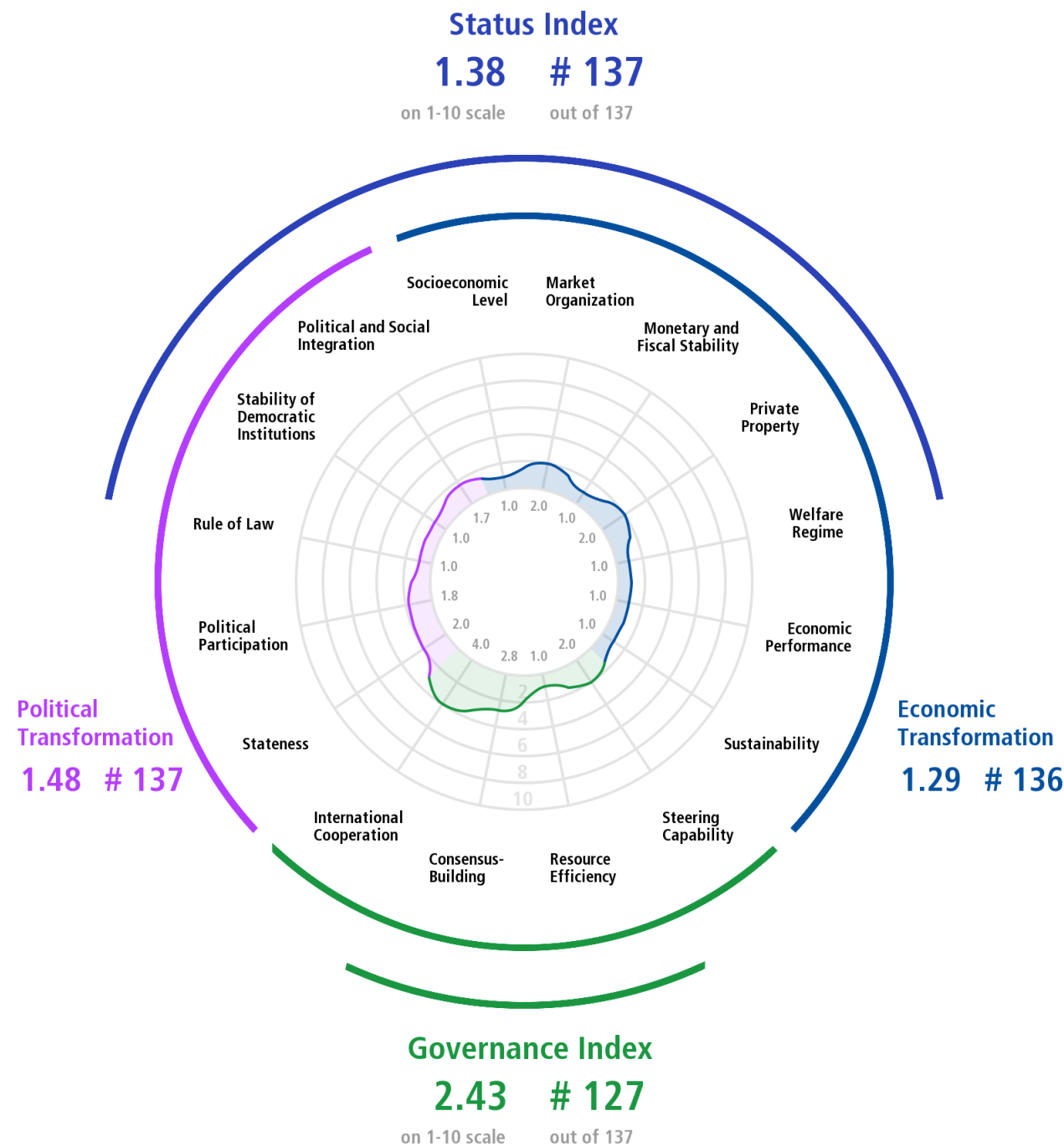


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Key Indicators

Population	M	15.0	HDI	-	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	2.8	HDI rank of 189	-	Gini Index	-
Life expectancy	years	56.7	UN Education Index	-	Poverty ³	% -
Urban population	%	45.0	Gender inequality ²	-	Aid per capita \$	120.7

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The beginning of the review period saw a presidential election in Somalia. Mohamed Abdullahi Mohamed, commonly known by his nickname “Farmaajo,” was elected as new president in January 2017. After his inauguration in February 2018, he appointed Ali Khairi as new prime minister. The prime minister, in turn, nominated a 26-strong cabinet in March 2018. The first two years under the new leadership were characterized by modest progress. No significant steps were undertaken to prepare the country for the universal elections scheduled for 2020. Urgently needed reforms to the security sector stalled and the Somali national army (SNA), the largest of the country’s security institutions, remains fragmented. Meanwhile, the Islamist insurgency against the Federal Government of Somalia (FGS) continues. With the support of the African Union Mission to Somalia (AMISOM), the FGS controls major towns, but the Islamist militia Harakat al-Shabaab al-Mujahideen (al-Shabaab) has firmly established itself in rural areas in the southern half of the Somali Federal Republic. It also controls major supply routes to towns. The United States under President Trump significantly increased its airstrikes against al-Shabaab and has killed a large number of their operatives. AMISOM however has refrained from conducting larger offensives against the Islamists in the reporting period. Al-Shabaab, in contrast, has confronted military bases and has increased its attacks in Mogadishu and other towns. In October 2017, it carried out its most deadly attack to date killing more than 500 civilians in Mogadishu. In January 2019, al-Shabaab killed 20 people in an attack on a hotel in Nairobi, its first strike in Kenya since 2015.

The government has failed to consolidate nascent federal structures. The status of the federal member states (FMS) and the tasks and responsibilities of the federal and central institutions were not clarified. Tensions between the central and federal states increased during the reporting period, and the FMS jointly froze their relations with the central government on two occasions.

Regional political dynamics also had a significant impact on Somalia, among them, in particular, the Gulf conflict and the election of a new Ethiopian prime minister in April 2018. Several Gulf

states and Saudi Arabia have in the last years increased their influence in the Horn of Africa and have supported the Somali state-building process. However, the recent conflict that pitted Qatar against the United Arab Emirates (UAE) and Saudi Arabia had ramifications in Somalia, and deepened divisions between Mogadishu and the federal member states. More positively, the political and economic reform process initiated by Ethiopia's new prime minister, Ethiopia's rapprochement with Eritrea, and the liberalization of Ethiopia's economy and the promotion of regional integration provide enormous economic opportunities for Somalia.

The self-declared but internationally unrecognized Republic of Somaliland held, after a series of postponements, presidential elections in November 2017. Muse Bihi Abdi from the ruling Peace, Unity, and Development Party (Kulmiye) party won with 55% and took office in December 2017. The third presidential election since Somaliland's independence was considered relatively free and fair by international observers. These elections further consolidated its path toward democratization. It has managed to expand its outreach to further parts of eastern territories that border Puntland and has made some progress in developing its own revenue base. It has however continued to curb freedom of speech. Since Muse Bihi took power it has harassed and detained journalists and others reporting or publicly discussing controversial political topics.

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 since the 1990s been affected by intermittent violent conflicts, 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 continued along a path toward democratization, it has not received international recognition. In August 1998, Puntland was established as a semi-autonomous regional state in Somalia's northeast. Puntland, too, has developed its own governance institutions. All scores refer to Somalia and do not include political and economic developments in Somaliland.

In 2004, after two years of complicated negotiations, an internationally mediated peace and reconciliation conference in Kenya led to the formation of a Transitional Federal Parliament and Government (TFG). Its relocation from Kenya to Somalia in mid-2005 changed the dynamic of the Somali conflict dramatically, a conflict that had seen the rise of an Islamist movement, United States counter-terrorism operations and the military involvement of neighboring and international troops in Somalia. The Transitional Federal Institutions were soon challenged by a new politico-military actor, the Union of Islamic Courts (UIC). 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 a few months later bolstered 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 at present continues to control most of the southern Somali countryside. The war between 2007 and 2012 took the lives of more than 10,000 people, most of them civilians, forced hundreds of thousands to flee the capital and initiated, in combination with a drought, a severe humanitarian crisis from mid-2011 to mid-2012. All fighting forces in Somalia were involved in severe human rights violations.

The collapse of the state and the subsequent breakdown of its formerly centrally planned economy have led to a radical privatization of economic activities. In the mid-1990s, the economy, especially in the areas of international trade and local services, began to grow. This progress was not due to any coherent economic management, but rather to the results of private initiatives by entrepreneurs, who, within an insecure environment, often acted in close cooperation with powerful political actors and militia leaders. Two consecutive droughts in the last decade – notably in 2011 to 2012 and in 2016 – have had a devastating impact on Somalia's economic development. Agriculture's slow recovery is still ongoing. Commercial activities in Somalia are primarily driven by short-term profit. The economy is import-dependent, and growth mainly driven by consumption. International trade networks are dominated by a few powerful business cartels, often intertwined with the politico-military elite. Another source for economic development is the large Somali diaspora. Urbanization is rapid and unregulated.

While the central and southern regions of Somalia were engaged in war, the Republic of Somaliland continued its path toward democratization. Independence was confirmed during a public referendum in 2001. Somaliland has since held two district elections (in 2002 and 2012 respectively), presidential elections in 2003, 2010 and 2017, and parliamentary elections in 2005. Despite double voting and registration errors, all elections were considered relatively free and fair by international observers. The next parliamentary and district elections are scheduled for 2019.

Neither Somaliland nor Puntland has established real control over the eastern regions. Tensions between Somaliland and Puntland escalated in the reporting period and resulted in a number of violent clashes. In spite of 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

Somalia has been a country without a state since 1991 when the already weak state monopoly on the use of force collapsed. The Federal Government of Somalia (FGS) has been unable to re-establish a monopoly on the use of force throughout the country. It depends on the African Union Mission to Somalia (AMISOM), which has since mid-2015 a strength of around 22,000 troops, mainly from six African countries: Uganda, Burundi, Djibouti, Kenya, Ethiopia and Sierra Leone. AMISOM, in cooperation with the Somali national army (SNA), regional security forces, and regional as well as local clan militias has maintained control over the territories recaptured from al-Shabaab since 2012. While the FGS and its allies can by and large hold its territorial gains and control most Somali towns, it has been unable to expand its control over the southern Somali countryside. Al-Shabaab has established governance structures across these rural areas and also controls supply routes to the cities.

