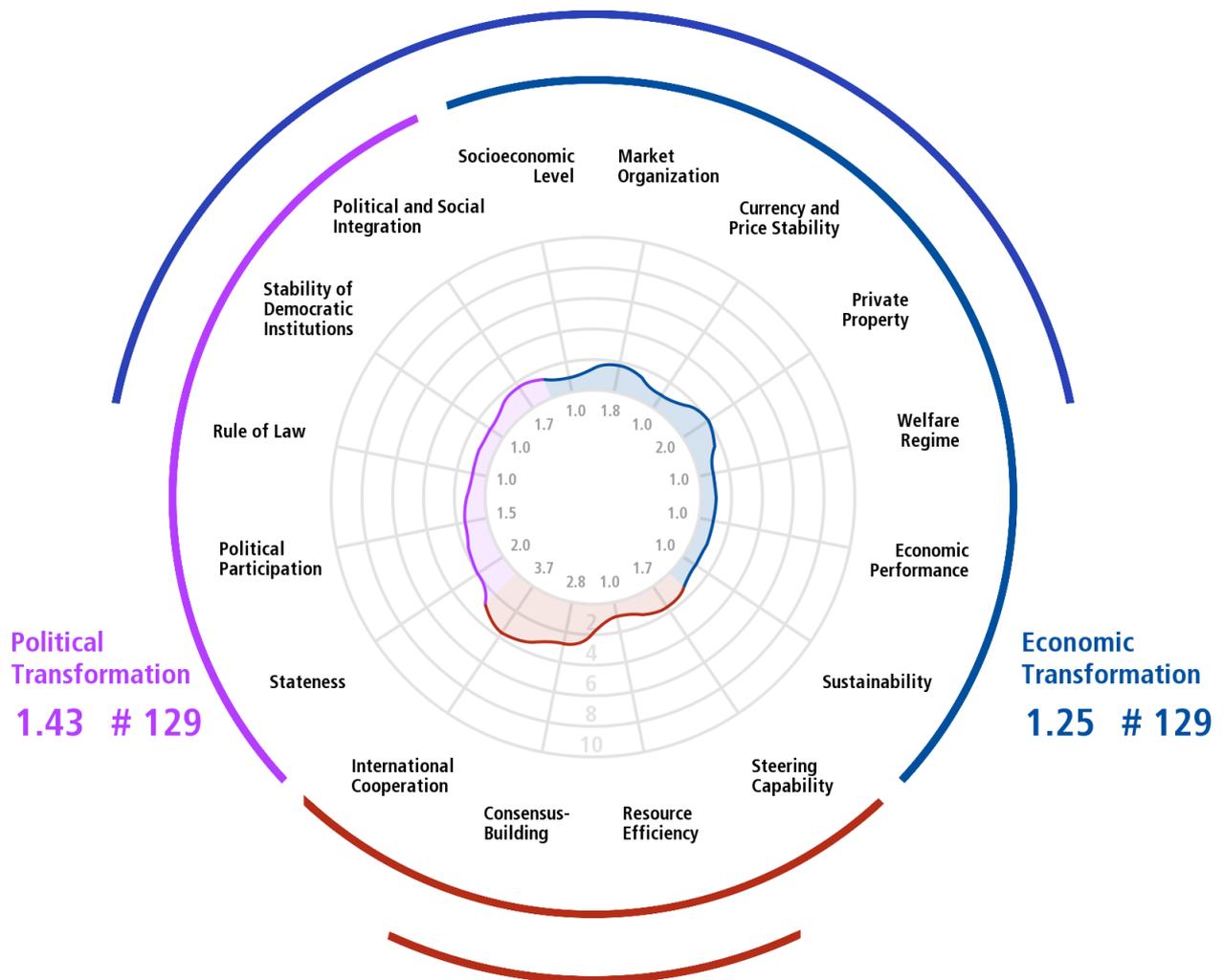


Somalia

Status Index

1.34 # 129

on 1-10 scale out of 129



Governance Index

2.25 # 123

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report – Somalia. Gütersloh: Bertelsmann Stiftung, 2018.

