This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at [http://www.bti-project.org](http://www.bti-project.org).


This work is licensed under a [Creative Commons Attribution 4.0 International License](http://creativecommons.org/licenses/by/4.0/).
## Key Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Unit</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.5</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Pop. growth¹</td>
<td>2.4</td>
<td>% p.a.</td>
<td></td>
</tr>
<tr>
<td>Life expectancy</td>
<td>55.0</td>
<td>years</td>
<td></td>
</tr>
<tr>
<td>Urban population</td>
<td>39.1</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>HDI</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDI rank of 187</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UN Education Index</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender inequality²</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP p.c., PPP $</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gini Index</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty³ %</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid per capita $</td>
<td>96.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.10 a day at 2011 international prices.

## Executive Summary

In the last two years, the Federal Government of Somalia (FGS), with the support of the African Union Mission to Somalia (AMISOM), continued to gain territory and to push back the Islamist militia, Harakat al-Shabaab al-Mujahedeed (al-Shabaab). However, the success of the FGS with respect to peace- and state-building has been rather modest. Political infighting between the president and prime minister led to the resignation of two prime ministers and, as a result, the nomination of three cabinets in the last two years. All the while, corruption continued unabated.

The FGS initiated a process to establish federal states, which exacerbated local clan tensions and initiated a series of violent conflicts in different parts of the country. The federalization process has triggered political battles among local strongmen and mobilized their clan groups. Instead of using the federalization process as an opportunity to carry out local consultations and to initiate broader reconciliation processes, the FGS seems to be making ad-hoc decisions, and to be guided by an overriding aim to consolidate its central power vis-à-vis the regional entities. The military success of the FGS against Al-Shabaab in Mogadishu has led to the return of many Somalis from the diaspora and to new investors, including Turkey, becoming active in the country. The Mogadishu economy has started to grow, which is most visible in its construction boom. However, the market is not regulated and the country’s economic recovery is not without conflict; in particular, urban land conflicts are increasing.

While security in Mogadishu has been enhanced, Al-Shabaab is continuing its military attacks against the FGS and its national and international supporters. In September 2014, the main leader of Al-Shabaab was killed in a US drone strike. The organization continues to pose an enormous security threat to peace- and state-building initiatives in Somalia and in the surrounding region.

The territorial dispute between Somaliland, Puntland and Khaatuumo, which was newly declared a state in 2012, continued in the reporting period and led to a series of clashes between forces of all three entities. The first countrywide local council elections in Puntland were scheduled for July
2013, but were suspended due to violence. A new parliament was selected in Puntland, which elected the president in January 2014.

The EU and UN continued their financial and technical support for the federal government and, with the so-called New Deal, have agreed to a new form of donor engagement.

History and Characteristics of Transformation

With the complete collapse of state institutions in 1991, Somalia represents one of the most protracted cases of statelessness. While the central and southern parts of the county are since 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 its basic state structures. Although the new country has developed a modest capacity to govern and has continued along a path to full democratic transformation, it has not yet gained international recognition. In August 1998, Puntland was established as a semi-autonomous regional state in Somalia’s northeast. Puntland has established structures of governance but does not strive for independence and is part of the Federal Republic of Somalia. As this report examines the developments in Somaliland separately from those of the Federal Republic of Somalia, its ranking will reflect this separation.

In central and southern Somalia, localized processes of political reconstruction after 1995 have led to increased security and modest economic growth until 2006. 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 (TFP) and Transitional Federal Government (TFG). Their relocation from Kenya to Somalia in mid-2005 dramatically changed the dynamics of Somali politics due to the influx of a well-organized Islamist movement, the Union of Islamic Courts (UIC), US intelligence and the Ethiopian army, which was later joined by other armies from the region.

After the UIC ousted a group of Mogadishu-based warlords, most of them aligned with the TFG and were supported by US counterterrorist activities, and between June and December 2006 expanded their rule throughout southern and central Somalia. The Ethiopian military then intervened on the side of the TFG and defeated the UIC within a few weeks, enabling the TFG to establish itself in Mogadishu. The TFG was also supported by a small contingent of forces from the African Union Mission to Somalia (AMISOM), which was authorized by the UN Security Council in February 2007.

The combined TFG, Ethiopian and AMISOM forces were soon involved in a complex Islamist insurgency, spearheaded by the Harakat al-Shabaab al-Mujahedeed (Al-Shabaab). Although peace negotiations led to the inclusion of moderate Islamist forces into the TFG, the withdrawal of Ethiopian forces from Somalia in January 2009 and the election of President Sheikh Sharif, a moderate Islamist, Al-Shabaab continued its fight. By mid-2010, Al-Shabaab controlled vast parts
of central and southern Somalia and started to build up administrative structures. Their success did not last. AMISOM grew steadily, reaching its original goal of 8,000 soldiers by 2011, and, beginning in October 2011, was also supported by the Kenyan military, which invaded southern Somalia, joined AMISOM and re-introduced Ethiopian forces in the fight against Al-Shabaab. Since 2012, Al-Shabaab has successively lost control over major towns in south and central Somalia to the allied international and national forces, and withdrawn to rural areas, from where it has returned to guerilla-style warfare.

In August 2012, the interim period of the TFG ended. Supported by the UN and international donors, a federal parliament was selected, which in turn elected Sharif Hassan president in January 2013. For the first time since 1991, Somalia finally had a government that enjoyed broad international support. The Federal Government of Somalia (FGS) successfully continued the war against Al-Shabaab, with the support of more than 22,000 forces from six African counties.

The decades of war in Somalia have cost the lives of thousands and displaced hundreds of thousands more. All fighting forces in Somalia, including AMISOM, were involved in severe human rights violations over the course of the war.

The collapse of the state and the subsequent disarray of its formerly centrally planned economy have led to the radical privatization of economic activities. In the mid-1990s, the economy, especially international trade and local services, started 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 act in close cooperation with powerful militia leaders. While little is known about commercial activities under Al-Shabaab rule, the intensified war after 2009 in combination with a drought severely affected trade and business in southern and central Somalia. In the territories recaptured from Al-Shabaab after 2012, and especially in the urban centers, commercial activities again started to grow. However, business is neither regulated nor managed, and many economic activities continue to be driven by the goal of achieving short-term profits.

While the central and southern regions of Somalia were engaged in war, the Republic of Somaliland continued its path toward state-building and democratization. Independence was confirmed during a public referendum in 2001, which was followed by district elections in 2002, presidential elections in 2003 and parliamentary elections in 2005. As a result of the second presidential elections in June 2010, an opposition party took over the executive branch. The fact that the election as well as the transfer of power went peacefully indicated the consolidation of democratic rules in Somaliland. However, the second district elections were held in 2012 and the allegation of election fraud led to a series of violent demonstrations throughout the country.

Puntland continued to increase its capacity to govern. As the “oldest” and most stable federal entity of Somalia, the Puntland government became an important player in Somali national politics and aimed at increasing its political influence, at times by supporting conflicting political actors in the south. The eastern regions of Sool, Sanaag and Cayn are contested between Somaliland and Puntland; the Somaliland elections did not cover these regions. Since 2012, a new actor has
emerged in the region, claiming the independence of the Khaatumo State in parts of contested region.