AMISOM has announced plans to hand over security provision to the SNA in December 2020. In the context of fragmented national security structures and the weak organizational and institutional capacity of the Somali forces to provide security to the population, this plan and its timeline seem unrealistic.

Despite considerable international support, the planned integration of clan militias and regional armies into the SNA has stalled, and the number of active forces, their size, command structure and internal organization remains opaque. Rough estimates indicate 40,000 to 45,000 armed personnel in the formal security sectors, and an additional 20,000 to 25,000 militias that rely mainly on informal taxation. Recruitment to the security institutions are ongoing, predominantly the Somali national army (SNA), the Somalia national police force (SPF) and national intelligence and security agency (NISA), but also a number of paramilitary and localized security units. However, the recruitment lacks transparency and new recruits are often not properly registered. NISA is characterized by infighting, and

Question
Score

Monopoly on the
use of force

1

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1 1

there have been rumors about the infiltration of the NISA leadership by al-Shabaab. NISA, as well as its counterparts in Puntland and Jubaland, are accused of severe human rights violations. The failure to control and manage the clan-militias and regional and national armies impedes the security situation, as there is a risk that members of these groups engage in extortion, use roadblocks, sell their services to private contractors or take sides in violent conflicts.

The national security architecture includes plans to divide the SNA into sectors in order to align it with the federalization process. Attempts to transfer SNA troops to newly established sectors and sectoral headquarters have triggered a number of violent conflicts, often along clan lines. The army is currently structured along clan lines, and the plan could result in as clan groups losing their dominance in certain areas or being forced to operate under the command of different clans. The federal member states appear to have grown increasingly skeptical toward the government's commitment to establish a federal security architecture. Allegations of misappropriation of public funds continue. Regularly delayed salary payments in the security organizations contribute to low morale and to the sale of weapons or uniforms on the private market. A military camp where the United Arab Emirates (UAE) provided training was looted after the UAE withdrew from Somalia. The security situation is generally complicated by a large number of local and now federal militias, and the establishment of federal member states has created an additional layer of insecurity. On several occasions, disputes over boundaries of the member states and over the management of resources have triggered violence. Very little progress was made with respect to the clarification of the relations between the federal institutions and those in the federal member states, and the division of tasks and responsibilities between them.

The most serious threat to stabilization and security in Somalia is still posed by al-Shabaab. The state's security forces and AMISOM remain under constant attack from the Islamist militia, and al-Shabaab has in the past two years also increased its violent attacks in urban areas. Relying on improvised explosives, vehicle borne devices and suicide attacks, al-Shabaab has been responsible for hundreds of casualties between 2017 and 2018. In October 2017, it carried out its most lethal attack so far: more than 500 people lost their lives when explosives in two lorries exploded at a busy junction during rush hour in Mogadishu. Al-Shabaab continues to carry out assassinations of people associated with the government and parliament and of businesspeople who refuse to pay tax to the organization. However, al-Shabaab has also lost a number of high-level leaders to U.S. airstrikes and defections. In August 2017, after his name was removed from the U.S. anti-terror list, Mukhtar Robow Ali, the long-term deputy leader of al-Shabaab, handed himself over to the government. He was followed by other senior leaders. These losses do not appear to have had a significant effect on the militia's ability to carry out attacks.

Although the Islamic State in Somalia (ISS) allegedly includes foreign fighters, among them Islamic State (IS) group members from Syria, its military capacity compared to al-Shabaab is weaker and it has fewer members. ISS is structured along clan lines and draws most recruits from the sub-clan of its leader. ISS has, however, carried out a number of assassinations of people associated with the FGS, mostly in Bosaaso, but increasingly also in Mogadishu. Al-Shabaab and ISS were involved in heavy clashes at several locations at the end of 2018.

Al-Shabaab has over the years conducted a number of military operations and attacks outside Somalia. Its terror operations have since June 2014 taken the lives of more than 300 people in Kenya. A period of calm followed the April 2015 attack on Garissa University in the northeast of Kenya, which killed 148 people, mostly students. However, on January 15, 2019, the organization claimed responsibility for an attack on the Dusit hotel in Nairobi, which claimed the lives of 24 people and injured 28. The hotel is located in a district that hosts embassies and international organizations. While the Kenyan security forces reacted quickly, the attack demonstrates that al-Shabaab continues to pose a serious security threat to the entire region.

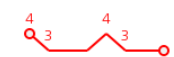
Somaliland, in contrast, has managed to establish a monopoly over the use of force, although this remains contested in the eastern Sool, Sanaag and Cayn border regions with Puntland. Both Somaliland and Puntland claim sovereignty over these regions, and tensions between the self-declared state and the Federal Members State have escalated twice during the reporting period. In January 2018, Somaliland's military ousted Puntland forces from Tukaraq, a strategic town in the Sool region. Puntland, in reaction, amassed its troop in the town's vicinity and the forces were involved in clashes and exchanged gunfire until July 2018. The military battle over the town caused the death of civilians and resulted in the displacement of thousands. The proclamation of autonomy by the Khatumo state in the Cayn region in 2012 added an additional complexity to the border conflict, and while the Khatumo movement eventually lost momentum, forces advocating local sovereignty remain active. The reporting period saw a number of localized conflicts over the control of the region and its resources, but these conflicts were contained by elders and did not escalate.

The vast majority of the population is ethnic Somali, and nearly 100% of the population is Muslim, making Somalia an ethnically homogenous country when compared to other African states. The majority of the population is likely to accept the idea of the nation-state. Somalia and even the Somali populated territories in the Horn of Africa are still characterized by a sense of ethnic nationalism. However, the establishment of Somaliland and to some extent Puntland has given rise to new layers of identity formation that cross across ethnic nationalism. With the rise of al-Shabaab, some supporters espoused ideas of the establishment of a global or regional caliphate. Others insist on a state based on Islam and the Shariah, an idea that is more likely supported by the Somali population. With respect to citizenship, some population groups have been considered second or even third class. Traditionally the agro-

State identity

3

'06 '20 10



1

pastoralist Rahanweyn (Digil and Mirifle) clan groups were looked down upon, but with their successful military formation in the 1990s and their full participation in the federal institutions, they have gained social and political power. Members of most minority groups, especially the so-called Somali Jareer (hard hair) or Bantu and occupational caste groups are discriminated against and treated as second-class citizens.

The provisional constitution of 2012 does not define who qualifies as 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. Since 2006, the concept of the ummah, or supranational community of Muslims, has gained importance. It is unclear though how or whether this affects the situation of minorities.

In the Somaliland Citizenship Law of 2002, patrilineal descent from the clans or people living in Somaliland was reaffirmed as the basis of citizenship. A similar principle of descent from the regionally dominant groups also underpins citizenship in Puntland.

With the collapse of the government in 1991, the state's secular law ceased to function in most areas. Simultaneously, two existing non-state legal systems began to gain prominence: traditional law (xeer) and the Islamic law (Shariah), with the latter growing in influence since 1991. In Somaliland's constitution, as well as in the interim constitution of Puntland and the Transitional Federal Charter, Islamic law forms the base of jurisprudence and the state is supposed to adhere to religious norms. The Transitional Somali Constitution of 2012 prescribes Islamic law as Somalia's legal foundation, stating that all laws must comply with Shariah law and asserting Islam as the only religion of Somalia. The constitution, however, also grants independence to the judiciary. Accordingly, judicial authority is vested in courts, which together with the Constitutional Court, federal government courts and federal member states (regional) courts are supposed to operate on three levels.

The formal court system remains weak, and courts are only available in larger cities. Therefore, Shariah and Xeer are in varying combinations simultaneously practiced across the country. Religious norms exert a strong 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.

Somaliland's constitution allows for legal pluralism and three legal systems, based on Shariah (Islamic law), civil law and customary law, which are applied in various combinations. Islamic courts primarily regulate family issues but have increasingly

No interference of religious dogmas

3

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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 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.

The FGS has made very modest progress in the establishment of administrative institutions and provision of services. Most institutions, including the civil service, are barely functional. Ministers have neither clear terms of reference nor a ministerial apparatus. Fights within the government and parliament causes disruptions: the reporting period saw several attempts to organize impeachments against the president, none of which materialized. Although contested and accompanied by violence, district and regional administrations were successfully established in 2017. In addition to Puntland, four new federal member states (FMS) were established, Galmudug, Jubaland, South-West State and Hirshabelle. Somaliland is considered the sixth member state and is therefore to be represented in the Upper House, although this is rejected by Somaliland.

The establishment of federal structures constitutes clear progress in the rollout of countrywide administrations. The federalization process was, however, accompanied by violence, and the exact delineation of boundaries is yet to be resolved. President Farmaajo has made no progress in consolidating the federal system in his two years in office. The status of the federal member states, as well as the relations between them and with the central institutions, remain unclear. The assemblies of the 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 remaining capacity to administer the territory and people under their control.

Al-Shabaab collects taxes on farms and agricultural products, transiting vehicles, goods and people, and on livestock sales. It has even introduced vehicle registration. Taxation seems systematic, organized, monitored and controlled, at least compared to the FGS and FMS. Al-Shabaab deploys record keeping and receipts to avoid double taxation. However, it also relies on violence and intimidation. Many farmers have lost their livelihood or fled to AMISOM controlled areas when al-Shabaab continued to levy taxes even during droughts.

President Farmaajo has made no improvements to the provision of public goods. Most services such as water, electricity, schooling or health care are privatized and therefore difficult to access for large parts of the population. The establishment of services, especially water, schools and health care, has received international support and some schools and hospitals offer their services free of charge to the population. The government is unable however to offer the most basic service, the provision of

Basic
administration

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security, despite significant external funding and support directed toward the establishment and training of national security forces. Security provision relies primarily on AMISOM, while the state's own security institutions remain ill-managed, characterized by corruption and are regularly involved in human rights violations, including the recruitment of child soldiers.