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Key Indicators

Population	M	14.3	HDI	-	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	2.9	HDI rank of 188	-	Gini Index	-
Life expectancy	years	55.9	UN Education Index	-	Poverty ³	% -
Urban population	%	40.0	Gender inequality ²	-	Aid per capita \$	90.1

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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 review period culminated in the election of a new parliament in December 2016, which in turn elected on February 8, 2017, Mohamed Abdullahi Mohamed “Farmajo” as the new President of the Federal Republic of Somalia. The record of the previous government under President Hassan Sheikh Mohamud, which ruled from 2012 till 2016, was rather disappointing. The first federal government of Somalia (FGS) was supposed to continue the state-building process and to steer the political transition toward democratization. This required a constitutional review, the preparation of a constitutional referendum and general elections to be held by October 2016. The implementation of the transition, however, lacked the political will of the ruling elites who seemed more interested in securing political and economic benefits for themselves than in establishing effective, transparent and accountable government institutions or initiating a wider reconciliation process. Fights within and between the executive and legislative continued during the review period. By 2015, the FGS had to admit that universal elections would not be possible and instead embarked on an indirect electoral process. In this indirect process, 14,000 delegates were selected by clan elders, which then elected the 275 members of the Lower House of the parliament, while regional assemblies nominated the members of the Upper House. The FGS has also not made progress in improving the effectiveness and accountability of the national security services. Albeit considerable financial and logistical support was made available, the Somali National Army (SNA), the country’s largest security force, remains fragmented and has not managed to establish a clear organizational structure or command hierarchy. The nascent state institutions, including the security services, were characterized by high levels of corruption, abuse of office and financial mismanagement. The unequal distribution of resources, the failure to establish transparent revenue mechanisms and the inability to provide security contributed to continued instability within the country.

The most significant progress was made in furthering the federalization process. Besides Puntland, which was established in 1998, four additional interim federal administrations had been established by the end of 2016: the Interim Juba Administration (IJA) in the south, the Interim

South West Administration (ISWA), followed by the Interim Galmudug Administration (IGA) and the Interim HirShabelle Administrations (IHSA) in central Somalia. The federalization process was accompanied by political conflicts, which at times escalated into violence. Additionally, inter-clan disputes increased during the review period, often triggered by resource or border conflicts, while other disputes related to federal state-building. Federal and regional forces, and local militias were regularly involved in these conflicts, indicating their clan-based loyalties and lack of neutrality. All violent actors in Somalia, including the SNA and African Union Mission to Somalia (AMISOM), were involved in serious human rights violations and violations of international humanitarian law, including indiscriminate attacks on civilians. While 2013 and 2014 were considered successful years in the FGS and its allied forces' fight against the Islamist militia group Harakat al-Shabaab al-Mujahideen (al-Shabaab), the victorious pace could not be further consolidated in the review period. AMISOM forces maintained their hold over major towns in south-central Somalia, but al-Shabaab continues to control large rural areas and some towns. The Islamist militia launched a series of attacks against government institutions and government supporters, including their international allies. It also re-engaged in direct military confrontations, and launched attacks on AMISOM and government military bases. Al-Shabaab was also responsible for an attack on Garissa University in the northeast of Kenya in April 2015 in which 148 people were killed, most of them students. While it has since not been involved in any major attack outside Somalia, al-Shabaab still poses a significant threat to peace and stability in Somalia, and the wider region. Somaliland remains committed to democracy, but significant challenges remain. General elections were scheduled for 2015, but have been postponed until March 2017. The delay of elections, an increasingly militarized approach against opposition in eastern regions, restrictions on public criticism of the government, and regular state repression of media outlets and opposition risks damaging the recent reconciliation successes.

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. 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 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. It does not however strive for independence, but remains as federal state part of the Somali Republic. This report examines the developments in Somaliland separately from those of Somalia, while Puntland is explored as part of Somalia.