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. Not officially recognized as a state, Somaliland receives only limited aid from OECD countries, which arrives primarily in the form of assistance from non-governmental organizations and multilateral aid. 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 is a country without a state since 1991, when the already weak monopoly on the use of force collapsed. Al-Shabaab has since been the only actor that controlled and administered larger territories within Somalia for a longer period (2009-12). After coming under increasing military pressure and deciding to “strategically withdraw” from Mogadishu in September 2011 and subsequently from most urban areas in south central Somalia, Al-Shabaab returned to guerilla-type warfare. The UN Security Council arms embargo against Somalia was partly lifted to allow the re-establishment of Somali security forces, in particular an army and police force. Now supported by 22,000 AMISOM forces from six African countries, the Somali National Army (SNA) has successfully launched military operations against the Islamist organization and recaptured territory, including a number of major towns during 2013 and 2014. Nonetheless, the federal parliament and federal government of Somalia (FGS) have not managed to reestablish a monopoly on the use of force, but continue to depend on AMISOM forces and allied local or regional militias. The reliance of the FGS on local militias has not been without friction. Although these militias were officially aligned with the FGS, the militias’ loyalty was first with their commanders and their clan, second with the external forces that support them and only then with the FGS. Thus, one focus of the FGS was the integration of the regional militias in the Somali National Army (SNA). In spite of integration agreements with regional actors such as Ahlu Sunna Wal Jama’a (ASWJ) in central Somalia and Ras Kamboni in Kismayo, both militias remained under the control of regional strongmen.

Tensions between local militias and the SNA became apparent during attempts to rebuild administrative structures and to establish federal states in the recaptured territories. These attempts were accompanied by a series of violent conflicts. In September 2012, for example, Kismayo was captured by the Kenyan army, which cooperated with the local Ras Kamboni militia. After September 2012, Ras Kamboni
strengthened its military presence in the economically important port city and was supported by the Kenyan army. In May 2013, the Ras Kamboni commander, Ahmed Madobe, organized a conference that led to the announcement of the federal state of Jubaland and the declaration of Ahmed Madobe as president of the new federal state. The administrative boundaries of the federal state and Madobe’s presidency were challenged by the FGS and some local clan groups. Both accused Madobe of exclusionist, clan-based politics. The conflict between Ras Kamboni and Kenyan troops on one side and the FGS and local clan groups on the other culminated in a series of violent clashes between October 2012 and August 2013, causing dozens of deaths and displacing thousands. The two sides eventually met for negotiations in Addis Ababa and signed an agreement in which the FGS accepted the Juba Administration as well as Madobe’s rule for a transitional period until 2016. In return, Madobe agreed to integrate his Ras Kamboni militias into the national army and to hand over to the government the management of the lucrative sea and airport in Kismayo. However, as of the end of 2014, the integration process had not yet begun and Ras Kamboni continued to operate autonomously, relying financially on the export of charcoal through the port of Kismayo.

The two Shabeel regions were additional sites of violent conflicts. After the state collapse in 1991, both regions were invaded by clan militias from Mogadishu and central Somalia. These militias seized the arable land and lucrative export plantations and controlled trade as well as humanitarian access to the region until 2009, when they were ousted by Al-Shabaab. As some of the former militias were integrated in the SNA, representatives of local clan groups accused the FGS of re-establishing the power of people and clan groups that had been responsible for mass destruction and mass killings after 1991. Conflicts over land and taxation further complicated the situation and eventually culminated in a cycle of armed clashes, ambushes and revenge attacks during 2013 and 2014.

In the midst of these local and national power struggles, Al-Shabaab continues to attack institutions and members of the FGS and federal parliament and its national and international allies. In the last two years, suicide attacks, car bombings and attacks using mortars, grenades and improvised devises as well as classic hit-and-run techniques have posed a continuous threat to security in Mogadishu and most of the larger towns controlled by the Somali army and AMISOM forces. Being forced to retreat from urban centers in south central Somalia, Al-Shabaab has also become more active in Puntland and in neighboring Kenya. For example, Al-Shabaab has claimed responsibility for the attack on the Westgate shopping mall in Nairobi (Kenya) in September 2013, which cost the lives of 67 people. The organization is also allegedly responsible for a series of attacks against civilians in Kenya’s northeastern border districts by Somalia, in Nairobi and on the Kenyan coast.

Military advances by the joint FGS and AMISOM forces have brought internal conflicts in Al-Shabaab to the forefront. The number of defections from the
organization increased and now includes several members from the inner leadership circle. The main leader (Emir) of Al-Shabaab, Ahmed Godane, increasingly relied on an autocratic leadership style and organized the assassination of several of his internal critics, among them senior members of the organization. In September 2014, Godane was killed by an US airstrike; his death poses another challenge to the organization. However, in spite of continuing military losses and a rising number of defections, Al-Shabaab is far from being defeated.

Piracy was further diminished from nearly weekly attacks before 2012; there were 13 reported attacks in 2013. However, pirates have still held people hostage and negotiations are ongoing.

The Somaliland state has in the western and central parts of the country developed modest capacities to govern. With only modest external funding, governance is provided on a minimalist basis and concentrates on the maintenance of public security. However, conflicts continued in Sool and Sanaag, the contested border areas between Somaliland and Puntland. In 2012, a new political actor declared the autonomous status of Khatuumo State in the Sool region, thereby denying both Somaliland and Puntland a right to rule. During the reporting period, both Somaliland’s and Puntland’s armed forces clashed with each other on several occasions and with the Khatuumo state militias. Divided loyalties to Somaliland, Puntland or Khatuumo led to additional infighting among the major clan group in Sool.

The majority of Somalia’s population is ethnic Somali and nearly 100% of the population is Muslim. Prior to 1991, citizenship was based on patrilineal descent; people with a Somali father were considered Somali, regardless of their place of residence. A Somali was defined as a person who by origin, language and tradition belongs to the Somali nation. In legal terms, social minorities such as the Bantu, Arabic minorities or outcast groups (e.g. Midgan and Yibir clan members) are seen as full-fledged citizens. However, they were massively discriminated against in many aspects of social, political and economic life. After the collapse of the state, minorities were harassed by gunmen and threatened by freelance and clan militias, which often targeted militarily weak groups. With the rising political influence of Islam, the idea of the Umma, the community of Muslims, has gained importance. For example, Al-Shabaab abandoned the clan-based structure of previous regimes and integrated Somalis, regardless of their genealogical or “racial” background, in all levels of the organization. However, it is unclear whether and how this affected the situation of minorities in the areas controlled by Al-Shabaab. Despite years of civil war and a lack of effective state administration, Somali nationalism is strong among most Somalis in the country and abroad. There is a longing among many Somalis to reestablish effective state structures and regain their citizen rights, which also implies the recognition of official Somali documents abroad, to facilitate travel, trade etc.
In the Somaliland Citizenship Law of 2002, patrilineal descent from the clans or people inhabiting Somaliland was reaffirmed as the basis of citizenship. The notion of a common Somali state identity is no longer accepted by the growing number of people who have supported independence, and it has gradually been replaced by a Somaliland state identity. However, Somaliland identity and citizenship remains contested even within Somaliland’s boundaries.

With the collapse of the government in 1991, the state’s secular law ceased to function. Instead, two legal systems simultaneously operate in Somalia: traditional law (xeer) and the Islamic Shariah, with the latter growing in influence since 1991. Islamic law forms the base of jurisprudence in the constitutions of Somaliland, Puntland and Somalia. The constitution of Somalia, which was approved by the assembly of elders in August 2012, propagates Islamic law as Somalia’s legal foundation, stating that all laws have to comply with Shariah law and asserting Islam as only religion of Somalia. While in everyday life in Somalia a mixture of traditional and Shariah law is still practiced, Islam has gained in influence and during the last decade was increasingly integrated into Somali politics. For example, no Islamic actor or party openly participated in the peace conference that in 2004 led to the creation of the TFG. Today, however, various Islamic groups influence politics at all societal levels and many members of the FGS, including President Hassan Sheikh Mohamud, are affiliated with Damul Jadid, a religious faction of the wider Al-Islah movement, which takes inspiration from the Egypt’s Muslim Brotherhood. Islamism, understood here as the intertwinelement of Islamic religion with politics, is deeply entrenched in the practical and discursive repertoire of all political actors in Somalia – violent as well as non-violent, governmental as well as non-governmental – and a large number of people seem to support the establishment of an Islamic State, the implementation of Shariah law and modes of governance that are guided by religious ethics and principles.