Weak administrative capacities, the lack of political will and effort, the misuse of resources for private gain, the mismanagement of public funds and corruption continue to hinder the establishment and proper functioning of administrative structures.

Somaliland, in contrast, has established administrative structures throughout its territories, although they are not fully functional and remain contested in the eastern border regions. Elected political decision makers exercise sovereignty in governing their territories, and their decisions are usually implemented. They must however secure the consent of influential clan elders. With international support, the government was able to provide some basic services to its population and made significant improvements in the provision of primary education and basic health care. The capacity of administrative staff, however, remains weak, and many institutions lack adequate resources and equipment.

2 | Political Participation

Somalia is not an electoral democracy. The provisional federal constitution, adopted in 2012, constituted Somalia as multiparty democracy based on the separation of powers. The FGS developed a strategic framework for the democratic transition in 2016. In spite of financial support and pressure from international donors, none of the goals for the transition, most importantly a review of the constitution, were attained. Instead of public elections based on universal suffrage, a system based on a combination of the so-called 4.5 principle and regional electoral colleges was used to select new members of the federal parliament. The 4.5 principles originally determined that the 275 members of the federal parliament were to be selected on the basis of a power-sharing arrangement that provided the four clan-families with an equal number of seats, while minority groups together received half the number of representatives than a clan-family. In the new system, elders from 135 clans and sub-clans nominate 275 electoral colleges, each composed of 51 delegates representing different clan groups. In total, 14,025 delegates elect 275 parliamentarians for the lower house. The election process was marred by massive corruption, payment of bribes to elders and delegates, intimidation of candidates, manipulation of election lists, including the list of elders, vote buying and manipulation of results. The new parliamentarians were sworn in by the chief justice on December 27, 2016 and they elected a speaker on January 9, 2017. Simultaneously, 54 members of the upper house were elected by the assemblies of the federal member states. In February 2017,

Free and fair
elections

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members of the federal parliament elected Mohamed Abdullahi Mohamed “Farmaajo” as president after two rounds of voting. The transfer of power from the incumbent president, Hassan Sheikh, was uneventful. President Farmaajo nominated Hassan Ali Khaire as prime minister, who was confirmed by parliament in early March 2018. He swiftly formed a cabinet.

President Farmaajo, who holds dual Somali and U.S. citizenship, had already served as prime minister during 2010 and 2011. He had a reputation for competence and promised in his presidential campaign to fight corruption and to launch negotiations with al-Shabaab. His first two years in office however have been characterized by modest progress. Preparation for public elections that are scheduled for 2020 have already started, and in February 2018, representatives from the central and regional governments appointed a technical committee to develop an electoral system. A multiparty system based on a closed party list system and proportional representation was suggested, and the national independent electoral commission registered nearly a dozen parties. This is the first time that parties have been registered since 1969, when a military coup ended parliamentary democracy in Somalia.

Three of the FMS organized regional presidential elections in 2018, while elections for the remaining Hirshabelle and Jubaland member states are scheduled for 2019. Presidents of regional states are elected by their respective federal assemblies. Based mainly on clan-representation, many FMS are hampered by internal conflicts and leadership struggles. The 2018 presidential election in Galmudug, for example, followed the resignation of the president in February 2017, shortly after a failed attempt at impeachment. After a number of postponements, the regional assembly eventually elected a president in May 2018. Presidential elections were also organized in the South-West State in December 2018. The former al-Shabaab leader Mukhtar Robow announced his plans to run for election and managed to muster considerable support, but was arrested shortly before the election by the central government. The arrest triggered violent street protests in Baidoa, in which 15 people died. At the end of 2018 there were presidential elections in Puntland, the most consolidated of the FMS. After three rounds of voting, Said Abdullahi Deni secured the majority of votes of the parliament. The transfer of the presidential office was uneventful. The presidential elections in all three FMS were characterized by irregularities and large-scale corruption, most prominently vote buying.

People in regions controlled by al-Shabaab faced a highly authoritarian and repressive form of rule. The Islamist militia aims at controlling all aspects of public and private life and has created a general climate of fear by making continuous threats and enacting harsh punishments.

After two years of delays, Somaliland eventually held presidential elections in November 2017. Muse Bihi Abdi, the candidate of the ruling Peace, Unity and Development Party (Kulmiye) won with a clear (55%) majority. Candidates from the two opposition parties, Waddani and the Party for Justice and Development (UCID)

secured 40% and 4% respectively. The elections were considered reasonably free and fair by international observers, albeit with some irregularities reported. The election results were immediately contested by the main opposition party, but violent street confrontations between supporters of both parties were successfully contained. The election was conducted efficiently and without major interruptions, and in December 2017, Muse Bihi was inaugurated as new president of Somaliland. For the first time in its history, Somaliland has applied biometric eye scanner technology in the election registration and successfully reduced multiple voting, a practice prevalent in previous elections. The coverage of the election was expanded, as at least some urban centers in the contested eastern border regions were able to participate. A larger number of polling stations were established in all districts. In a move to curb violence by avoiding the spread of rumors and propaganda, the government blocked social media sites on the day of the election. The election demonstrates that Somaliland is consolidating its democracy. Parliamentary and local elections are currently scheduled for April 2019, but it is likely that these dates will be rescheduled to a later point in time.

None of the political factions in Somalia exercise sufficient power to effectively govern the country. The FGS has with the support of AMISOM and international donors expanded its territorial control after 2012 but has made no further territorial gains during the reporting period. The capacities of the FGS to govern recaptured territories remain limited. Political infighting, high staff turnover and endemic corruption hamper the ability to develop functioning state institutions. Tensions between President Farmaajo and the speaker of parliament, for example, distracted parliament for weeks and came close to erupting into violence. It only stopped when the speaker resigned in April 2018.

With respect to security, the FGS relies primarily on the support of a 22,000-strong AMISOM force. The establishment of federal member states was an important step toward the rollout of administrative structures across the FGS controlled parts of the Somali state territory. However, the relationship between the central administration and the FGS remains conflictual. President Farmaajo was accused of favoring a central system of government and of undermining power-sharing arrangements. Tensions between the central and federal government rose during 2017.

In Somaliland, the government has increased its sovereignty, and governs and implements policies in most of its territory, excluding the eastern border region and some of the remoter rural areas. Government decisions, however, require the acceptance of powerful clan elders, to ensure they are implemented smoothly.

Effective power to govern

2

'06 '20 10



The provincial federal constitution provides for the right to association and public assembly. Protracted warfare and counter-insurgency measures have, however, seriously affected citizens' freedom of association and peaceful assembly. Civilians bear the brunt of the ongoing conflicts, and the number of civilian casualties and the rates of internal displacement remain high throughout the reporting period. While political associations are not formally restricted in the areas controlled by the FGS, security forces are accused of abusing civilians, and a culture of impunity for these abuses persists. Human right violations, including extrajudicial killings, beatings, harassment and arbitrary arrests continue. Public assembly and protest, while officially permitted, are restricted and can provoke violent state reactions in all Somali regions, including Somaliland.

In areas controlled by al-Shabaab, freedom of association is fully restricted and civil society organizations, aid workers and journalists continue to suffer targeted and indiscriminate attacks. Somalia still ranks as among the most dangerous places in the world for humanitarian workers, and the first six months in 2018 saw 34 attacks on humanitarians. Al-Shabaab additionally poses a large threat to political activists and leaders outside their territory of control. Its violence frequently targets locations where Somalia's political or economic elites meet, such as restaurants or hotels.

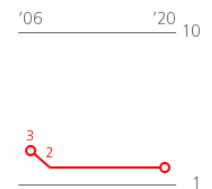
The right to association and assembly is guaranteed in the Somaliland constitution, and is to some extent upheld. Most NGOs and political parties operate without serious interference, but incidences of police harassment have been reported. Governing authorities have at times also resorted to violence against protests and public demonstrations. There are also reports of people being harassed or interrogated by police because they openly criticized the government.

The provincial federal constitution and the constitutions of the FMS provide for freedom of opinion and expression. The freedom of expression is severely restricted in Somalia. Opponents of leading political figures in both the national and regional states are frequently intimidated and in some cases assassinated. Government officials, security personnel and former electoral delegates have all been assassinated in the reporting period.

Somalia experienced the establishment of a broad number of regional media outlets, including newspapers, TV, radio and online media. Some media houses have clear factional links and are partisan, while others appear more independent. Media associations lobby for media rights, freedom of expression, and the improvement of journalism. However, the reporting period saw the approval of control-oriented media laws that hamper the independence of media, as the ministry of information was granted oversight of registration and licensing. A new independent press commission will operate under the control of the ministry. Journalists in Somalia must generally operate in a hostile environment, where intimidation and arbitrary arrests are common. The committee to protect journalists has regularly reported assaults by the FGS and the regional states against journalists during 2017 and 2018. Four journalists were killed in 2017 and 2018, most likely by al-Shabaab. In areas under Al-Shabaab

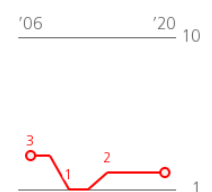
Association / assembly rights

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Freedom of expression

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control, independent media and journalism are prohibited. Al-Shabaab runs its own radio stations that broadcast a mixture of political propaganda and religious sermons. The Islamist militia also targets media workers in areas outside its control and has threatened and harassed them throughout the country. Reporters without Borders ranks Somalia 168 out of 180 countries in terms of press freedom.

Press freedom and freedom of speech are partly limited in Somaliland. While journalists and media houses have always faced intimidation, the space for free expression seems to have been reduced even further since Muse Bihi Abdi was inaugurated as president in December 2017. The ruling party has dealt repressively with the media and has on several occasions closed media stations. In May 2018, two TV stations were closed and two journalists detained after they reported critically on a conflict between Somaliland and Puntland. In June 2018, the privately-owned daily newspaper Wabeeri was suspended over allegations of improper registration. There are a worrying number of arbitrary arrests of public critics and of journalists who report on controversial issues. Journalists and media owners have been jailed ostensibly for publishing false news, for defamation, insults and propaganda against the state, often after covering controversial issues. The convictions were usually in the form of prison sentences that in most cases are converted into fines or prematurely overturned by presidential pardon. An example of the latter is the case of popular poet Naima Ahmed Ibrahim, who was arrested for treason because she used a poem to advocate for Somali unity. Naima Ibrahim was released by a presidential pardon after serving three months in prison. A well-known elder, Boqor Osman Aw-Mohamud “Buur Madow” was arrested in April 2018 and sentenced to one year in prison because he called on the governments of Somaliland and Puntland to withdraw their troops from the Sool region. The same month saw the arrest of the blogger Mohamed Kayse Mohamud who was sentenced to 18 months because he called the Somaliland president in Facebook comments a “local,” not “national,” president. Both were released from prison soon after they paid a fine.