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 the Transitional Federal Parliament (TFP) and Transitional Federal Government (TFG). Both the TFP and TFG relocated from Kenya to Somalia in mid-2005, a move that dramatically changed the dynamic of the Somali conflict given the rise of an Islamist movement, U.S. counter-terrorism operations and the military involvement of international troops in Somalia. The Transitional Federal Institutions were plagued by internal conflicts and power struggles and were challenged by a new politico-military actor, the Union of Islamic Courts (UIC). Ethiopia's military intervened on the side of the TFG in December 2006, defeated the UIC and established the TFG in Mogadishu. This was then supported 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 a complex Islamist insurgency, spearheaded by Harakat al-Shabaab al-Mujahideen (al-Shabaab). Although peace negotiations led to the inclusion of moderate Islamist forces into the TFG, al-Shabaab continued its fight. By mid-2010 al-Shabaab controlled vast parts of central and southern Somalia and started to build administrative structures. Their success did not last. By 2011, AMISOM had raised its forces to 8,000 soldiers, as originally planned, and was additionally supported by the Kenyan and Ethiopian troops, which were later integrated into AMISOM. During 2012, al-Shabaab successively lost control over major towns in southern and central Somalia to allied international and national forces. Until the end of 2012, al-Shabaab had to withdraw from all major towns in southern and central Somalia. The war between 2007 and 2012 cost 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 the fighting forces in Somalia were involved in severe human rights violations.

The interim period of the TFG officially ended in August 2012 with the selection of a federal parliament by elders, and the formation of the federal government of Somalia (FGS), mandated to rebuild basic state structures and to prepare the country for general elections until 2016.

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 political actors and militia leaders. Commercial activity is driven by short-term profits and in general relies heavily on armed protection. The economy is dependent on imports, while Somalia's international trade networks are dominated by a few powerful business cartels, often intertwined with the politico-military elite. Another driver of economic development is the large Somali diaspora, which has started to invest in Somalia, focusing on Mogadishu and some of the regional capitals.

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 until today followed by two district elections in 2002 and 2012, presidential elections in 2003 and 2010, and parliamentary elections

in 2005. Albeit challenged by double voting and registration errors, all elections were considered largely free and fair by international observers. The next parliamentary and presidential elections were scheduled for 2015, but have postponed until 2017.

The power of Somaliland does not reach to Somaliland's eastern borders. Especially the regions of Sool, Sanaag and Cayn were contested between Somaliland and Puntland, with both claiming these regions as part of their state's territory. However, neither Somaliland nor Puntland has established real control over the regions, and Somaliland was not able to conduct elections in most parts of the contested areas. In spite of Somaliland's 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 functional state since 1991, when the state's weak monopoly on the use of force collapsed. The federal government of Somalia (FGS) has not been able to re-establish a monopoly on the use of force throughout any part of the country. It largely depends on the African Union Mission to Somalia (AMISOM), which in 2015 totaled 22,000 troops. AMISOM, in cooperation with the Somali National Army (SNA), and regional and local clan militias, was able to capture most towns and cities in southern Somalia from al-Shabaab between 2012 and 2014. However, the FGS and SNA have not been able to hold most newly recovered areas effectively, and al-Shabaab has retaken parts of southern Somalia over the past year. The FGS continues to rely mainly on AMISOM forces in the provision of security of key installations. It also found itself under continued attack from al-Shabaab, which still holds rural areas in south and central Somalia. Al-Shabaab launches daily small-scale attacks on AMISOM, the SNA and FGS targets, and executes major terrorist attacks every few weeks. Al-Shabaab continues to pose a significant threat to security and political stability in the country. Somalia has also seen a rise of violent conflicts linked to the creation of regional member states in its federalization process. These conflicts have been caused by internal power struggles, by conflicts about borders or access and distribution of resources, and have been fought along clan lines. The politically fragmented leadership of the country is mirrored in the leadership of its security services. The SNA, the country's largest security institution, received considerable international support. This support was intended to enable the SNA to take over security provision from AMISOM. However, the SNA has not managed to develop central command and control structures. It remains composed of clan militias whose loyalty is geared more toward their clan than toward the federal government. In some cases, SNA units allied themselves with regional and local clan militias, perpetuating clan conflicts and conflicts pertaining to the ongoing federalization process. In other cases, units or individual members of the SNA were reported to collude with al-Shabaab. The relation between the SNA