In the areas under the control of Al-Shabaab, the everyday administration is guided by religious dogmas. A strict interpretation of Islamic law was enforced, including harsh penalties such as public execution by stoning, amputation of limbs and flogging. Al-Shabaab has further imposed morality laws, with strict dress codes for women, who are forced to wear a veil, and clothing and hair rules for men. Smoking and chewing khat in public was banned, as was secular music and any forms of dances.

Somaliland’s constitution allows for three legal systems, based on Shariah (Islamic law), civil law, and customary law. Islamic courts primarily regulate family issues. 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.
In the eight years of its rule from 2005 to 2012, the TFG has not managed to establish public institutions or even rudimentary structures of governance. The end of the interim period in 2012 and the election of a president who was not actively involved in the Somali civil war increased expectations for a political transition toward effective peace- and state-building. However, after two years in power the progress of the federal government has been modest at best. The main success of the FGS is heavily dependent on forces of the African Union, both militarily and otherwise. In spite of considerable international support, the FGS has thus far not initiated an institutional reform process and is, like its predecessor, engaged in systemic corruption. The FGS does not deliver basic services to the population, and security is still precarious. Informal mechanisms and institutions continue to dominate the execution of governance. These mechanisms comprise patronage networks based on a combination of personal interests as well as clan and religious affiliations. The informal system deeply penetrates the formal system of government, which is supported by international donors.

In Somaliland and to a lesser degree in Puntland, basic administrative services are provided, including core infrastructure and a regulatory authority funded through revenue collection. However, administrative systems are urban-based and do not reach remote or rural areas.

2 | Political Participation

Somalia is not an electoral democracy. Parliament is selected through a clan-based representation system, the so-called “4.5 formula,” which provides an equal number of seats to the four major clans, and half that number to smaller clans and minority groups. Although national elections are officially scheduled for 2016, there are no structures in place and the FGS lacks the capacity to manage a nationwide electoral process. The schedule is therefore highly unrealistic and potentially conflictive.

The process that ended the transitional period and led in 2012 to the selection of the federal parliament and government was neither free nor fair; it was manipulated by powerful political actors and fraught with corruption and intimidation of officials and candidates. The federal parliament was selected by elders who represented the major clan groups of the Somali regions. However, the selection and registration of “genuine” elders were accompanied by political manipulation, bribery and threats, many stemming from outgoing members of the transitional institutions. Similar practices accompanied the selection of parliamentarians by elders and the vetting of selected candidates by a Technical Select Committee (TSC). The latter was mandated to ensure qualification and credentials of the candidates. Many parliamentarians that were rejected by the TSC nonetheless received seats in parliament.
The federal parliament then elected the civil society activist, Hassan Sheikh Mohamud, as their new president in September 2012; the president then selected a prime minister in October, who in turn nominated a 10-member cabinet by the end of 2012. However, with unclear and overlapping roles and portfolios, relations between the president and prime minister are combative. The last two years have seen three prime ministers, with the first two resigning after political battles with the president led the parliament to issue motions of no confidence against them. However, vote-buying accusations accompanied both motions. The third prime minister was nominated by the president in December 2014 and was in the process of selecting his new cabinet in January 2015.

In Puntland, local council elections were scheduled for July 2013 and were meant to prepare for the first nationwide elections planned in 2014. However, the elections were suspended only one day before election day when violence and protests ignited in most cities. In January 2014, Abdiweli Mohamed Ali Gaas was elected president of Puntland by elders. The electoral process of Puntland is clan-based. Clan elders select MPs on the basis of a quota system in which the major clans and sub-clans are allocated a specific number of seats. MPs then elect a President, who in turn nominates a prime minister. The election process was accompanied by political tensions but did not lead to violence. The election of President Gaas followed the principle of a rotating leadership of the region’s three major clans or sub-clans.

The self-declared Republic of Somaliland has successfully established an electoral democracy and is in the process of consolidating it. The transition from a clan-based system of representation to an electoral democracy was initiated by a general referendum in 2001, in which an overwhelming majority of the population voted for the constitution and the independence of Somalia. Since then the country successfully has held two presidential elections, in 2005 and 2010, and managed the transition of power from the main to the opposition party. Elections were considered reasonably free and fair by international observers. One persistent problem, however, is the “regular” extension of terms of office-holders due to lack of preparation and structural challenges (e.g. voter registration). Security concerns caused elections to be cancelled in the contested eastern border regions by Puntland.

None of the political factions in Somalia exercises the power to govern the country effectively. The FGS, in cooperation with AMISOM, has successfully recaptured territory and formally controlled a large part of Somalia. However, it has not developed even modest capacities to govern; instead, it relies militarily on the support of AMISOM and local militias and financially on international aid. Continuous conflicts between the central government and its federal entities, including Puntland, indicate that the FGS can manage to negotiate power-sharing agreements, but has relied heavily on the good will of local leaders to cooperate.
Although it faced heavy losses in people and territory, Al-Shabaab still asserts control over some rural areas and has the capacity to undermine security. People under Al-Shabaab were confronted with a highly authoritarian and repressive form of rule. While this contributed to increased security and a significant decrease in crime and violence by clan militias, Al-Shabaab attempted to control all aspects of the public and private life of Somali citizens, and has created a general climate of fear with its harsh punishments.

In Somaliland, elected political representatives have been gaining legitimacy and effective power since the first democratic elections in 2002. With the exception of the contested borderlands (between Somaliland and Puntland), politicians govern not only in the urban centers, but also in the hinterland, where they must solicit the close cooperation of local traditional and religious authorities.

Protracted warfare and counterinsurgency measures have seriously affected citizens’ freedom of association. Civilians bear the brunt of the ongoing fighting, while the number of civilian casualties and the rates of internal displacement remained high during 2012 and 2014. However, with the defeat of Al-Shabaab, association and assembly rights were at least formally guaranteed. Civic engagement (in form of Civil Society Organizations/NGOs and the media) is again increasing. The diaspora plays an important role in supporting and sometimes initiating (transnational) civic engagement.

Al-Shabaab openly restricted the freedom of association. Despite the military defeat of Al-Shabaab, CSOs, activists, aid workers and journalists continued to fall victim of targeted and indiscriminate attacks by Al-Shabaab. Somalia still ranks as one of the most dangerous places in the world for humanitarian workers, who have been threatened, attacked and kidnapped since the rise of the Islamist insurgency.

In the self-declared Republic of Somaliland, freedoms of association and assembly are guaranteed by the constitution, and there is a high number of civil society organizations (groups for women and youth, occupational associations etc.) operating throughout the territory.

Freedom of expression is severely limited throughout Somalia. Somalia remains one of the most dangerous countries for journalists, and Reporters Without Borders (RSF) ranked the country 176th out of the 180 countries in its 2014 Press Freedom Index. The Committee to Protect Journalists reported the confirmed killing of four journalists in 2013 and the same number in 2014. It also ranked Somalia second among the countries from which journalists flee.

