-corruption
policy

1

'06 '24 10



16 | Consensus-Building

The main political actors in the central and federal institutions seem to agree with the broad goal of building a market-based democracy. Parliamentary democracy is set up in the country's interim constitution. However, the transition toward democracy or even basic nation-building is hampered by political infighting and parochial interests of political elites. While there seems to be a general agreement on democracy, no consensus on the particular system of representation that would institutionalize democracy exists.

The Islamist opposition forces are anti-democratic and aim to establish an Islamist caliphate, either with undefined borders or comprising Somalia, Somaliland and all neighboring states that have a significant Muslim population.

Somaliland has also settled on democracy and a market economy as strategic aims and has gone some way toward achieving these. However, social tensions and cleavages remain. Elections are regularly delayed. Consensus-building is based more on clan negotiation than on formal democratic processes.

Aside from al-Shabaab, the major political actors aim, in principle, to establish a market economy. However, within the context of long-established clan-based trade and patronage networks, proper regulatory mechanisms are needed to ensure market competition.

The main anti-democratic actor is the Islamist militia al-Shabaab and its small offspring the ISS. Despite losing territory, influence and legitimacy, al-Shabaab remains active in Somalia and the wider region. The extent to which it enjoys public support is unclear, but it seems that the organization has lost legitimacy. Insecurity prevails in most regions. The Islamist group has intensified its attacks, disturbing the electoral process, in reaction to the intensified counter-insurgency. Attacks in urban areas are regular, especially in Mogadishu. Al-Shabaab has also launched attacks on military bases and directly assassinated government officials. The Islamist organization continues to pose a serious threat to further reconstruction and peacebuilding efforts.

Recent offensives against al-Shabaab have raised the possibility that the group could be weakened, though no one believes the group will be defeated outright in the near future. A diminished al-Shabaab will significantly weaken a major opponent of democracy in Somalia.

In general, multiparty democracy has no history in Somalia, but the “traditional” system of clan-based negotiations and joint decision-making, albeit only among men, provides a set of democratic values that can support the transition toward democracy.

Consensus on goals

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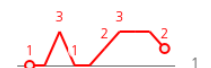
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Anti-democratic actors

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Political conflicts are poorly managed, if at all, and tend to escalate regularly to the point of violence. Attempts at reconciliation are often localized and are usually not facilitated by political elites but by local elders. There was previously some discussion about negotiating with al-Shabaab. However, the current president has stated his intention to fight al-Shabaab on all fronts. Nevertheless, President Hassan Sheikh also announced plans to mend ties and reconcile with political leaders in FGS and has initiated meetings in this respect. It remains to be seen if he manages to initiate a constitutional review and develop processes for resource and power sharing.

Somaliland, which in the 1990s underwent a relatively successful reconciliation process that established power-sharing principles, has also demonstrated a tendency toward military solutions, especially when dealing with the dissident factions in the east of the country. This also contributes to the perception that the state is centralized in the hands of certain clan groups, while others have little political representation.

The democratic space for civil society participation in the political process is limited. The indirect parliamentary election included civil society members in the electoral colleges who – together with elders and other prominent clan members – selected the members of parliament. Overall, however, the FGS has not established a mechanism to include civil society in decision-making. Critical voices, whether from civil society organizations or the media, have often been threatened and silenced.

With some exceptions, political decisions are not based on broader consultation, although the clan structure of politics and the political cleavages between regions, some of them again clan-based, require consultation with elders. This constitutes a mechanism for citizen participation, as elders represent societal groups.

In Somaliland, civil society participates actively in political life. However, dissident and critical voices face growing threats, especially when discussing Somaliland's relationship to Somalia or criticizing the current president's leadership.

None of the political actors in southern and central Somalia have so far engaged in a broader reconciliation process. At the local level, reconciliation initiatives take place under the leadership of clan elders. Consultations have been conducted at the state and regional level regarding the development of a reconciliation strategy, although no strategy has yet been developed or at least published. Mounting tensions and even violence between central and federal institutions, as well as continuing clan conflicts in southern and central Somalia are, together with other factors, the result of the inability to start reconciliation talks. The current counter-insurgency, which is driven by clan militias, is likely to deepen clan cleavages. Several clan groups have aligned themselves with al-Shabaab, although it remains unclear whether these decisions were voluntary, made under pressure from the Islamists or out of fear of the dominance of the Ma'awisley clan grouping.