Question
Score

Monopoly on the
use of force

1

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1 1

and the FGS is characterized by a high level of mutual mistrust, which is perpetuated by the continued delay of salary payments, high levels of corruption, and mismanagement and misappropriation of resources, including necessary military supplies and even food rations. Acknowledging the problem, President Hassan Sheikh in September 2015 publicly committed himself to a security sector reform. However, the roll out of the reform, which among other things included the registration of soldiers, the elimination of “ghost soldiers,” and improved reporting and monitoring procedures, was not carried out efficiently. The lack of management of the security forces plays into the hands of al-Shabaab. While the FGS has managed to retain control of major towns and cities due to the availability of AMISOM forces, in the long run the FGS will not be able to preserve its position without improving its own security forces. Tensions and violent conflicts between clan groups have already re-emerged in the areas controlled by the FGS and AMISOM, especially in the Shabelle river valley. The security situation is further complicated by the large number of local and now also federal militias. Somalia’s neighbors Ethiopia and Kenya, which provide together approximately one third of the AMISOM forces, continued to train clan militias in the fight against al-Shabaab and in an attempt to secure their own borders with Somalia. Plans to integrate the federal militias into a national security service were only slowly implemented. Approximately 1,300 soldiers from the Interim Jubaland Administration (IJA) were officially integrated into the national army in 2015, but did not receive adequate equipment. Puntland also agreed to the integration of 3,000 soldiers into the SNA, but the process has not been fully carried out. The failure to control and manage the different militias, regional and national armies, further undermines the security situation. For example, members of the forces engage in extortion, build roadblocks, sell their services to private contractors or take sides in violent conflicts on behalf of clan groups. The U.N. Security Council in 2013 partially lifted the arms embargo for Somalia in order to enable the FGS to rebuild its security forces. However, the lack of management and control impacts on the inflow of weapons, and there have been complaints that only units of some clan groups receive weapon deliveries, while government weapons were also found for sale on the local markets. The largest threat to security is still posed by al-Shabaab. The Islamist militia continues to compete for the monopoly on the use of violence. The severe territorial losses of the Islamist militia and the loss of several high-level leaders, with some having been killed and others defecting, did not diminish its capacity for violence. The Islamist militia controls part of the countryside and has during the review period regularly cut off major supply routes, blocking military supplies as well as humanitarian aid. Al-Shabaab intensified its insurgency and re-engaged directly in attacks against AMISOM contingents and SNA bases in Somalia. At least four bases came under severe attack, during the review period, resulting in an increase in losses on the side of the intervention forces. In March 2016, a large al-Shabaab force, many of them children, launched an ill-advised offensive on a small Islamic State in Iraq and the Levant (ISIL) breakaway group in Puntland, but were defeated or surrendered by Puntland government forces, sustaining very