With the withdrawal of Al-Shabaab radio, newspaper and print media were re-established. However, the FGS and the Puntland government were involved in severe cases of intimidation and harassment of journalists, have detained journalists unlawfully and attempted to censor free speech. International attention was raised by
the imprisonment of a freelance journalist who had interviewed an alleged victim of rape by Somalia’s security forces. He was charged with “offending state institutions” and “false reporting.” After a few weeks in prison, the Supreme Court released the reporter and dismissed the first judgment, citing lack of evidence. The state’s security forces additionally raided broadcasters and closed down several radio stations.

In Somaliland, many privately owned newspapers and several TV stations have been established since 1991. Private radio stations have not been licensed, leaving the government-owned Radio Hargeisa the only radio in the country. Access to the Internet is unrestricted. While there is no systematic censorship or prohibition of press, freedom of expression was on several occasions severely hampered. Journalists faced interference and harassment, and in recent years, a number of journalists were arrested and held in Somaliland prisons without charges. In 2013, a print media outlet was closed for some weeks and the editor briefly jailed for defamation charges, which were later dropped. In 2014, journalists were arrested for covering a protest demonstration and accused of falsifying information.

3 | Rule of Law

There is no separation of powers in the area controlled by the FGS, in Somaliland, in Puntland or in the areas still under the control of Al-Shabaab. There is no clear division of labor between the ministries, and most ministries function rather informally. There is no properly functioning judiciary and legislative functions of the parliament remain rudimentary.

Al-Shabaab established a Shariah based administration. Powers were not separated. However, detailed information on their organizational and administrative structure was not available as they operated in a highly secretive manner.

In Somaliland and Puntland, government institutions have been working for some time, and the constitutions of both political entities provide for a separation of powers. In practice, however, the executive influences both the legislative and the judiciary to a substantial extent.

Somalia has no unitary judicial system, but relies on a combination of secular law, traditional law (xeer) and Shariah law. Under the traditional system, clan elders mediate conflicts, negotiate peace agreements and, if necessary, agree on compensation payments within and between clans. Although traditional and Shariah law were fused over the centuries, the influence of Shariah on inter-clan relations was not very pronounced. Islamic law primarily regulates family and personal issues (marriage, divorce, inheritance). In urban areas, Shariah has gained considerable influence in the last decade, including in areas of criminal law. However, Shariah
courts are not free from tribal politics and judgments are often influenced by clan considerations.

In 2013, the FGS committed itself to reforming and strengthening the judiciary, yet so far without tangible results. The existing formal justice system is rudimentary at best and hampered by corruption.

Politics and everyday administration under Al-Shabaab were guided by religious dogmas; Shariah served as the basic judicial and political framework, and neither a separation of powers nor an independent judiciary was established or welcome. A strict interpretation of Islamic law was enforced and harsh penalties, such as execution by stoning, amputation of limbs and flogging, were publicly applied. Al-Shabaab further imposed morality laws, imposing strict dress codes for women and men while banning smoking and the public chewing of khat. There is little information available on how Shariah courts were actually set up or how they operated under the rule of Al-Shabaab. However, individuals prosecuted by these courts had no process guarantees, legal representation or opportunity to appeal.

Somaliland and Puntland practice a mixture of xeer, statutory law and Shariah. In both political entities, the judiciary’s independence is enshrined in the constitution, but the executive has undermined the judiciary’s independence on several occasions. The capacity of the underfunded judiciary is weak overall. Institutional differentiation in the judiciary in Somaliland and Puntland is challenged by a lack of resources, the absence of qualified staff and expertise, and insufficient territorial penetration.

Although measures to improve financial management and reform its financial institutions were announced by the FGS, like its interim predecessor it engages in systemic corruption and the large-scale misappropriation of state funds. During 2013 and 2014, the central bank was severely criticized for the fact that 80% of withdrawals were made by individuals and not used for governance or the provision of services. Instead, funds were used for private purposes, as slush funds and for fostering patronage networks. The president and some of his cronies were also accused of using the central bank to recover overseas assets. Portions of donor and bilateral funds simply “disappeared.” There was no transparency in the utilization of revenues acquired through airports or seaports.

The public scandal led to the resignation of the governor of the central bank in mid-2013. His predecessor was appointed by the president in September 2013 but resigned after seven weeks, citing heavy political interference and corruption pressures. A third governor was appointed by the end of November 2013.

Corruption is also rampant in government contracting. As most government contracts are treated as confidential, neither the Somali public, parliament nor international donors are able to oversee procurement or expenditure processes. The country’s
rising oil interests also contribute to “secret” contracting and some regional entities have issued contracts with oil companies independently from the government.

In Somaliland, there are no legal consequences or sanctions for officials who exploit their position for private gain. The institutional capacity of the governmental apparatus, including judicial institutions, is inhibited by incompetence, corruption and the pliability of clan connections.

Civil rights are not at all guaranteed. In 2013 and 2014, all parties in Somalia, including Al-Shabaab, the federal government, its federal states, AMISOM and Somali security forces, were involved in violations of international law and basic human rights. Civilians are at a high risk of indiscriminate attacks by Al-Shabaab, which often targets residential areas, hotels and restaurants. All militant actors, such as Al-Shabaab, the SNA and the various clan militias, are accused of gross human rights violations, including indiscriminate attacks in residential areas, the forced displacement of civilians and the recruitment of children. Members of minority groups are often targeted and their civil rights are systemically violated.

Women in Somalia lack protection and are subjected to various forms of gender-based violence. All armed actors, including AMISOM, have been accused of raping and sexually exploiting women and girls.

Humanitarian access is still restricted in areas controlled by Al-Shabaab, but in 2013 and 2014, all political parties were accused of diverting humanitarian supplies. The multiplication of formal state structures at local, regional and national levels created new opportunities for the obstruction of aid.

In Somaliland, civil rights are formally guaranteed, some basic rule of law has been established, and the police force and other government institutions are working reasonable well. However, in more remote areas, local authorities and elders provide for legal order, and the rights of women and minority groups are insufficiently protected.

4 | Stability of Democratic Institutions

Democratic institutions are non-existent in southern and central Somalia. Members of the federal parliament are selected by elders who represent clan groups from different parts of the country.

In Somaliland, democratic institutions are working reasonably well, but are still hampered by a lack of resources and a low capacity of civil service. Democratic performance is also challenged by clan-based favoritism. Nevertheless, the population in the central and western parts of the country accepts existing governmental institutions, though not exclusively. Traditional norms and institutions
operate simultaneously throughout Somaliland. Even though in some aspects state legislation and traditional rule contradict each other (e.g. women’s rights), they tend not to be perceived as competitive but rather complementary; generally, people choose whether to access formal, traditional or religious institutions.

The FGS focuses primarily on the war against Al-Shabaab; any commitment to democratic values or institutions thus far appears limited, as no serious steps to establish democratic institutions have yet been taken. However, the promotion of democracy is formally accepted by all political players, with the exception of Al-Shabaab. While neither formally democratic nor authoritarian, the Somali political system revolves around clan-based representation.

In Somaliland, commitment to democracy is high. Although elections are often accompanied by tensions, most political leaders have thus far urged their followers to respect the peace.

Puntland has not established formal democratic institutions. Its president and parliament are selected by elders, who in turn represent the different clans and sub-clans of the federal region.

5 | Political and Social Integration

Somalia does not have a party system or a system of political representation beyond clan affiliation and religious dogma.