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 seen some progression, and in some cases, there appears to be a clearer division of labor between ministries. However, nepotism, corruption and clan-based decision-making impede these powers from functioning independently. There is no effective judiciary and the legislative functions of the parliament remain weak. Al-Shabaab has established a Shariah-based administration in the areas under its control, where powers are not separated. However, detailed information on al-Shabaab’s organizational and administrative structure is not available, as they operated in a highly secretive manner.

In Somaliland, where there is a much clearer separation of power, the executive tends to influence both the legislative and the judiciary to a great extent.

Separation of powers

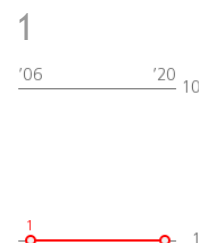
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There is no countrywide rule of law and secular legal institutions are in a nascent stage, understaffed and regularly accused of corruption. Additionally, there is no countrywide agreement over the basic framework, institutional structure and composition of a legal system. Somalia is characterized by legal pluralism, and the formal courts run parallel to two other legal systems: a customary law (xeer) that is negotiated on a case-by-case basis and implemented by elders; and the Islamic Shariah law, which is interpreted differently in different courts and locations. Different versions of Shariah thus exist and there are tensions over the interpretation of the Islamic law. The FGS has put little effort into designing, debating or implementing a legal framework or into providing legal services to its citizens. Court rulings are often not respected, neither by lawmakers nor citizens.

Independent
judiciary



However, in the last decade, consecutive governments have re-established state courts at a district level in Mogadishu and in other cities, although their procedures and frameworks are not yet harmonized. According to a justice and security review by the World Bank, two district courts currently operate in Hirshabelle, six in the South West State, eight in Jubaland, one in Hirshabelle and one in Galmudug. However, many of these courts were only established recently and they currently have limited capacities. The courts are responsible for the provision of criminal and civil jurisdiction. Additionally, there is an appellate court and a supreme court in Mogadishu. Puntland and Somaliland both have their own established court systems. In the context of President Farmaajo's promise to reform the judicial system, Somalia's chief justice in September 2017 suspended 18 judges in Mogadishu as a reaction to public complaints. This was followed by the replacement of the chairman of the Supreme Court in May 2018, again a reaction to public allegations of substantial corruption. While both moves could be interpreted as part of a wider reform process, they have also been criticized as unconstitutional.

Military courts were established under the state of emergency in 2012 and continue to deal with criminal cases. They regularly try civilians, often for offenses related to terrorism. These military courts follow neither basic standards nor due process and are accused of severe human rights violations. Their verdicts often result in long-term sentences or even execution.

The independence of the judicial system is in all regions a serious concern, and generally, people display little trust in the formal legal institutions, which are difficult to access, costly, inefficient and open to political and clan-based manipulations. In some regions, judges have not received a salary, and this may in part explain high and often informal court fees. Legal personnel in all courts lack training. In contrast, Shariah courts, many financed by private business owners, and the legal services provided by al-Shabaab are generally considered more efficient, less corrupt, faster and fairer.

A survey in Mogadishu in 2014 found that only 13% of interviewees trust courts, while 48% would rather rely on customary mechanisms and 29% on religious

mechanisms. The capacity of court personnel is generally low and many judges and prosecutors lack formal qualifications. Newly appointed judges usually do not receive any form of training. Judges regularly seem to base their decision on clan or political considerations and are regularly accused of corruption or misconduct.

Al-Shabaab has established courts in its area of control and follows its own quite strict interpretation of a particular Salafi version of Shariah law. These include enforcement of strict punishments (*hudud*), including amputation of limbs, stoning and executions. Al-Shabaab does not allow the application of customary law. In spite of such harsh punishments, many people, even in areas controlled by the government, prefer the legal services provided by al-Shabaab.

Somaliland's constitution features three legal systems: the civil law, Shariah law and customary law. All are permitted, provided they do not contradict the Shariah. The country has developed a legal infrastructure and a 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, with a Supreme Court, regional appeal courts, regional courts and district courts. However, courts are regularly criticized as dysfunctional, and judges and other personnel in the judiciary lack capacity, and often have no formal qualification. The low number of judges and prosecutors in Somaliland relative to the population leads to very high caseloads, and judiciary processes are rather slow. The judiciary lacks independence from the executive, as judges are often appointed on the basis of clan or political association. The system is also underfunded.

Corruption and the misappropriation of domestic revenue and foreign aid are endemic and continue on a large scale within the federal institutions and beyond. Corruption and misappropriation of public funds were particularly pronounced during the 2016 to 2017 election period, where vote buying, bribery and other forms of corruption and fraud were widespread. President Farmaajo began his term in office in February 2017 with the promise to fight corruption and initiated financial reforms. Reported corruption, nepotism, and misappropriation of public funds nonetheless continue, and are particularly pronounced in the administration of government contracts, citizen registration, and the delivery of visas and passports. Corruption continues to be widespread in the security apparatus. Land and property transfer is another area prone to corruption, especially in larger cities where land and real estate prices are spiking. Land transfers regularly result in forced evictions, which tend to be executed quite violently. Diversion of aid continues to be widespread in Somalia, and a number of "gatekeepers" emerged, offering in return for payment access to vulnerable people, especially internally displaced people (IDPs) living in camps. NGOs often cooperate with local traders and brokers and are accused of taking bribes to provide contracts for the delivery of aid.

There are no accountability mechanisms in place to oversee the conduct of public servants or politicians. Corrupt officials operate with impunity, and while individual

Prosecution of office abuse

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cases of dismissal due to corruption have been known, there are no legal repercussions, regardless of how severe the corruption. The inability of the federal institutions and donors to address endemic corruption hampers the ongoing state-building process, makes institution-building ineffective and undermining citizens' trust in state institutions. The high risk of corruption is particularly evident in the security institutions, where mismanagement of resources and failure to pay salaries has led to severe security risks. Suspicion about mutinies in the Puntland security forces due to outstanding salary payments allegedly led to the illegal printing of currency by the State Bank of Puntland. The misuse of offices and corruption is facilitated by the lack of legal repercussion and the widespread acceptance that holders of public office should benefit financially from their position.

In Somaliland, corruption and nepotism continue to be a serious problem and are often practiced on a clan basis. With the establishment of an anti-corruption commission, institutional improvements were made under the previous presidency of Silanyo, but the commission is presently inefficient. No other institutional safeguards were developed. Concerns about corruption have been raised over contracts the Somaliland government has signed with the United Arab Emirates (UAE), among them a 30-year lease to manage and renew the port in Berbera in 2016, and in 2017 for the construction of a military base at the port.

In Somalia, civil and human rights are regularly and systematically violated. All political actors competing for political and economic power in Somalia have been involved in severe and systematic human rights violations in recent years. Civilians bear the brunt of armed conflicts and indiscriminate attacks. The disproportionate use of force is commonplace in all areas. Violations of human rights, breaches of international humanitarian law, forced displacement and inhibition of the rights of movement are the norm.

The national intelligence organization (NISA) and the Puntland intelligence agency (PIA) have detained children suspected of working with al-Shabaab, employed unlawful methods during investigations, and in some cases tortured children. The state's security forces have been accused of using indiscriminate violence against civilians while fighting over land, during controls at roadblocks, in forced evictions and disarmament operations.

Somalia saw a dramatic rise of forced evictions in urban areas during the reporting period: more than 200,000 people were forcefully evicted in 2018, most of them in Mogadishu where security forces regularly demolish settlements including humanitarian infrastructures.

Al-Shabaab has, in the areas under its control, systematically violated civil rights, while state security forces and affiliated militias have to a lesser extent resorted to arbitrary executions and indiscriminate retaliation attacks. People accused of working

Civil rights

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with al-Shabaab have been arrested and prosecuted without due process, among them many children.

Women and girls in Somalia lack protections and are subject to various forms of gender-based and sexual violence. Domestic violence is rampant in Somalia. Some progress with respect to the protection of women and girls was made with the adoption of the sexual offenses bill by the Somali parliament in May 2018. The bill criminalizes an array of sexual offenses, clarifies responsibilities of police and prosecution, and defines the rights of survivors, among which are privacy in court and the right to medical support.

In areas controlled by al-Shabaab, girls were forcefully married to fighters and offered as a reward for those volunteering to be suicide attackers. Women have been beaten in some regions for leaving their home without being accompanied by a male relative; they have also been beaten for disobeying the strict dress code.

All parties have recruited child soldiers, again with al-Shabaab at the forefront, using aggressive and violent means. Al-Shabaab is thought to systematically kidnap children of minority groups in order to integrate them into their army, and to use violence to press communities and elders to hand over young recruits from their villages and clan groups respectively.

All parties were 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 are working reasonably well. However, in the more remote areas, local authorities, mostly elders, provide legal order. In such contexts, the rights of women, children and local minority groups are frequently neglected or abused. The Somaliland House of Representatives in 2018 passed a progressive rape and sexual offenses bill that outlaws all forms of sexual violence, including forced and child marriage.

4 | Stability of Democratic Institutions

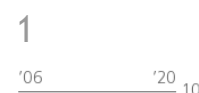
The Federal Government of Somalia features a parliament and president indirectly elected in 2017 by an electoral college. Parliament is somewhat active but frequently lacks a quorum, is plagued by vote-buying and has exerted very little influence over the policies and actions of the president and prime minister.