heavy losses. Al-Shabaab continued its military attacks in all major cities relying on improvised explosives, vehicle borne devices and suicide attackers. In Mogadishu, al-Shabaab especially targeted restaurants and hotels that were frequented by Somali state and international officials, and government buildings and facilities, including the Ministry of Higher Education and the Presidential Palace. Further, al-Shabaab directly targeted international organizations and aid workers. It conducted a series of attacks on agencies of the United Nations, among them in April 2015 a suicide attack on a bus of the U.N. Children's Fund in Garowe (Puntland), which killed six people and injured five. Between 2014 and 2016, the organization killed 27 aid workers and wounded several more. Most attacks by al-Shabaab resulted in a significant number of casualties, among them many civilians. A new branch of al-Shabaab emerged in 2013 in the northeast of Somalia, in the Galgala mountains northeast of the town of Bosaso in Puntland. The group was uprooted by Puntland security forces in October 2014 and January 2015. Remnants of the group continued to attack security forces with improvised devices during the review period. In October 2015, the leader of al-Shabaab North East announced his allegiance to the Islamic State in Iraq and the Levant (ISIL), a move that triggered conflicts within al-Shabaab which had previously pledged loyalty to al-Qaida. After a period of infighting, the group aligned to ISIL was defeated and its leader fled to his clan's home region in Puntland. Al-Shabaab has also continued to launch military operations outside Somalia. Since June 2014, its terror operations have cost the lives of more than 300 people in Kenya. In April 2015, it launched an attack on the Garissa University in the northeast of Kenya and killed 148 people, mostly students. While it has not launched further attacks in the region or in Kenya, the organization remained active and has temporarily occupied Kenyan-Somali border cities, most likely as a demonstration of strength. The United States and Kenya also intensified airstrikes in Somalia, and in 2016 operated at least 29 attacks against al-Shabaab bases and leaders. Some of these attacks resulted in civilian deaths, with one single attack on 5 March 2016 killing more 150 people, among them recruits and commanders of al-Shabaab, but also civilians. The unrecognized secessionist state of Somaliland in the northwest of Somalia has also not established a fully functioning monopoly on the use of violence, but nonetheless remained comparatively peaceful during the review period. It has, however, increased its military presence in the contested eastern borderlands with Puntland, where a breakaway movement known as Khaatumo state has fought against Somaliland and Puntland forces. Al-Shabaab has allegedly also built up its presence in the border region.

The vast majority of the population is ethnic Somali and nearly 100% of the population is Muslim, making Somalia a relatively ethnically homogenous country compared to other African states. The majority of the population is likely to accept the idea of the nation-state. Several factors are beginning to challenge this dominant view, however. First, with the rise of al-Shabaab, ideas of the establishment of a global or alternatively a regional caliphate gained some supporters. Though others

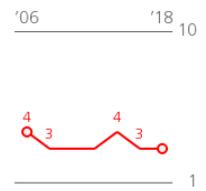
State identity

3

mainly insist on a state-based on Islam and Shariah law, an idea that is more likely supported by the majority of the population. Second, some population groups have been considered second- or even third-class citizens, and while treated as Somali citizens have never been accorded full rights. Traditionally the agro-pastoralist Rahanweyn (Digil and Mirifle) clan groups were marginalized, but with their military successes in the 1990s and full participation in the federal institutions have gained social and political power. Members of most minority groups, among them the so-called Somali Jareer (hard hair) or Bantu, and occupational caste groups are treated as second-class citizens. Other minority groups, including the coastal Benadiri populations, have a long history of ties to the wider Indian Ocean littoral community and are not always treated as full Somali citizens. Third, most though not all of the residents of northwestern Somalia, in the breakaway republic of Somaliland, no longer accept the notion of a common Somali nation-state. Finally, a new discourse has arisen questioning whether Somalis from outside Somalia (e.g., Ethiopian and Kenyan citizens, and the large Somali diaspora in Europe and North America) can claim the right to hold office and take jobs in Somalia. For the moment, these challenges to the traditionally strong sentiment in support of a Somali nation-state are not a fundamental threat, but they represent a fraying of what had once been an unquestioned orthodoxy in Somalia.

Legally, citizenship has not changed. 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 discrimination in everyday life and politics, so-called minority groups such as the Jareer/Bantu, Midgan, Yibir and some Arabic minorities were seen as full citizens.