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 and with the aim of avoiding 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) chaired by the current President Silanyo, the Allied People’s Democratic Party (UDUB) which ruled the country up to 2010, and the Justice and Development Party (UCID). These parties competed in both presidential elections in 2003 and 2010 and the parliamentary elections of 2005. A new electoral law in 2011 allowed additionally registered associations to compete in municipal elections. In all, seven political groups were contesting in the council election on 28 November 2012, which also decided on the next three parties to be allowed to compete in the coming national elections. Kulmiye, UCID and a new party, called Wadani, became the new national parties.
The Somali public is politically weak and fragmented by clan affiliation. A broad range of interest groups was formed, especially in Mogadishu and other urban centers. However, such groups have difficulties operating independently of either the clan system or religious affiliations. Social conflicts are often perceived and articulated as conflicts between clans and/or sub-clans. Diaspora actors increasingly engage in transnational activities in the areas of development, politics and social transformations. In this context, there are some active attempts to overcome clan or other divisions. A younger generation of Somalis inside and outside the country is seeking new ways to overcome social divisions within their society and to contribute to social and other transformations.

In the area controlled by Al-Shabaab, public life and opinion was under the tight control of the militia, and the formation of interest groups outside of religion-based groups was forbidden.

A comprehensive survey of attitudes toward democracy has never been conducted in Somalia. In Mogadishu, however, a recent survey conducted among 1633 people shows broad acceptance of democratic elections and values. Democratic norms and procedures are also found in the clan-based system, which points to an acceptance of democratic ideals within the Somali population. The peaceful democratic transition in Somaliland also suggests a general acceptance of democratic principles.

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

The formation of social self-help groups and the construction of social capital is a prerequisite for survival within war-torn Somali society. Social capital is based mainly on kinship lines, and is grounded primarily in extended family systems. Membership in Islamic organizations and associations provides increasingly important 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.
II. Economic Transformation

6 | Level of Socioeconomic Development

Somali society suffers from long-standing inequalities based on patriarchal, religious and traditional values. Minority and caste groups have been traditionally excluded from politics and the economy. Women face many socioeconomic barriers, and often lack education and capital to engage independently in the economic sector. The state collapse worsened these inequalities. Population groups, such as Jareer/Somali Bantu and Benadiri minority groups along the southern Somali coast, were forcibly evicted from their homes and land, and subjugated to slave labor or a servant status; many people were also killed. As an effect of the war, many women became breadwinner for their family, whether because their male relatives were killed or maimed, became addicted to khat – a narcotic – or became mentally unstable. While women perform increasingly vital economic roles in Somalia, they still are excluded from many economic positions and employment opportunities. According to the World Bank, the gross enrollment ratio of women in primary and secondary schools is 29.2% and 7.4% respectively, both figures are among the lowest in the world; women represent only around 33% of the active labor force.

In the absence of state regulation, economic actors in Somalia have been organizing themselves according to kinship relations – with the so-called majority clans taking the lead – and increasingly along religious affiliations. 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 legal guarantees and general regulations. Membership in Islamic organizations, which promises new business contacts with the Arab world, is of growing importance. Within such organizations, clan belonging can be transcended to some degree.

The current Somali economy is based on international trade networks, which are controlled by a small group of wealthy businessmen often linked to key political actors or militias. The majority of the population continues to live at the subsistence level, is engaged in small-scale businesses as petty traders, livestock or grain producers. Diaspora remittances still provide many individuals and families with additional income. Joint projects financed and sometimes implemented by diaspora actors can also improve the infrastructure, economic situation and social services in a neighborhood or town. But diaspora support is also mostly structured along clan lines, rendering access to the support networks unequal.
Since the recapture of Mogadishu from Al-Shabaab, the construction industry is booming and businesses such as supermarkets, restaurants, hotels are reopening. Several airlines now offer flights to Mogadishu. Economic data is unavailable, as most business goes unrecorded and is not taxed. However, the construction boom has also led to forced evictions by both private and public actors. According to the UN Monitoring Group, 27,000 people were evicted from settlements in Mogadishu in November and December 2013 and another 15,000 in the first half of 2014. The construction boom is likely to trigger future land conflicts, as title deeds are either unavailable or forged, and people who were displaced by clan militias after 1991 may start to reclaim the land and buildings they previously owned.

<table>
<thead>
<tr>
<th>Economic indicators</th>
<th>2005</th>
<th>2010</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP $ M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GDP growth %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inflation (CPI) %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment %</td>
<td>6.9</td>
<td>6.9</td>
<td>6.9</td>
<td>-</td>
</tr>
<tr>
<td>Foreign direct investment % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export growth %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Import growth %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current account balance $ M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public debt % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>External debt $ M</td>
<td>2770.0</td>
<td>3045.5</td>
<td>3053.9</td>
<td>-</td>
</tr>
<tr>
<td>Total debt service $ M</td>
<td>0.7</td>
<td>0.2</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>Cash surplus or deficit % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax revenue % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government consumption % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public expnd. on education % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public expnd. on health % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military expenditure % of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.
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 social services such as health care or education, have been privatized. Market prices of most goods in Somalia are heavily influenced by the time of year; prices tend to rise during rainy seasons due to the inaccessibility of roads and markets. Violent conflicts also cause price volatility. While small-scale trade is especially competitive, wholesaling is mostly organized by a small number of wealthy traders. Given the absence of regulatory frameworks, the bulk of economic profits is captured by elites who are again linked to political actors. Furthermore, south central Somalia has seen the emergence of a vibrant exchange of “illegal” goods – including arms or charcoal, both of which are banned or at least restricted by the UN Security Council – a diversion of humanitarian goods and the extortion of protection money and taxes.

Al-Shabaab financed its activities through the control of lucrative taxation centers, such as markets and border posts. Its biggest source of income was however from taxation of charcoal exports to the Gulf States. Large amounts of charcoal were shipped through the port in Kismaayo, and to a larger extent, through ports in Baraawe and Marka. The Security Council as well as the FGS banned the export of charcoal in 2012. However, after Al-Shabaab was forced to retreat from Kismaayo, the local militia, Ras Kamboni, in cooperation with AMISOM forces, continued the lucrative business while Al-Shabaab started to rely on charcoal exporting through the port of Baraawe, which was recaptured by AMISOM and SNA forces at the end of 2014. It remains to be seen if the charcoal ban will be implemented.

In the more peaceful areas in the north, in Somaliland and Puntland, some market-based competition has developed in a setting characterized by relative stability and the absence of restrictions.

The absence of an institutional framework limits any sort of positive economic performance in Somalia. Business transactions have been re-established along kinship ties and there are strong tendencies toward monopolization. Foreign trade, for example, is dominated by a few wholesalers who have managed to expand trade networks and to increase their wealth, while the bulk of the Somali population continues to live in extreme poverty and with high levels of social and physical insecurity.

In the absence of security guaranteed by the state, businessmen must either cooperate with violent actors or arm themselves to protect their goods against robbery or looting. Business opportunities are better for members of powerful clans or sub-clans. No data exist on the development of trade in areas that were controlled by Islamist insurgents. It can however be assumed that religious affiliations and networks have
gained importance vis-à-vis kinship ties. The combination of the SNA’s recapture of territory from Al-Shabaab and the limited capacity of the FGS to govern the country has meant that some warlords are already returning to their former practices, including the collection of taxes from traders, businessmen and national and international organizations. District, regional and federal administrations have been established without public financial systems to support these administrative entities. Maintaining control of airports and ports are especially profitable; controlling the seaport in Kismaayo became the new source of income for Ras Kamboni and, in spite of the charcoal ban, business has even increased.

General demand for imports of all kinds, such as food, clothes, petroleum or electronics, connects Somalia to the world market, and foreign trade in the country is not regulated at all. Furthermore, humanitarian aid has developed into a commodity, with evolving business cartels controlling humanitarian and food aid. The obstruction, diversion and misappropriation of humanitarian supplies are still rampant in Somalia and practiced by all violent actors, including the SNA.