Performance of democratic institutions



The federal government is publicly committed to democracy but is rather slow in translating this into practice. The indirect electoral model used during the election of the parliament in 2016 is far from democratic. It fosters a politics dominated by clan allegiances, discriminates against minority groups, and primarily serves the interests of the political elite. However, it is also evidence of a first attempt to widen the democratic space, as the selections of political representative were no longer restricted to elders. Another positive sign is the relatively smooth transfer of power to a new president. 2018 saw some modest signs of progress in developing a model for the 2020 elections, drawing on a multiparty electoral system based on proportional representation and a closed party list system. The minister of interior has additionally drafted an electoral law that is currently under review by the government and, if approved, will be laid out for approval by the parliament.

Commitment to democratic institutions



The commitment to democracy in Somaliland is high, but the democratic system remains vulnerable to interference and clan politics.



5 | Political and Social Integration

Somalia has for the first time in 50 years registered political parties. In December 2017, the national independent electoral commission temporarily registered seven political parties that met the requirements for registration, among which were a membership of at least 10,000, a main office in the capital Mogadishu and party branches in at least half of the Somali regions. By mid-2018, the number of registered parties had risen to 12. With party registration, Somalia might have taken a first step in the transition from clan-based political representation toward a multiparty democracy. However, there is no information available on the social basis of the parties, their activity or if they have started to develop party infrastructure.

Party system



The Republic of Somaliland legalized the formation of political associations in 2001. Following local council elections in 2002, three of these associations have been officially registered as political parties. According to the Somaliland constitution,



which aims 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) now chaired by the current president; the Allied People's Democratic Party (UDUB), which ruled the country up to 2010 but was in 2012 replaced by Waddani; and the Justice and Development Party (UCID). These three parties competed in the presidential elections in 2003, 2010 and 2017, and in the parliamentary elections of 2005. A new electoral law in 2011 allowed newly registered associations to compete in municipal elections. In all, seven political groups contested the council elections in 2012, which dictated the three parties that would be allowed to compete in the presidential elections in 2017.

The Somali public is politically weak and fragmented by clan affiliation. Cooperative organizations and interest groups that operate independently of either the clan system or religious affiliation are rare in both Somalia and Somaliland. Social conflicts are mostly perceived and articulated as conflicts between clan groups.

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

Surveys of public attitudes toward a range of issues have been conducted in Somalia, but most are conducted by donor agencies and the results are not made publicly available. One survey conducted in Mogadishu in 2014 found that 92% of those surveyed agreed that local elections are important. Levels of public dissatisfaction are high not with democracy as a concept, but with the manner in which it has been implemented in Somalia. The reliance on a system of indirect elections, and the allocation of seats in parliament along clan lines (consociational democracy, described in Somalia as the "4.5 formula") is deeply unpopular.

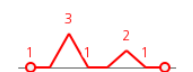
Democratic norms are embedded in traditional models of governance, which reinforces acceptance of democratic ideals within the Somali population. The example of a peaceful democratic transition in Somaliland suggests a general acceptance of democratic principles.

Al-Shabaab, in contrast, is openly anti-democratic and condemns democracy as un-Islamic and Western. It has assassinated dozens of officials and elders who participated in the 2016 to 2017 elections.

Interest groups

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Approval of democracy

n/a

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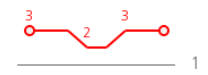
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The formation of social self-help groups and the development of social capital is a prerequisite for survival within the volatile and conflictive sociopolitical context of Somalia. Social capital is often based on kinship lines and is grounded primarily in extended family systems. Membership of 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 networks.

Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

The Somali economy suffers from long-standing violence, from inequitable distribution of resources, and from structural inequalities. With an estimated per capita GDP of \$500, Somalia is among the poorest countries in the world, and 8 in 10 Somalis are estimated to live in severe poverty.

Minority and caste groups have been traditionally excluded from politics and the economy and have been kept in inferior positions, despite their often vital economic role as specialized workers and traders. Women face many barriers to participation in the economy and have rarely owned much capital themselves. These barriers existed up to 1991, despite the contemporary Somali government paying lip-service to social reform and equality. After the collapse of the state, these inequalities and exclusions worsened. Whole population groups, such as Jareer/Somali Bantu and Benadiri minority groups along the southern Somali coast, were forcibly evicted from their homes and land, subjugated to bonded labor and many were killed. While women perform increasingly vital economic roles in Somalia and have become in many cases the family breadwinner, they are largely excluded from political and economic positions.

The last decade saw two famines that caused enormous harm to Somalia's economy, leading to the collapse of agricultural production and resulted in approximately half of Somalia's population facing food insecurity. Droughts are predicted to intensify in the short term and in combination with violence pose an enormous challenge to the socioeconomic development of the country. Droughts contributed to mass displacements and to rapid and unregulated urbanization. They left the country and its people dependent on humanitarian and other international aid. Approximately 14% of the Somali population is internally displaced (IDPs). IDPs living in camps is the most vulnerable population group.

Question

Score

Socioeconomic barriers

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Economic indicators		2015	2016	2017	2018
GDP	\$ M	4049.0	4198.0	4509.0	4721.0
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	14.4	14.3	13.9	14.0
Foreign direct investment	% of GDP	7.5	8.0	8.5	8.7
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	2893.9	2864.5	2958.0	2932.0
Total debt service	\$ M	0.0	0.1	0.0	0.1
Net lending/borrowing	% of GDP	-	-	0.0	-
Tax revenue	% of GDP	-	-	0.0	-
Government consumption	% of GDP	7.9	8.6	11.0	11.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2019): 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, are privatized. Due to minimal regulation of the economy, Somalia serves as a hub for formal and informal trade in the wider region, which led to the growth of a small number of large-scale traders and business organizations, which, often in close cooperation with state actors, control most of the import and export trade. These traders rely on a vast network of medium- and small-scale traders and transporters. The private sector generally tends toward anti-competitive behavior. Larger scale businesses especially try to block competition and oppose formal regulation.

The country is dependent on international aid, which is embedded in the political economy of the country. Tax on trade and extortion at roadblocks provide a key source of income for state and non-state security forces, including al-Shabaab.

In this respect, the charcoal trade has in recent years received international attention. In spite of a ban on charcoal exports by the U.N. Security Council, the trade continues and provides a source of revenue for al-Shabaab, which extracts fees on the major trade routes to the ports of Kismayo and Buur Gaabo. The southern FMS Jubaland also continues to rely on the taxation of the charcoal trade and port fees and has, allegedly with the help of the Kenyan AMISOM forces, taken over the organization of the lucrative export business. Except for Kuwait, none of the charcoal importing Gulf countries implement the ban on Somali charcoal.

Access to regional business opportunities within Somalia is often limited by one's clan identity, sharply reducing open competition or business. Where competition does exist in some sectors, business rivalries have at time been settled through targeted violence.

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

No anti-monopoly policy exists either in Somalia or Somaliland and anti-competitive behavior is common, especially in the southern parts of the country where business owners enjoy close relationships with the political elites and ruling authorities.

In the absence of state regulation, economic actors in Somalia have organized themselves according to kinship relations and partly by religious affiliation, with the so-called majority 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, instead of

Market
organization

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Competition policy

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legal guarantees and general regulations. Membership in Islamic organizations, which promises new business contacts with the Arab world, is of growing importance. Through such organizations, clan membership can be transcended to some degree.

Without adequate access to financial institutions or credit, the Somali economy is primarily driven by consumption and based on remittances from the diaspora and international trade networks that are controlled by a small group of wealthy businessmen. The majority of the population continue to live at the subsistence level and are engaged as petty traders, or small-scale producers of livestock and other agricultural products. Diaspora remittances provide many individuals and families with basic income. They enable large segments of the population to sustain themselves, including covering the costs of basic but privatized services, such as clean water, health care, education and electricity. They also provide significant investment in the building and housing sector and represent a greater amount than international aid flows. The urban economies across Somalia, especially in Mogadishu, show signs of economic recovery, with building booms and supermarkets, restaurants and shops being reopened. However, this has also led to spiking land and real estate prices, and without adequate state regulation there is a serious risk of land grabs by the political and economic elite. Large-scale evictions in Mogadishu and to a lesser extent in cities such as Baidoa and Bosaso are the result of rising prices and point to the growing inequality between rich and poor in Somalia.

International trade is the lifeblood of the Somali economy. The country is largely dependent on imports of basic food items (rice, pasta, sugar, flour, cooking oil), building materials, fuel and electronics. Sugar is the main import product, followed by khat, a mild stimulant, which is predominantly imported from Kenya and Ethiopia. With respect to export, the Somali economy relies on a small number of products, including livestock, charcoal, hides and skins. Livestock exports to Saudi Arabia, United Arab Emirates, Yemen and Oman account for approximately 80% of export earnings, and Somalia has evolved into a trade hub for pastoral products linking Ethiopia, Kenya and Somalia to countries in the Gulf.

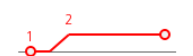
In Somalia, humanitarian aid has also developed into a commodity, with business cartels controlling humanitarian and food aid. There is a rise of gatekeepers facilitating access for international organizations to vulnerable populations, in particular to internally displaced people living in camps.

In Somaliland, domestic and foreign trade is subject to little state regulation. However, there is a close bond between the state elite and economically powerful actors. In the past, affluent individuals who could provide financial support for state-building activities were exempt from taxes.

Liberalization of
foreign trade

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When the state-owned banking system collapsed in 1991, private money transfer companies (Hawala) became the sole financial institutions connecting Somalia with the rest of the world. Diaspora remittances sent through the Hawala network to family members in Somalia are among the primary financial sources of survival for many Somali citizens. Even in areas controlled by Islamist insurgents, remittance companies continue to work. Until 2014, Hawala companies operated under no formal regulations and facilitated financial (including foreign currency) transactions and safe deposits, but did not constitute a capital market. The lack of capacity or the lack of will of the remittance companies to implement monitoring systems and to adhere to international money laundering standards has led to the closure of international accounts of many money transfer companies. For example, 16 out of 35 of these companies had their bank accounts closed in the United Kingdom in recent years.