Actual rights of citizenship were eroded with the collapse of the state in 1991. Members of minority groups were harassed by gunmen, and threatened by freelance and clan militias, which often targeted militarily weak groups. With the increasing influence of Islam in Somali politics, particularly since 2006, the concept of the umma, or community of Muslims, has gained importance. It is unclear though how or whether this affects the situation of minorities. During the review period, both the Somali National Army (SNA) and allied local forces, and al-Shabaab were regularly reported to be involved in human rights violations against members of minority groups. The SNA and members of clan militias were reported to systematically kill people in Bantu villages, to loot their homes, and to displace thousands in attempts to appropriate their land and property. The Bantu were also reported to be regularly harassed and illegally detained by the SNA. Members of al-Shabaab have allegedly systematically abducted children from minority groups and forcefully integrated them into their militia. Al-Shabaab was also involved in systematic targeting of minorities in the Juba Valley, and human rights violations seem to have increased in number and ferocity.



In the Somaliland Citizenship Law of 2002, patrilineal descent from clans or people living in Somaliland was reaffirmed as the basis of citizenship. A similar principle of descent from regionally dominant groups also underpins citizenship in Puntland. Also, the new Somali constitution refers to jus sanguinis as a basis of citizenship. But given Somaliland's claim for independence, the notion of a common Somali state identity is contested in the northwest (territory of Somaliland), especially in the central and western parts of Somaliland, Somali state identity has been gradually replaced by a Somaliland state identity.

With the collapse of the government in 1991, the state's secular law ceased to function in most areas. Simultaneously, two already existing non-state legal systems gained prominence in Somalia: traditional law (Xeer) and the Islamic 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. The Transitional Somali Constitution of 2012 also 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. The government has not managed to build a functioning legal system and civilian courts are only available in larger cities, but lack trained staff, capacities and resources. While in most parts of the country Shariah, Xeer and (especially in the cities) civilian law are practiced simultaneously, the FGS has established a military court system that seems increasingly to fill the vacuum left by an ill-functioning legal system. The military courts are accused of continued human rights violations.

In those areas still governed by al-Shabaab, politics and everyday administration are guided by religious dogma. A strict interpretation of Islamic law is enforced and includes harsh penalties, such as execution by stoning, and the public amputation of limbs and flogging. Al-Shabaab further imposes morality laws, with strict dress codes for men and women, forcing women to wear a heavy veil and men to shorten their trousers.

Somaliland's constitution allows for three legal systems, based on Shariah law, civil law and customary law. Islamic courts primarily regulate family issues but have increasingly gained prominence among the business community, whose members appreciate the speedy judgments. Although secular legal codes, including the old Somali penal code, have been applied across the country, they remain subordinate to traditional law, as the courts' institutional capacity is limited, and judges and attorneys lack training and expertise in secular legal codes.

The FGS has not managed to establish a functioning administration. Most of its institutions, including the civil service, are barely functioning. Ministers have neither clear terms of reference nor a ministerial apparatus. Infighting within the government and parliament caused disruptions, led to high staff-turnover in the executive and undermined its ability to govern. In February 2015, the third cabinet and third prime minister since President Sheikh Hassan took over his office in September 2012 were

No interference of religious dogmas

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Basic administration

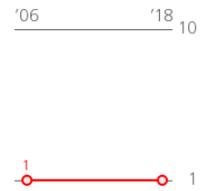
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inaugurated. The main objective of the FGS after its inauguration in 2012 was to improve security and to finalize the political transition until 2016. The FGS developed in its first year the so-called Vision 2016, the policy framework and strategy for political transition, which included the organization of constitutional referendum and public elections before the end of 2016. These goals were highly unrealistic, but the executive also did not put much effort into rolling out of the transition. Public goods, among them the most basic good of security, have not been provided to the population, although significant external funding and support was directed toward the establishment and training of national security forces. With respect to security, the FGS continued to rely mainly on AMISOM, while its own security services were ill-managed and have regularly been 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, mismanagement of funds, and high levels of corruption have continued to hamper the state-building process. The most significant political progress was achieved with the formation of federal administrations. Until 2013, the only Federal Member State was Puntland, which provided the role-model for the federal state-building process. Albeit federalization was accompanied by political tensions and at times triggered violence, the review period saw the maintenance of the early 2013 established Interim Jubaland Administration (IJA) in the south of the country, and the creation of the Interim South West Administration (ISWA), and the Interim Galmudug Administration (IGA) and Interim HirShabelle Administration (IHSA) in central Somalia.