Cleavage / conflict management

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Public consultation

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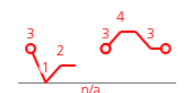
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Reconciliation

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In Somaliland, a successful reconciliation process was completed in the 1990s and was the basis for the independent and comparatively successful formation of the state. The peace in Somaliland, however, remains fragile, and the current political elites would be well advised to further embark on reconciliation processes, especially when dealing with the eastern borderlands.

17 | International Cooperation

The Somali state depends largely on foreign aid and foreign protection. Around two-thirds of the state budget stems from international donors, most notably the World Bank. The country is among the top 10 recipients of official development assistance (ODA) globally, with ODA nearly doubling from \$1.5 billion in 2018 to over \$3 billion in 2020. Over 43% of the ODA is spent on humanitarian aid.

Key international donors – notably the World Bank, the United Kingdom, the United States, the European Union and Germany – are engaged in providing humanitarian and development aid and support for stabilization and state-building.

Türkiye has consolidated its support for Somalia. Focusing on Mogadishu, Türkiye provides social and physical infrastructure, such as hospitals, schools and roads, while Turkish companies manage the international airport and port in Mogadishu. Economic relations between Somalia and Türkiye have intensified in the last few years, and many Somali businesses import their goods via Türkiye.

The political elite in Somalia has used international support to initiate state-building, to build up capacities, and has, to some extent, improved planning and reporting. However, the government continues to use funds in a nontransparent manner, and corruption seems rampant. While the political leadership uses international aid for rent-seeking, it also has a medium-term development strategy, which it fulfills to some extent, although much seems to be driven by the goal of debt relief and consequent access to international finance institutions. Strategies are often donor-driven.

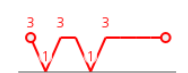
Overall, reports of international funds being embezzled have declined during the review period. Whether this indicates a general reduction in corrupt practices cannot yet be determined. The overall credibility of Somali institutions from the perspective of international partners seems to increase slowly, although less so from the perspective of Somali citizens. However, international support for the institutions continues, as no alternative to building up the state institutions seems available, and some, albeit quite modest, progress has been made in reporting and oversight of public expenditure.

Hassan Sheikh's government has adopted a much more engaged and less hostile tone toward donor states and the United Nations in comparison to his predecessor.

Effective use of support

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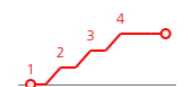
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Credibility

4

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Relations with all regional neighbors have either improved or remained stable during Hassan Sheikh's first six months in office. He has made a clear effort to maintain good relations with all actors in the wider region. This is not easy when dealing with regional rivals, but to date he has managed this well.

Regional actors remain among the key players in Somalia. Ethiopia, Kenya, Djibouti, Uganda and Burundi deploy troops to AMISOM/ATMIS. Ethiopia and Kenya have, since their military intervention in Somalia in 2006 and 2011, respectively, gained influence in Somali politics. Kenya has established strong relations with the Jubaland FMS and cooperates with Jubaland's security forces in an attempt to secure its border with Somalia.

Overall, relations between Somalia and Kenya deteriorated during President Farmaajo's term in office. In December 2020, Mogadishu severed diplomatic relations with Kenya after Kenya's president received the president of Somaliland, a state and government not recognized by the federal government of Somalia. Diplomatic relations were restored in August 2021 but remain strained due to a contested maritime border between the two countries. In October 2021, the International Court of Justice ruled that the border should be adjusted to allow both countries a share in the potentially oil-rich Indian Ocean. However, Kenya rejected this ruling. However, both countries agreed to find an amicable resolution.

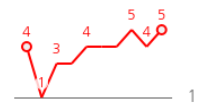
Another conflict flared up after Somalia stopped importing Khat, a mild stimulant widely consumed across Somalia, from Kenya during the COVID-19 pandemic and then continued to enforce the ban on the airlifting of Khat after air traffic was restored. President Hassan Sheikh has endeavored to mend relations with Kenya, as evidenced by his diplomatic visits and the eventual lifting of the flight ban at the end of 2022 after nearly two years.