Since 2014, the FGS has taken important steps to regulate and formalize the financial sector with the support of the World Bank. It has licensed and registered six commercial banks that now operate across the country, and 14 money transfer companies. Three of these financial institutions hold a joint market share of 90%. The World Bank estimates the formal banks are used by only 16% of the population. An important innovation in recent years has been the introduction of mobile banking and money transfer services and thus the shift toward mobile money and digital payments. An estimated 70% of the population uses mobile banking services, as transactions are fast and low cost, and they provide security of payment and savings. Approximately one third of the population hold mobile money accounts. Despite these improvements, the finance sector remains deregulated and insecure, and most financial institutions lack access to global banking or insurance systems. Even the central bank of Somalia relies on money transfer companies to access international payments.

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 FMS Puntland continue to rely on informal banks and the Hawala system.

Banking system

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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. Somalia has an active market for mobile money, and digital money transfers are increasingly replacing the material transfer of currency notes. Mobile banking and money transfer rely on close cooperation between money transfer companies and mobile telephone companies.

Currency transactions are predominantly conducted by local vendors, who set the exchange rate daily on the basis of localized and contingent factors. Somalia lacks any policy to deal with inflation. Without institutional or political precautions to regulate and control the financial sector, the Somali shilling generally remains vulnerable to fluctuations, but has been remarkably stable since 2012 and is currently trading at SOS 23,500 to the dollar. The value of the currency can be affected by illegal printing of currency. The state bank of Puntland, for example, is accused of having printed banknotes allegedly to enable the Puntland government to pay the salaries of its security forces. The circulation of these banknotes led to inflation, which triggered social unrest and in some cases violence.

The central bank of Somalia announced in mid-2018 plans to replace the shilling with a new currency in order to bring counterfeit printing to an end. It has the support of the World Bank but has been advised to further develop 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. Responsible for directing the monetary system and the currency, the central bank lacks trained personnel, experience or market power, which weakens its institutional capacity. Although the central bank's attempts to control the currency market are regarded as ineffective, the Somaliland shilling is reasonably stable and widely used throughout Somaliland. Currency stability has been maintained for the most part by established money exchangers. In the westernmost part of Somaliland that borders Ethiopia, the Ethiopian birr is used as a second currency. The Somali shilling – rather than the Somaliland shilling – is often used in central and eastern regions of Somaliland. All major transactions are made in dollars.

The government has developed a fiscal and debt policy and this has led to increased domestic revenue mobilization. Domestic revenue grew, according to a World Bank report, from \$112.7 million in 2016 to \$142.6 million in 2017, while donor grants have in the same time almost doubled from \$55.3 million to \$103.6 million. However, while some new tax measures were introduced on sales, hotels and telecommunications, the FGS continues to rely primarily on fees and customs that are extracted at transport hubs, especially ports. Spending on security accounts for 90% of total government spending, with little attempt made to introduce economic

Monetary stability



Fiscal stability



regulation or social services. Overall, the government remains unable to regulate the market and continues to struggle with basic fiscal operations.

A major challenge is the need to streamline fiscal operations across the federal member states. So far, no rules or procedures of fiscal federalism have been developed. The government predominantly collects revenue in and around Mogadishu, while the FMS collect taxes in their own areas of jurisdictions. Taxes are not harmonized, and no measures to balance revenue differences between the FMS have been undertaken, as for example the tax income of FMS with their own ports are understandably greater.

In Somaliland, the annual state budget has grown annually and regulatory capacity has improved. In the context of successful reconciliation and state-building, Somaliland has established a revenue system, albeit one that is too highly dependent on fees and customs. It has also managed to provide some services and achieve overall macroeconomic stability.

9 | Private Property

The federal government fails to ensure property rights and political elites are often involved in illegal land transfers. Land conflicts are prevalent all over Somalia and are frequently a major cause of conflicts in cities.

Somalis from the diaspora and local political and economic elites are purchasing land, especially in Mogadishu as well as other cities, despite the lack of a functioning land registry. Most of the land and buildings in Mogadishu have at some point been forcefully occupied by militias. Protection of individual and collective ownership of land and other property depends primarily on clan support and/or the military might of related factions. With ongoing urbanization, partly caused by migration of the forcefully displaced, and with increasing investments from the diaspora in cities, urban land has become highly sought after and land prices are steadily on the rise. The political and military elites are regularly involved in grabs of public and private land and have in many cases issued forced evictions of vulnerable populations from informal settlements and camps. Evictions of IDPs and the urban poor by both government and private actors were the main cause for displacement in 2015 and 2016. Forced evictions of IDPs occurred throughout 2017 and 2018. Around 122,000 people were forcefully evicted in Somalia in 2017, the overwhelming majority in Mogadishu, with a sizeable large number in Baidoa. This number almost doubled to 204,000 people who were evicted in the first half of 2018. Evictions continue to be reported in Mogadishu, Baidoa, Bosaso and Galkayo.

Property rights

1

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Members of the army and collaborating militia were also accused of forcefully expropriating properties, especially targeting members of minority groups that do not enjoy the protection of a clan.

Private property is to some extent protected in Somaliland, and land that was grabbed during the war was returned following negotiations between elders. A land registry exists, but lacks equipment and appropriate technology, and suffers from insufficient numbers of staff who lack adequate training. Allegations of large-scale and small-scale urban land grabbing by politico-economic elites and illegal enclosures in the countryside continue to be reported. The rural enclosures are a source of conflict with nomadic pastoralists who rely on accessible grazing zones.

All economic enterprise in Somalia is private. While security for enterprises was enhanced to some extent in government/AMISOM controlled areas, the threat of violence remains very real. No legal safeguards exist apart from clan arrangements, and businesses continue to hire their own armed security.

The government recognizes the centrality of private enterprise to the national economy but does almost nothing to facilitate or regulate it, and in cases where it has tried to introduce regulation this has been fiercely opposed by the private sector.

In Somaliland, private enterprise is viewed as the primary engine of economic activity, and only the port of Berbera and airports are state-owned.

Private enterprise

3

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10 | Welfare Regime

No public welfare system exists in Somalia. Welfare is either provided by Islamic charities, through clan membership or through the work of NGOs. With the collapse of state-run social services, services including health care, housing, employment or poverty alleviation became “privatized.” The main social safety nets that exist are offered by extended families and clans. Remittances from Somalis 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. The majority of the population survives at a basic subsistence level, and such funds are not able to compensate for the enormous destruction caused during each new phase of the war or during recurrent droughts. Among the most vulnerable population groups are minorities and internally displaced people who often have no access to basic services and live in dire poverty.

Social safety nets

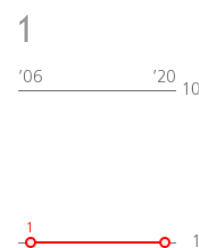
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In Somalia, there is no substantive equality of opportunity. Gender discrimination is widespread in the clan-based and patriarchal social environment. Girls are subject to parental restrictions on education. Only 30% to 40% of children enroll at primary education level, with significantly fewer girls than boys. Many students fail to finish their schooling. The general percentage of enrollment falls further and the gender disparity rises in secondary and tertiary education respectively. Social minorities often lack access to opportunities and services and are discriminated against in many aspects of their social and economic life. Living conditions for the large numbers of IDPs in Somalia are catastrophic, and there are no 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, but also on their location, as there are more schools in urban areas and in the northern parts of the country.

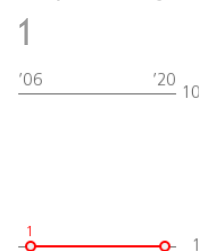
Equal opportunity



11 | Economic Performance

The real output strength of the Somali economy is difficult to examine, as there are few reliable economic data available. In October 2015, the World Bank started to publish assessments of economic trends in Somali and data collection has improved over the years. However, the informal nature of the economy and the lack of access to many locations makes a reliable assessment impossible. The World Bank estimates that real GDP has grown by a yearly average of 2.5% between 2013 and 2017, lower than the estimated population growth of 2.9%. With a per capita income of approximately \$500, Somalia is significantly below the average per capita income of other low-income countries.

Output strength



The economy is characterized by high levels of inequality and poverty, huge unemployment and a lack of infrastructure. There is no regulation in place and, while the economy is privatized, anti-competitive behavior and monopolistic tendencies are common. Livestock and trade are the main contributors to GDP, with livestock accounting for approximately 60%, followed by services and agricultural activities. Consecutive droughts resulted in huge losses to the livestock and agricultural sectors. Economic growth in the near future will depend mainly on service industries, especially transport, telecommunications and trade.

The economic structure of Somaliland does not differ significantly from Somalia. The World Bank's assessments of Somalia usually do not include Somaliland. In 2015, the World Bank estimated Somaliland's GDP at \$1.9 billion. Here too livestock and services are the main drivers of GDP, while the economy more broadly is driven by consumption and dependent on imports.

12 | Sustainability

Environmental concerns are entirely subordinated to profit and short-term benefits. There is no environment framework or strategy. The charcoal business in southern Somalia provides a striking example. Trees are cut and burned for charcoal export, which facilitates desertification and the destruction of valuable grazing zones and fertile soil for agricultural needs. While export of charcoal from Somalia was banned by the U.N. Security Council and by the Somali Government in 2012 due to its disastrous effects on the environment and its importance to al-Shabaab funding, this trade continues. The FGS is unable to implement the ban, and even its allies, prominent among them the Jubaland authorities, continue to violate it.

Furthermore, foreign companies have disposed of toxic waste and are engaged in uncontrolled fishing along Somalia's shores; the damage resulting from this has yet to be assessed. Natural resources, from land or water to recently identified oil reserves provide a source for ongoing conflicts that frequently lead to violence.

Somaliland has a ministry of environment, but it does not have the necessary means and appears to also lack the will to provide effective environmental protection or to monitor environmentally sustainable economic growth. Like in the southern parts of the country, the detection of oil wealth in eastern Somaliland has led to conflict between local forces and the central government.

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, mainly with financial support from international organizations. The United Nations Population Fund in 2016 published a census report that found the adult literacy rate in Somalia to be 40%. The country has amongst the lowest levels of adult literacy in the world. Literacy is also unequally spread, rising to nearly 65% in urban areas, and sinking to just 27.5% in rural ones. The lowest literacy rates are reported for the nomadic population (12.1%). Unsurprisingly, literacy rates are higher in the north and lower in the war-torn regions of south and central Somalia. The primary barriers to education in these zones are the lack of safe spaces for learning (security) and in sufficient numbers of teachers (both qualified and unqualified).