IJA was established shortly after the local Ras Kamboni militia, in cooperation with the Kenyan forces (later transformed into a contingent of AMISOM), ousted al-Shabaab from the southern port city of Kismayo in the end of 2012. Ras Kamboni initiated consultative meetings, claimed control and administratively united the three southern regions of Gedo, Lower and Middle Juba in the IJA. The establishment of institutions was initially hampered by conflicts with the FGS, and internal conflicts about the composition of the IJA regional assembly and federal government. A reconciliation meeting in March 2015, however, led to the broadening of the clan basis of the regional assembly and cabinet. On April 15, 2015, 75 representatives of the regional assembly voted for the re-appointment of Ahmed “Madobe,” the leader of Ras Kamboni as president. Conflicts within the administration however continue and large parts of the Middle Juba Region are still controlled by al-Shabaab.

With the ISWA, the second federal member state was officially launched in June 2014 comprising the three regions of Bay, Bakool and Lower Shabelle. The three-region federal state was initially contested and a parallel federal state formation process took place that opted for the incorporation of six regions, among them the region of the IJA. After a series of talks mediated by the FGS, the two factions agreed



at the end of 2014 on the three-region model. Sharif Hassan Sheikh Adan, a former speaker of the Transitional Federal Parliament, was elected as interim president.

Galmudug was officially launched in July 2014, comprising the Galgaduud region and the southern half of Mudug. An assembly of elders elected Abdikarim Guled as president. The installation of federal institutions was however stalled by border conflicts with Puntland and internal conflicts with the local militia Ahl al-Sunna wal-Jama'a (ASWJ). Puntland controls the northern part of the Mudug region, including northern parts of the border city Galkayo. Border conflicts between the two federal states led in November 2015 to the mobilization of forces, and initiated violent clashes that led to the death of 20 and the temporary displacement of 90,000 people. Albeit the further escalation of violence could be prevented, the relationship between Puntland and the IGA remains strained. The interim administration is additionally challenged by the locally powerful militia ASWJ, which was sidelined in the federal state formation process albeit it was at the forefront of the fight against al-Shabaab. The tensions with ASWJ and IGA escalated in December 2014 and February 2015. The FGS tried to reconcile and to negotiate a ceasefire, but ASWJ continues to hold territory in Galmudug, including the regional capital Dhusamareb.

In September 2016, and after a series of negotiations, the two remaining central regions, Hiraaan and Upper Shabelle were eventually integrated into IHSA. In October 2016, the regional assembly elected Ali Abdullahi Osole as president. Tensions between the two dominant clans in the federal state are still high.

In spite of the ongoing conflicts and although the federal entities are far from being consolidated, the federalization process is widely perceived as a success. So far, little clarity is provided on the exact role and function of the transitional federal states. Albeit the political devolution is supported by many regional political and military leaders, the federal states are based on fragile clan-balances, and tend to neglect the interests of less powerful clans and minority groups.

2 | Political Participation

Somalia is not an electoral democracy. The provisional federal constitution, which was adopted in 2012, constituted Somalia as multiparty democracy based on the separation of powers. The FGS developed in the Vision 2016 the strategic framework for the democratic transition in 2016. Albeit international donors put considerable pressure on the FGS to reach these highly unrealistic goals, the FGS did not put significant effort into the organization of a constitutional review or preparation of elections. The FGS organized a leadership forum in September 2015, in which the president, prime minister, speaker of the parliament and the members of the transitional federal administrations discussed the modalities for the upcoming election. The forum released a communique stating that the conditions in Somalia are not yet conducive for general elections. Instead, a National Consultative Forum was

Free and fair elections

1

'06 '18 10

1 1

held in December 2015 in Mogadishu, but failed to agree on the modalities for the selection of members of the Lower and Upper House of the parliament. Instead, President Hassan Sheikh announced in March 2016 the re-adoption of the so-called 4.5 principle. Accordingly, the 275 members of the federal parliament are selected on the basis of a power-sharing arrangement that provides the four clan-families an equal number of seats, while minority groups together receive half of the number of representatives of one of the four clans. While the Puntland administration initially rejected these modalities, it later in April agreed after a visit of an international delegation comprising representatives of the major donor states. Puntland however received the right to approve the list of members eligible to be elected in Puntland to the Lower House of parliament. In the next National Leadership Forum in April 2016, other regional presidents also received veto powers over the elected members of their states for both the Upper House and Lower House.