Exports from Somalia primarily include livestock, other agricultural products and charcoal, and are mainly shipped to the United Arab Emirates.

In Somaliland, domestic and foreign trade is not subject to much 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.

When the state-owned banking system collapsed in 1991, private remittance companies became the sole financial institutions connecting Somalia with the rest of the world. The central bank was reopened and published a strategic plan in 2013, which identified the formalization of financial institutions and the introduction of an effective monetary policy as among its main goals. So far, no steps to implement these plans have been undertaken; the bank is undermined by large-scale corruption and serves individuals more than public institutions.

Diaspora remittances sent to family members in Somalia are among the primary financial sources for the survival of many Somali citizens. Even in the areas controlled by Islamist insurgents, remittance companies have continued to work. They operate under no formal regulations. Remittance companies facilitate financial (including foreign currency) transactions and safe deposits, but do not provide for a capital market. During 2014, Barclays, the UK-based bank, tried to pull out of more than 250 money transfer operators suspected of contributing to money laundering. If successful, the pull-out could affect millions of people, as Dahabshiil, the biggest Somali money transfer operator, was among the companies Barclays tried to extricate itself from. However, Dahabshiil won an injunction delaying the closeout of Barclays until a trial is completed.
8 | Currency and Price Stability

The central bank has no control over currency transactions still carried out by local vendors, which set the exchange rate daily on the basis of localized and contingent factors. Without institutional or political precautions to regulate and control the financial sector, the Somali shilling is prone to severe fluctuations. Several militia leaders, authorities and businessmen have in the past resorted to printing money as a way to increase revenue, often with the dramatic effects of devaluating the shilling and thus weakening the already limited purchasing power of the population.

In 1994, Somaliland set up a central bank and introduced a new currency, the Somaliland shilling. Responsible for directing the monetary system and the currency, the central bank however lacks trained personnel, experience or market power, which weakens its institutional capacity. Although the central bank’s attempts to control the currency market have failed, the Somaliland shilling is reasonably stable and widely used throughout Somaliland. Currency stability has been maintained for the most part by established money exchangers and khat dealers, in cooperation with the central bank. In the westernmost part of Somaliland, the Ethiopian birr is used as a second currency, and the former Somali shilling is still circulated in central and eastern regions. All major transactions are made in U.S. dollars.

The FGS has not developed a revenue system; it largely depends on the fees paid at the airport and seaport in Mogadishu and on international aid. It has neither the technical ability nor the territorial control necessary to establish a tax collection system, and is therefore almost entirely dependent on foreign donors. No accountability systems for expenditures are in place, and members of the government and parliament are often accused of corruption and the misuse of foreign funds.

9 | Private Property

The FGS is in no position to ensure property rights. Protection of individual and collective ownership of land and other property depends mainly on clan support and/or the military might of related factions. Land, including its access and its utilization, is already a problem in Mogadishu, as large numbers of internally displaced persons (IDPs) seek housing. With the economic boom in Mogadishu, land prices are already skyrocketing; in 2013 and 2014, the FGS, and private actors even more so, have continued to evict people, including many IDPs, from government-owned as well as privately owned land, although title deeds are often unclear with respect to the latter. Somalis from the diaspora were also buying land in Mogadishu, although there is no functioning land registry and most of the land and buildings in Mogadishu have been forcefully occupied by militias in consecutive fashion.

Somaliland provides a degree of legal protection of private property, but the weakness of the judiciary, as well as corruption and clan-based interference, place serious limitations on protections.
All economic enterprise in Somalia is private and operates under conditions of insecurity and the threat of violence. No legal safeguards exist apart from clan or religious arrangements. With the promise of more stability, prospects of oil contracts and the extraction of mineral and marine resources have become a contentious issue. Political actors have already signed secret contracts with international private companies in the diverse extraction sectors.

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

10 | Welfare Regime

With the collapse of state-run social services, any services including healthcare or education became “privatized.” Social safety nets were only provided 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 by the war. Hundreds of thousands of people have been internally displaced, among them more than 300,000 in and around Mogadishu. These IDPs are among the most vulnerable and suffer from harassment, violence and lack of security. Continual humanitarian crises have also revealed the breakdown or absence of safety nets for a large part of the population.

In Somalia, there is no substantive equality of opportunity. Gender discrimination is common.

In Somalia’s clan-based and patriarchal social environment, girls are often subject to parental restrictions on education, and there are similar trends of exclusion visible among social minorities. The latter comprise people who are either racially discriminated against for not being considered of Somali origin and those who belong to occupational casts.

Conditions for the huge number of internally displaced persons (IDPs) in Somalia are catastrophic. In general, in a society disrupted by decades of general and civil war and without any overarching government structure, opportunities depend very much on a person’s individual and family background. The underprivileged or simply the unlucky hardly enjoy the same or only marginally similar opportunities as those from privileged backgrounds. Only in some cases, Islamic charities and associations try to counterbalance such inequality.

Somaliland lacks the funds to organize a coherent welfare system. Health care is concentrated in urban centers and is organized by private actors or international
organizations. Local administrations and communities cooperate with donors in rehabilitating primary and secondary schools, and local as well as international agencies have initiated campaigns to improve women’s education. Nevertheless, substantive equality of opportunity for both genders remains beyond reach.

11 | Economic Performance

The real output strength of the Somali economy is impossible to establish, as most economic activities go unrecorded. In southern Somalia and especially in Mogadishu, all signs of economic progress and performance since 2007 have been shattered due to escalating violence. The re-establishment of governmental control in many urban centers since mid-2012 initiated processes of economic recovery, which is especially visible in Mogadishu due to a construction boom and a prospering local service industry, which has produced many new shops, restaurants, hotels etc. However, no reliable data on economic performance is available.

12 | Sustainability

Environmental concerns are entirely subordinate to profit opportunities and short-term benefits and have no institutional framework. 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. Although Al-Shabaab was replaced by AMISOM and Ras Kamboni militias in most urban trade hubs, the charcoal ban by the UN Security Council and the FGS has not led to a reduction of charcoal exports. Al-Shabaab also diverted charcoal exports from Kismayo to the coastal city of Barawe until it was ousted from there in January 2015.

Furthermore, foreign companies have disposed of toxic waste and engaged in uncontrolled fishing along Somalia’s shores; the damage from this has yet to be assessed. Somaliland has a Ministry of Environment, but it does not have the necessary means and budget to provide effective environmental protection or to monitor environmentally sustainable economic growth.

In 1991, the formally organized education system in Somalia collapsed. In the absence thereof, education has been reorganized according to private interests and means. In large areas, formal youth education has been substituted by madrasahs. Literacy rates are among the world’s lowest, with gross enrollment ratios of 29.2% in primary schools and 7.4% in secondary schools. Furthermore, gender imbalances in education are considerable, as the ratio of female to male enrollment for primary education is 55.3% and 46% for secondary schools.
These numbers are somewhat problematic for the BTI ranking as they include Somaliland. Percentages without considering Somaliland would be even lower.

In Somaliland, educational and training services have shown steady improvement. Services are based on the cooperation of state organs with local communities and external donors, including the Somali diaspora. The private education sector is booming and several universities and colleges are providing higher education throughout Somalia, though none of them with adequate resources and equipment.
Transformation Management

I. Level of Difficulty

Implementing a nationwide system of central governance in Somalia remains extremely difficult. Although significant territorial gains by the FGS and their international and local allies weakened Al-Shabaab, the Islamist organization is still able to muster a large number of fighters and allies and continues to pose a security threat. The FGS, as would any government, must establish institutional and administrative structures after more than two decades of war, especially considering Somalia’s deeply fragmented society. The country lacks all necessary resources, including human resources, and also has to manage Somalia’s recurring droughts better.