Literacy rates also depend largely on wealth, and poorer population groups cannot afford to pay for education. The current primary school enrollment rate reaches only 36%, with a bias in favor of the education of boys.

Environmental
policy

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Education policy /
R&D

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In Somaliland, with peace and political stability established since 1997, educational and training services have demonstrated improvement. These services are based on the cooperation of state organs with local communities and external donors, including the diaspora. The private education sector is booming and several universities and colleges provide higher education throughout Somaliland. In Puntland and in parts of southern Somalia, particularly in Mogadishu, education up to the tertiary level is booming. Still, curricula vary and resources and equipment are often scarce.

Governance

I. Level of Difficulty

Somalia is in the act of state-building. Implementing a nationwide system of governance remains very challenging despite increased donor support since 2012. The structural constraints for the government remain exceptionally high after two decades of poor state apparatus and ongoing violent conflicts. The physical and social infrastructure was destroyed during the war, and the government must entirely rebuild institutions. The continuing al-Shabaab insurgency, regular attacks, violent conflicts, recurrent droughts and humanitarian emergencies place severe constraints on any form of political regulation and management. The ruling elites themselves are shaped by the war, and their government capacities are weak. The government must overcome a tremendous lack of human capacities while still managing the few accessible resources at its disposal. While some progress was made during the reporting period, it remains modest and parochial interests continue to dominate politics.

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

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 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. After the withdrawal of al-Shabaab from most urban areas, many NGOs have resumed activities. There are also a healthy number of professional associations, unions and guilds that represent the interests of professions, such as the national union of Somali journalists, business associations and women business

Structural
constraints

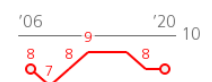
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Civil society
traditions

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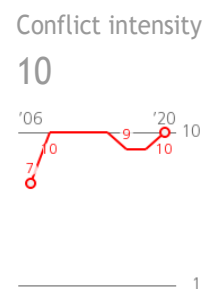
associations. Generally speaking, however, the power of civil society and its oversight of the government remains weak.

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

Somalia is in the midst of an Islamist insurgency, although al-Shabaab has steadily lost territory since 2011 and has withdrawn from major urban centers. During 2017 and 2018, it increased its terror attacks against civilians and government installations. It continued with attacks on the military bases of AMISOM and the Kenyan defense forces and is responsible for assassinations of government officials, civil servants, human right defenders and journalists. Al-Shabaab poses a significant threat to any attempts toward peace- and state-building in Somalia and threatens the security of the wider region. The long-lasting war has deepened social cleavages, and regular clashes between clan militias - although often localized and short - are the violent expressions of ongoing conflicts over power and resources. Government forces continued to threaten civilians, and government units have been reported to take sides in clan conflicts and in conflicts that accompanied the federal election and the wider federalization process.

Al-Shabaab remains responsible for the greatest number of civilian fatalities, but all sides in the conflict have violated international humanitarian law and human rights, including the killing of civilians, gender-based violence and rape, forced evictions, public harassment, illegal arrests and executions. President Farmaajo entered into office with the promise to foster dialog with al-Shabaab and after his inauguration promised amnesty to defectors. So far, the government and the political elites more generally have not managed to foster dialog and have failed to initiate a nationwide reconciliation process.

In the contested eastern border regions of Somaliland and Puntland, conflicts intensified during the reporting period. The border region saw a number of clashes between local clan militias, and it is not always clear whether they were aligned to Somaliland or Puntland or acted independently. These conflicts, however, remained low level and were eventually contained through mediation by community elders. Somaliland and Puntland were in contrast engaged in heavy fighting after Somaliland forced Puntland police units out of the city of Tukaraq in the contested border region of Sool in January 2018. Puntland operates a tax station in the city and mobilized its military in an attempt to recapture the town, but failed. Although Puntland failed to retake control of the city, clashes between its military and that of Somaliland continued for two months. This led to dozens of casualties and displaced, according to different reports between 3,000 and 12,000 people. Troops of both states are currently at a standoff, and mediation attempts have so far failed.



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, and the FGS has made some progress toward developing policy frameworks and strategic action plans. A transition plan for security was developed. Additionally, a national development plan (2017-19) defines key priorities in economic affairs, institution-building, social development, infrastructure development and resilience. The latter emphasizes the need to integrate displaced population groups and sustainable environmental management. Other key plans are the public finance management plan, the education sector strategic plan and the drought impact needs assessment (DINA), which was followed by a recovery and resilience framework (RRF). The government performs poorly in terms of policy implementation and its steering capability is limited.

Somaliland has presented its own national development plan (2017-2021). The steering capability of the political leadership in Somaliland is also weak, and it has fallen short in implementing reforms to the civil service and the education sector. Generally, politics is deeply clan-driven, and leaders act rather ad-hoc and without coherent political concepts.

There has been limited progress in policy implementation, in institution- and state-building, in forming cohesive policies and in supporting the implementation of strategic plans. The reform of the security sector stalled despite considerable international support, and the constitutional review is progressing slowly if at all. There is no joint understanding between the federal and member states that would allow for a countrywide rollout of reforms, or at least in territories not under control of al-Shabaab. Initial steps toward the holding the next set of public elections have been taken, but already the current 2020 date looks unfeasible.

The FGS has made some modest improvements with respect to policy learning and has started to implement some reforms, albeit at a very slow pace. With the high turnover of staff and lack of regulations, protocols and procedures, and within the context of a highly fragmented political culture, the scope for policy learning remains limited. The leadership has not yet started to undertake reforms in key priority areas, among them the promotion of accountable security institutions and the establishment of a power- and resource-sharing mechanism with the federal administrations. Only

Question
Score

Prioritization

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Implementation

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Policy learning

2

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the implementation of these reforms can demonstrate whether the executive is able to learn from the failures of its predecessors.

Individuals within the government sometimes form “clusters of competence” and demonstrate a genuine desire to learn and adapt policies, but very high turnover rates erode institutional memory.

15 | Resource Efficiency

The FGS has neither the technical ability nor the territorial control necessary to establish a nationwide tax collection system. However, the mobilization of revenue increased, and budgets have become more realistic according to an assessment by the World Bank in 2017.

There is no system in place to balance revenue differences of member states within Somalia, and while some accountability systems for expenditures have been formally established, they are not yet functioning.

Members of the executive and parliament are regularly accused of corruption and the misuse of public and foreign funds. The FGS, in spite of quite modest improvements, was unable to develop an administrative infrastructure or to implement strategies and policies. Relying mainly on money raised from port taxes and fees, the FGS cannot meet basic government operations with its revenues, including salaries of civil servants. Instead, it depends on external grants to cover basic expenditures, and up to 90% of the state’s budget is spent on security, leaving little remaining for the provision of services or economic regulation.

Like Somalia, the Somaliland government’s revenues are drawn primarily from foreign trade and livestock. Despite Somaliland’s revenues increasing over recent years, it still has among the lowest tax to GDP ratios in the world.

Policy Coordination remains very weak. Competition between ministries and between federal states and the central state hampers institution-building. The cohesion of the political elite remains weak. Politicians pursue clan and personal interests and seem more interested in amassing political resources than in achieving common goals. Corruption remains endemic and conflicts between the central and federal institutions continue to characterize politics.

The government of Somaliland has a considerably better track record than Somalia of coordinating conflicting objectives and negotiating policies with various political stakeholders, including clans and their traditional leaders.

Efficient use of assets

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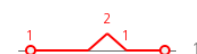
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Policy coordination

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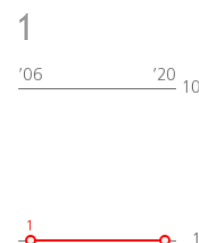
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Somalia continues to be ranked as among the most corrupt countries in the world. An anti-corruption framework exists, but is yet to be implemented. There are no measures in place to enhance the accountability and transparency of public transactions. Without progress at the systemic level and with a culture of impunity for corruption, individual ministers and public servants are unable to address the problem. The elections at both the central and the federal level were accompanied by massive irregularities. Public contracts are provided in a non-transparent manner and bribes are common. The regular misappropriation of public land, land grabs by elites, evictions of vulnerable population groups and the diversion of aid all provide examples of the endemic nature of corruption in Somalia.

Somaliland showed some attempts in fighting corruption but has yet to establish regulatory and monitoring mechanisms or vetting procedures for public officials.

Anti-corruption
policy



16 | Consensus-Building

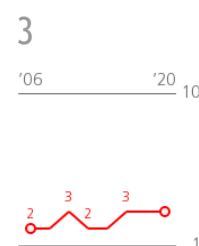
The main political actors in the central and federal institutions seem to be in agreement with the broad goal of building a market-based democracy. This is reflected in the country's constitution. However, the transition toward this stated goal has been slow. While some initial steps were undertaken after President Farmaajo took office in 2017, relations between the federal member states and the FGS remain conflictive. The complex and at times strained relations hamper steps toward democratic transition or even basic nation-building. There is a general agreement on democracy, but no consensus on the particular system of representation that would institutionalize democracy.

The Islamist opposition forces are anti-democratic and aim to establish an Islamist caliphate, either with undefined borders or comprising Somalia, Somaliland and all parts of 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 to achieving these. The Somaliland democracy has held three presidential elections and the transition of power to new leaders has occurred relatively peacefully. Tensions and cleavages, however, remain, and consensus-building is based more on lengthy 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.

Consensus on goals

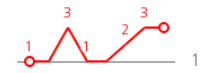


The main anti-democratic actor is the Islamist militia al-Shabaab. Despite losing territory, influence and legitimacy, al-Shabaab is still very active in Somalia and the wider region and still enjoys significant support. Security remains unstable and the Islamist militia has increased its attacks in urban areas, especially in Mogadishu. It therefore continues to pose a serious threat to further reconstruction.

Anti-democratic actors

3

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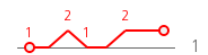
In general, multiparty democracy has no history in Somalia, but the “traditional” system of clan-based negotiations and joint decision-making, albeit only among men, provides a set of democratic values that can support the transition toward democracy.