Ethiopia, on the other hand, had close ties with former President Farmaajo. For example, Ethiopia supported the SFG's arrest of former al-Shabaab leader Mukhtar Robow before the presidential election in South West State in 2018. After Robow was nominated minister for religious affairs to Somalia's cabinet, Ethiopia directly engaged in bilateral talks with the South West State and Puntland FMS, sidelining the central government. The rift widened further when President Hassan Sheikh visited most regional capitals in the first few months following his inauguration, notably omitting Ethiopia. Instead, he went to Egypt, a country with which Ethiopia is in a dispute over Ethiopia's building of the Grand Ethiopian Renaissance Dam (GERD). However, in September 2022, both countries appeared to mend ties when Hassan Sheikh visited Ethiopian Prime Minister Abiyeh Ahmed, and both agreed to foster their economic and security cooperation. In November 2022, both countries agreed to improve intelligence cooperation. In January 2023, Hassan Sheikh hosted

Regional cooperation

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a visit to Mogadishu for his regional neighbors, Djibouti, Ethiopia and Kenya, during which all parties committed to further supporting and strengthening cooperation in the fight against al-Shabaab.

Somalia's desire to join the East African Community has been a factor in its efforts to maintain cordial relations across the region.

Strategic Outlook

Somalia's extended election cycle has threatened the stability of the country and considerably slowed down the reform process. However, the conciliatory approach of newly elected President Hassan Sheikh – both domestically toward the federal regional states and externally toward neighboring states and development partners – provides a promising start. The future of Somalia will be determined by the success of the ongoing counter-offensive against al-Shabaab. After years of military stalemate, the government has once again achieved a victory against the Islamists. President Hassan Sheikh's commitment to fighting al-Shabaab on all fronts has garnered support from Islamic leaders, Somalia's neighbors and other international partners. However, al-Shabaab has proven its resilience in the past and adapted its strategies to new circumstances. The federal government of Somalia (FGS) has often failed to defend territorial gains, and the reliance on clan militias by state security forces poses significant risks. Clan divisions run deep in Somalia, and forming alliances with certain clans can alienate others, some of which have reportedly already aligned themselves with al-Shabaab. Even if a military victory is achieved against al-Shabaab, the clan militias will regain considerable power and are unlikely to relinquish it voluntarily. Therefore, in addition to a military solution, the government should offer further incentives for al-Shabaab members to defect and develop plans to reintegrate at least lower-ranking members into Somali society.

The new government would also be well advised to implement political reforms and establish country-wide administrative and governance structures. Here, the formation of a unitary army, investment in a solid revenue base, and a willingness to share power and resources are key. The country needs a government capable and willing to provide basic social services to its citizens and, most importantly, to develop drought mitigation measures. With the recent focus on elections and counter-insurgency efforts, it has been largely forgotten that the country is in the midst of a severe drought, with almost half of the country's population experiencing food insecurity. Climate change-related shocks are unlikely to diminish in the near future. While early warning mechanisms have been set up and are working reasonably well, the challenge of establishing adequate response mechanisms to mitigate the effects of recurrent and lengthening droughts and prevent famines and mass starvation remains.

In the context of the ATMIS transition plan, the government should focus on building the security sector beyond simply increasing the number of forces. The social cohesion among the forces is currently weak. The effectiveness of the current plan to send a large number of troops to foreign countries for training is contingent upon the government's ability to subsequently integrate the foreign-trained fighters into a cohesive fighting force with clear command structures and civilian oversight. This integration process also necessitates that political leaders cease using the security forces for their personal or clan interests. Additionally, it is crucial to establish institutions responsible for investigating abuses committed by the forces. Somalia should strive to develop capable and legitimate security forces that are capable of providing security for and protecting the

population. At present, the ongoing power struggles within and between the central and federal leadership structures undermine the population's trust in state institutions. Without an agreement among the political elites regarding the future of the Federal Republic of Somalia, the long-term prospects for stabilizing the country remain weak. In a worst-case scenario, the withdrawal of ATMIS forces could create a security vacuum that the Somali National Army is unable to fill, enabling al-Shabaab to swiftly recapture territory and undermine the viability of the federal government of Somalia. While an "Afghanistan scenario" is unlikely, it is actively discussed as a concerning possibility.