While Somaliland has succeeded in re-establishing state structures and directed 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 poverty levels.

The Western understanding of civil society is misleading in the Somali context, where there are few distinctions drawn between the public and private spheres. 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 been reorganized and strengthened as a means of survival. Numerous NGOs have also sprung up since the mid-1990s, mostly in direct response to (real or expected) external funding from both Western and Islamic donors. Most of these organizations concentrate on urban centers in Somalia and Somaliland. With the defeat of al-Shabaab and the return of many Somalis from the diaspora, civil society activities were revived in Mogadishu.

In the areas controlled by al-Shabaab, many of these NGOs were forced to close down their operations due to suspicions that they were spying for Western powers; however, they usually restarted their activities when Al-Shabaab was pushed back. In Somalia, and to a certain extent even in Somaliland, trust in a central authority and formal institutions remains weak.
Since 1991, Somalia has suffered from a large number of factional battles as groups jockey for power within, and often at odds with, a weak patchwork of mostly clan-based local authorities. All of this has left behind a society that is deeply divided along sub-clan affiliations. In general, politics within Somalia are localized. Even in relatively stable regions, such as Puntland, periodic inter- and sub-clan conflicts, often driven by competitive claims on water, land and grazing rights continue intermittently in localized situations. During the reporting period, the process of establishing federal entities has contributed to cycles of violent conflicts in southern and central Somalia.

The period under review was characterized by ongoing violence, although the intensity of the violence has decreased since the FGS established control in most major towns. Al-Shabaab has continued to suffer military defeats and the continual loss of territory, but continues to attack military and civilian targets. Although improved, the security situation in Somalia is still unpredictable and there are regular reports of attacks by Al-Shabaab.

II. Management Performance

14 | Steering Capability

The new government has thus far not managed to build up a unified leadership structure, and both the parliament and government face internal power struggles. Conflicts between the president and prime minister are of a structural nature and resulted in the resignation of two prime ministers in the reporting period. After the president fell out with his first prime minister in 2013, a large number of parliament members requested his resignation, but he has since managed to regain the trust of the parliament. However, each of the three prime ministers appointed a new cabinet, and the high turnover of ministers is counterproductive to the formulation and maintenance of policy strategies. The third prime minister was appointed in December 2014, but by the end of January 2015 had still not managed to receive the parliament’s approval for his cabinet selections.

Unlike their transitional predecessors, the president and the FGS have started to develop an agenda for reconstruction and to lay out priorities. Shortly after his election, President Sharif Hassan developed a six-point plan for the stabilization and reconstruction of the country, emphasizing political stabilization, national unity, economic reconstruction, peace-building, delivery of basic services and improvements to Somalia’s foreign relations. While these objectives are broad and focus on long-term goals, during 2013 the FGS has, in accordance to the OECD New
Deal Principles, set up a task force to develop a framework outlining priorities to address peace-building, state-building and development in Somalia. The task force developed the Somali Compact, which outlines FGS priorities through 2016. The Compact, which was endorsed in Brussels in September 2013, specifies five peace and state-building goals and details three to four priorities per goal. In April, the president launched Vision 2016, which specifies the plan for the first Compact goal, including support for a federal process, a revision of the provisional constitution, the endorsement of the constitution by the end of 2015 and the preparation of nationwide elections to be held in 2016. Vision 2016 tends to reflect the priorities of donors, as it focuses on the procedural and legal aspects of democratic development. In a country without administrative structures, with no political parties in place and without even an embryonic electoral system, this priority is overambitious and potentially conflictive.

Generally speaking, the steering capability of the political leadership in Somaliland remains rather weak. Lacking the necessary resources and expertise, political leaders have acted ad-hoc and without coherent political concepts. However, by the end of 2011 the Somaliland government, in regional consultation with civil society actors, developed a National Development Plan that set out development goals for 2012 to 2016. The Somaliland government also developed its own section for the Somali Compact, the so-called Somaliland Special Arrangement, which supports the gains it has already achieved in peace, security and development.

The FGS mainly concentrates on security issues, in particular the military defeat of Al-Shabaab. The implementation of priorities defined in the Compact stalled until April 2014. Although the FGS organized consultation meetings in three different regions, regional entities as well as civil society organizations complained that they were not sufficiently consulted. In April 2014, the FGS launched its Vision 2016, a plan outlining its review of the provisional constitution, the adoption of a final constitution and the preparation for elections in 2016. It seems, however, that beyond the initiation of a process to establish federal entities, which was dominated by local actors and local conflict dynamics, it lacked broader consultation and did not follow a pre-defined plan.

Generally speaking, in Somaliland and to certain extent in Puntland, discussions on strategic priorities and policy development have increased. However, the foundation of knowledge and the cognitive framework upon which policy is based are rather weak. The main challenge in Somaliland is to establish a political system capable of transcending the deep clan-based cleavages within society.
Given the difficulty of the Somali context and the involvement of the FGS in a war, high levels of policy learning can hardly be expected. In general, the willingness and ability of the FGS to learn from the failures and challenges of its transitional predecessors seem limited. However, the fact that strategic plans and policies have already been developed and reviewed could be interpreted as sign of policy learning; however, implementation is often lacking. Nevertheless, the FGS has embarked on a federalization process, which has become a major source of conflicts and in some regions was accompanied by violence. The process was often rushed, and instead of seeking broad consultation and using it as a step toward reconciliation, it was dominated by local and national elites’ attempts to maintain power.

15 | Resource Efficiency

There is no transparency in the utilization of assets, which makes an assessment of resource efficiency difficult. The FGS has the ability to set strategies and develop priorities, but lacks the will or ability to implement these reforms. As a result, administrations are characterized by patronage and nepotism, which are often based on clan loyalties.

With support of international organizations, the government in Somaliland has made some efforts to reform its administrative structures. However, given the state’s modest budget and the importance of security provision, support for economic and social development remains limited. Clan loyalties, rather than competence, determine administrative appointments at all levels, a practice that facilitates patronage structures and obstructs the efficient use of resources.

The FGS lacks the capacity or political will to coordinate its policy and to achieve greater internal cohesion. Policy coordination is therefore extremely weak. The process of establishing federal units revealed a lack of cohesion, even among the actors that formally support the federal system. No steps have thus far been taken to initiate a broader reconciliation process as a basis for cohesion. However, unlike its predecessor, the FGS is setting objectives against which progress can later be measured.

In Somaliland and Puntland, the capacities to coordinate conflicting objectives have improved; in Somaliland in particular, major conflicts (relating to power sharing and the election) were handled without resorting to violence.
Like its predecessor, the FGS has been involved in systemic corruption and government officials continued to misuse foreign as well as humanitarian aid. The allocation and use of national and international resources are not transparent and no integrity mechanisms were yet developed. Frustrated by the lack of progress and alarmed by the scandals surrounding the central bank, the FGS aimed to restore the trust of international donors by setting up a Financial Governance Committee in 2013. The Committee included officials from the FGS and from international institutions, and was mandated to tackle corruption and ensure integrity with respect to the use of government assets. However, according to the UN Monitoring Group, only some of the government contracts were shared with the Committee and all were criticized for their failure to use a tendering process. There are no integrity mechanisms in place.