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. The political leadership tends to opt for a militarized solution when dealing with al-Shabaab and seems inclined to also deploy violence against internal opposition.

Cleavage / conflict management

2

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The fragile elite compact that first emerged out of the talks to form a transitional government in 2004 is under mounting strain, especially over the division of spoils associated with the 4.5 formula and federalism.

Even Somaliland, which in the 1990s underwent a relatively successful reconciliation process that established power-sharing principles, shows a tendency toward military solutions, especially when dealing with the dissident factions in the east of the country. This fuels the perception that the state is centralized in the hands of certain clan groups while others are marginalized.

The scope for civil society participation in the political process is narrow. The FGS has not established an outreach strategy to include civil society. Critical voices of civil society organizations or the media have often been threatened and silenced.

Civil society participation

2

'06 '20 10



Political decisions are usually not based on broad consultation processes, although the clan structure of politics and the political cleavages between regions - some of them again clan-based - require consultation with community elders. These arguably function as a form of citizen participation.

In Somaliland, civil society participates actively in political life. There are however indications that dissent and critical voices are increasingly silenced, especially with respect to topics concerning the relationship with Somalia.

None of the political actors in southern and central Somalia has so far engaged in a broader reconciliation process. However, consultation at the state and regional level for the development of a reconciliation strategy have been ongoing and the strategy is currently under development. So far, tensions between central and federal institutions, the ongoing clan conflicts in southern and central Somalia, and the lack of a strategy on how to negotiate with al-Shabaab indicate an inability of the FGS and the interim regional administrations to foster reconciliation. Despite the election promises of President Farmaajo to negotiate with al-Shabaab, the government continues to prioritize a military approach, which is supported by its international partners. While this approach has been relatively successful in recovering territory from al-Shabaab, it has contributed little impact to peacebuilding efforts in the country.

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 borderlands.

17 | International Cooperation

The Somali state depends to a great extent on foreign aid and foreign military protection. The official development assistance (ODA) for Somalia totaled \$1.75 billion in 2017. Humanitarian and development aid flows to Somalia increased over the reporting period. Humanitarian aid represented 67% of the total ODA in 2017. With an ODA to GDP ratio of 26%, Somalia remains highly aid dependent.

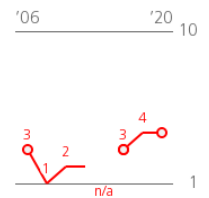
Somalia is supported by the United Nations, notably the United Nations Assistance Mission in Somalia (UNSAM), and the African Union (AU), the former steering the political transition, the latter mainly performing a military role, deploying troops of member states to AMISOM. Despite the government's dependence on this external support, relations with external actors have at times been strained, as for example when the government declared the new U.N. Special Representative persona non grata in late 2018.

AMISOM is an exemplary case of international cooperation in military interventions. African countries deploy troops to AMISOM, the European Union and other stakeholders pay the salary of the troops, while the United Nations are responsible for equipment and logistics. Single countries, such as the United States or the United Kingdom, provide additional support in terms of finances, logistics and training. AMISOM costs approximately GBP 1 billion per year.

Key international actors, notably the United Kingdom, the United States, the EU and Germany are engaged in other support mechanisms that support stabilization, state-building and development in addition to the provision of humanitarian aid to Somalia.

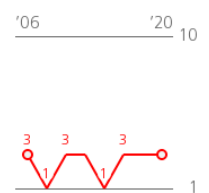
Reconciliation

4



Effective use of support

3



Most of their support goes toward fighting terrorism. The United States has trained the SNA and regional forces fighting al-Shabaab and built counter-terrorism capacities within Somali security forces and security forces in neighboring states. It has also carried out its own military strikes with the aim to kill or capture al-Shabaab leaders. Its operations against al-Shabaab have steadily increased since 2016. In addition, it is estimated that the United States has deployed approximately 50 military personnel and 500 advisers in Somalia. The EU also continues its military activities. Somali security forces are supported through the EU's military training mission (EUTM). The EU naval force (EUNAVFOR) is deployed to fight piracy, and EUCAP Somalia (previously EUCAP Nestor) aims at improving regional maritime security.

With respect to non-military aid, international cooperation is embedded in the “New Partnership for Somalia (NPS)” that was endorsed at the 2017 London Conference. The NPS complements the “Somali New Deal Compact” that has provided the framework for the engagement of international actors in Somalia since 2013. Saudi Arabia and Turkey are also increasingly important development actors. Besides governmental organizations, secular and faith-based Turkish NGOs are active in Somalia. They provide humanitarian aid, political support and engage in reconstruction activities, among them infrastructure development. Some Gulf states, primarily the United Arab Emirates (UAE), were increasing their military and political support to Somalia until 2017. During 2017 and 2018, however, Somalia was drawn into the conflict between the UAE and Qatar. President Farmaajo proclaimed Somalia's neutrality in the Gulf conflict, while some of the FMS openly took the side of the UAE. After tensions escalated, the UAE and its main ally Saudi Arabia withdrew their financial and military assistance to the FGS.

The political elite has used international support to initiate state-building, to develop capacities, and has to some extent improved expenditure reporting. However, the government is also regularly accused of mismanaging and embezzling funds and continues to use funds in a non-transparent manner, especially with respect to the provision of contracts. It has created a development plan, but it remains to be seen if and how the plan will be implemented.

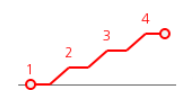
2018 saw fewer reports on the embezzlement of international funds. Whether this indicates a general decline in corrupt practices cannot be determined. Corruption, however, remains endemic and donors support initiatives that enhance transparency and improve accounting. The overall credibility of the Somali institutions from the perspective of international partners as much as from the Somali citizens is low. However, international support for these institutions continues, as there is no viable alternative. There has been some, albeit quite modest, progress made with respect to reporting and oversight of public expenditure.

The government's occasionally hostile attitude toward external actors and its preoccupation with undermining rivals may weaken external confidence in the leadership as a partner.

Credibility

4

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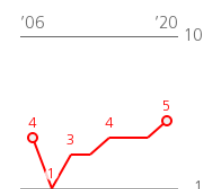
Regional actors remain among the key players in Somalia. Ethiopia, Kenya, Djibouti, Uganda and Burundi deploy troops to AMISOM. Ethiopia and Kenya have, since their military intervention into Somalia in 2006 and 2011 respectively, gained influence in Somali politics. Kenya has established strong relations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

Two key regional developments, the Gulf rivalry and the change of leadership in Ethiopia, have influenced regional dynamics during the reporting period. The conflict between the United Arab Emirates and Qatar, the former aligned with Saudi Arabia, the latter supported by Turkey, have exacerbated divisions in Somalia. These four states have in recent years expanded their influence in Somalia and exported their rivalry to the country. DP World, a UAE state-owned company, received a 30-year contract from Somaliland in 2016 to develop the port in Berbera. In 2017, Somaliland agreed to the construction of a naval base in Berbera by the UAE. There were widespread allegations that both agreements involved bribes to state officials and elders. DP World also received a contract to develop the port in Bosaso in Puntland. In April 2018, Somali security forces confiscated \$9.6 million from a private Emirati airplane in Mogadishu, money that according to the UAE was sent to support the Somali army. Mogadishu, however, insisted on the suspicious character of the money, implying that it was to be used as a bribe. The UAE and Saudi Arabia reacted by stopping their budgetary support for the government, and the UAE ended its military training program, closing its training facility and its hospital in Mogadishu. The retreat of both states, however, drove the FGS closer to Qatar, which continues to support the government financially.

The election of Prime Minister Abiy Ahmed in Ethiopia caused a stir in the Horn of Africa and the wider region. Ethiopia's rapprochement with Eritrea ended the rivalry of both states in Somalia, although Eritrea had already stopped the support it gave to violent factions. Prime Minister Abiy and President Farmaajo have exchanged visits, agreed to foster regional and economic cooperation and have signed an agreement to jointly invest in four seaports and to improve the road and transport network between the two countries. Closer economic and political cooperation between the two countries creates new economic opportunities for Somalia, but also has its own risks, as Ethiopia continues to strive for political dominance in the Horn and beyond. The dramatic improvements in relations with Ethiopia are based solely on personal relations between the two heads of state and may not endure, but in the short term have reshaped regional politics. Relations have not, however, improved with neighboring Kenya.

Regional cooperation

5



Strategic Outlook

Overall reforms have moved at a slow pace. In the context of AMISOM's plan to withdraw troops and hand security provision to Somalia's own security forces, the government needs to speedily initiate its security sector reform and to consolidate its federal structure. The national security architecture specifies four main security institutions: military, police, intelligence and prison forces. It requires the integration of regional and clan militias into a national army under the authority of the FGS but under civilian management and with oversight provided by the independent national security commission. It also specifies the establishment of institutions responsible for investigating abuses by the forces. Somalia must develop capable and legitimate security forces that are able to provide security for and offer protection to the population.

With respect to al-Shabaab, a parallel approach of negotiations combined with a new military offensive, if possible, with the significant involvement of Somali forces, has increasingly been proposed as part of a long-term solution. Counter-insurgency operations currently appear to be designed to weaken Al-Shabaab to a point where the group is amenable to a negotiated settlement. The government should provide further incentives for al-Shabaab operatives to defect and draw up plans for their reintegration into the Somali society. Simultaneously, Somalia must implement a broad-based reconciliation process that provides peace dividends and development options for the impoverished population. Reducing local grievances will be the most powerful way to erode the tactical support that communities provide to Al-Shabaab.

Among the most urgently needed reforms is the establishment of a power-sharing mechanism with the federal member states. Tasks and responsibilities must be specified, and power- and resource-sharing mechanisms should be put in place between the FMS and the central government.

Among the greatest challenges facing the country however is the need to address infighting among the political elites and to curb corruption, misuse of offices and mismanagement of public resources. To date, strategies to address corruption were only half-heartedly implemented, if at all. The ongoing power struggles in the central and federal leadership diminish the trust of the population in the state institutions. Without agreement by the political elites on the future of the Somali Republic, the long-term stabilization of the country remains in jeopardy. The finalization of the constitution, the delivery of basic services (including security) to the population, and a broad-based reconciliation initiative are crucial building steps for peace in Somalia.