16 | Consensus-Building

Main political actors in Somalia and Somaliland, with the main exception of Al-Shabaab, at least formally agree to promote a market-based democracy. This goal is also reflected in the provisional charter. In addition to the main aim of improving security and defeating Al-Shabaab, the federal government’s is focusing on the development of the constitution, the establishment of a federal framework and increasingly on the elections scheduled for 2016. However, the government must simultaneously defend its own power from a number of local strongmen. The federal framework is developed largely on the basis of accepting “winners” of local power struggles and maintaining alliances with strong local factions, which has increased tensions and led to a series of conflicts. The Islamist opposition forces are clearly anti-democratic and aim to establish an authoritarian Islamist caliphate either with undefined borders or at least comprising, aside from Somalia and Somaliland, all of those parts of neighboring states that have a significant Muslim population.

There is a broad consensus throughout Somalia on the goal of supporting a market-based economy with minimal interference of the state, as long as the economy does not violate Islamic values. Little is known about the economic policy of Al-Shabaab. In the areas they controlled, they established a strict taxation system, banned economic activities they considered un-Islamic and controlled the movement of goods and people.
During the reporting period, the anti-democratic militia, Al-Shabaab, was pushed further back by FGS, AMISOM and local forces. They are far from defeated, however, and continue to rely on guerilla-type warfare and targeted attacks against (real or perceived) supporters and allies of the FGS. Al-Shabaab thus poses a significant threat to all further reconstruction processes.

Within the recaptured territories, clan-based militias stepped into the power and administrative vacuum left by Al-Shabaab; in some regions, warlords and associated businessmen who controlled localities before the rise of Al-Shabaab are aiming to regain power. The federal process has increased tensions among clan groups, in some case resulting in violence. This does not mean that clan representatives oppose a broader democratic process. However, given the currently insecure situation, many of them fear that their interests and the interests of their clan constituency are being overtaken by local or national strongmen, and are thus aiming to consolidate their own power base.

The FGS has at times applied ad-hoc measures to facilitate negotiations between competitive groups, but also often exacerbated local conflicts. Conflict management and peace-building goals were subsumed by security concerns and the war against Al-Shabaab as well as by the goal of improving the provisional constitution and preparing the country for a constitutional referendum and elections.

The federal government has not established a coherent strategy to reach out to civil society and other interest groups. Civil society groups are often fragile and cannot act cohesively. While a number of consultative meetings were held with respect to federalism and judicial reform, these meetings were usually ad-hoc and lacked a systematic approach as well as sufficient time to enable a broad-based and regionally diverse spectrum of civil society actors to participate. Thus, an important chance to integrate wider segments of the population into the state-building process was missed.

No serious attempts were made by the FGS to initiate a reconciliation process in Somalia. The TFG focuses on security as well as legal and procedural aspects of democracy promotion, such as constitutional development, federalization and national elections, and has not developed a reconciliation strategy or implemented any measures to support it.

The government of Somaliland, while successful in the western part of the country, has not managed to integrate the politically and economically marginalized eastern parts of the country.
The governmental bodies, the FGS, the federal parliament and the president depend primarily on foreign aid and foreign protection and received considerable political and financial backing by a broad range of international and supranational actors. State-building in Somalia is supported by the United Nations. The United Nations Political Office for Somalia (UNPOS), which was active in Somalia from 1995 to 2013, was replaced by United Nations Assistance Mission in Somalia (UNSOM), whose mandate is to provide support for state- and peace-building in the country and to coordinate donor involvement.

The country is militarily supported by the African Union and by the six African countries that provide troops for AMISOM. AMISOM has military and policing components and is involved in the training of both the Somali National Army and the Somali Police Force. It also provides security in their areas of FGS control and humanitarian corridors.

Beyond security and military support, since 2013 international cooperation of OECD countries has been guided by the OECD New Deal principles for fragile states. In cooperation with international donors, especially the EU and the UN, the FGS developed in 2013 the so-called Somali Compact, a framework for the cooperation with international donors. The Somali Compact was endorsed in Brussels in September 2013. A High Level Partnership Forum, comprising members of the FGS and donor countries, was set up to monitor progress within the new partnership. The first annual review was held in Copenhagen in November 2014. Progress of the Somali Government toward achieving stability and peace was acknowledged, but the lack of tangible gains on the local level and particularly the continuous conflicts among the political leadership were criticized. The New Deal Principles are also supported by the Somali Stability Fund, a multi-donor trust fund aimed at supporting projects that strengthen local governance and conflict mitigation.

The EU enhanced its support to Somalia with a particular focus on security. It increased its funding for AMISOM and continued to provide training for the Somali Security Forces through the EU Training Mission for Somalia (EUTM), which was established in 2010. While it formally conducted its training in Uganda, in 2014 it relocated some of its programs to Mogadishu. The EU has also conducted its first-ever maritime operation (Operation Atalanta) to protect humanitarian deliveries and fight piracy at the Horn of Africa and Gulf of Aden.

Turkey is a relatively new bilateral actor in Somalia; during the reporting period it continued to provide humanitarian aid and political support. Turkey is also engaged in reconstruction, including infrastructure development. Turkish Airlines is the first international airline since mid-2013 to provide long-distance travel to the Somali capital.
The end of the transition process and the formation of a new federal government were already characterized by high levels of political interference, corruption and even intimidation. As the new president had formerly been engaged with the civil society and had not been involved in the civil war, he began his term with a good reputation. His inability to improve governance and especially service delivery, his political brawls with the prime ministers and, above all, the continuation of corruption have negatively affected the president’s credibility as reliable partner.

Regional actors remain among the key players in Somalia. Ethiopia, Kenya, Uganda, Burundi and Djibouti have deployed AMISOM troops in support of the FGS and to fight Al-Shabaab. Ethiopia, which spearheaded the military fight against Islamists in Somalia, officially left the country in 2009, but returned in 2011 to boost AMISOM forces. Kenya is among the key military players in southern Somalia and supports Ras Kamboni in its attempt to establish the interim Juba administration. Kenya has also stepped up pressure on Somali refugees to return to Somalia, which is partly in violation of international law and the prohibition of refoulement.

In general, the current Somali government acts in a more conciliatory manner toward its neighboring states than its predecessors, particularly in regard to counterterrorism.
Strategic Outlook

The high expectations and hopes that accompanied the end of the transition period and the establishment of the FGS were not fulfilled. The government concentrated on security and the war against Al-Shabaab, and has so far failed to initiate a broader reconciliation process or to establish administrative and governance structures. The president has narrowed his original six-point plan to legal and procedural aspects of democracy promotion, among it the development of the constitution and electoral procedures. While both are important, the goal to hold nationwide elections in 2016 is overambitious given that Al-Shabaab still controls territory, continues to carry out attacks and no administrative infrastructure is in place to facilitate elections. To rush elections without a prior reconciliation process is likely to create further conflicts and to escalate violence.

This is already visible in the ongoing attempts to establish federal states. Local elites throughout Somalia now seem to be battling for the restoration, maintenance or extension of their power positions in the federal entities, while groups with military power, such as Ras Kamboni, simply use the federalism process to transform their violent capacity into governmental power. Previous experiences in Somalia, however, have shown that such attempts are likely to be challenged in the long run as local competitors mobilize their clan constituencies against what they perceive as clan-based domination.

Local tensions may also rise due to plans for oil exploration, especially in the northeastern parts of the country. Several international energy companies have already been issued licenses from different local and national authorities. Their rush toward oil exploration could very well undermine the ongoing attempts at state-building.

Furthermore, Al-Shabaab continues to pose a serious security threat. While it has been pushed back militarily, the organization is far from being defeated. It is likely that Al-Shabaab continues or even increases its hit-and-run attacks in Somalia and in the wider region.