The national leadership forum also agreed to pursue indirect elections. On May 21, 2016, President Hassan Sheikh endorsed a new electoral model that combined an electoral college model with the 4.5 power-sharing mechanism. Elders from 135 clans and sub-clans nominated 275 electoral colleges, each composed of 51 delegates representing different clan groups. The electoral colleges which in total composed of 14,025 delegates were placed in the three regional capitals and Mogadishu, and mandated to elect the 275 parliamentarians for the Lower House. The members of the Upper House were elected by the regional assemblies, which take a similar clan-based power-sharing agreement into account.

Two temporal institutions for the implementation of the election were swiftly established: the Federal Indirect Electoral Implementation Team (FIEIT) responsible for the oversight and overall planning of the electoral process, and the State Indirect Electoral Implementation Teams (SIEITs) to conduct the electoral process in the established and emerging federal member states. The election process was due to start in September 2016, but was delayed. It was accompanied 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 selection of parliamentarians was eventually completed in December and parliamentarians were sworn in by the chief justice on December 27, 2016. The new parliament elected a speaker on January 9, 2017, and presidential elections were held on February 8, 2017. Members of both the Upper and Lower House had to decide between 23 candidates. Mohammed Abdullahi Mohamed “Farmajo” who served between 2010 and 2011 as prime minister in the Transitional Federal Government, won a majority of votes in the second round of voting.

None of the political factions in Somalia exercises the power to effectively govern the country. The FGS has, with the support of AMISOM and international donors, expanded its territorial control. This is however not matched by its capacities to govern the recaptured territories. Political infighting, high staff turnover and endemic

Effective power to govern

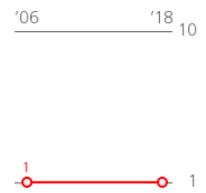
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corruption hampered the ability to develop functioning state institutions. With respect to security, the FGS relies mainly on the support of the 22,000 AMISOM soldiers. The establishment of federal member states was an important step toward the national roll out of administrative structures. However, the relationship between the federal administrations and the FGS remain antagonistic, including the relationship between the FGS and Puntland. The four newer federal administrations also lack the ability to govern the territories under their control. The Middle Juba region, one of the three regions that the IJA claims to govern, is mainly under the control of al-Shabaab. The ISWA has no control over the Lower Shabelle region, which is partly controlled by al-Shabaab and partly by clan-based militias. Lower Shabelle is among the centers of violent conflicts in Somalia. Conflicts and recurrent droughts have led to massive displacements and deteriorating living conditions for the majority of the population in Lower Shabelle. In Bay and Bakool, the ISWA is confined to key cities, while large parts of the rural areas including some towns are controlled by al-Shabaab. The local militia ASWJ controls the IGA's official capital, Dhusamareb, while IHSA was established in a rush before the elections and has not yet developed administrative or executive capacities.

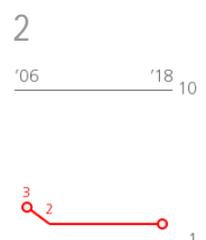
People in regions controlled by al-Shabaab experienced a highly authoritarian and repressive form of rule. The Islamist militia aims to control all aspects of public and private life, and has created a general climate of fear based on continuous threats and harsh punishments.

In Somaliland, elected political decision-makers have greater sovereignty and executive power in governing their territories, except in the contested borderlands, and the area of the Khaatumo State and areas in the Galgala Mountains. Still, decisions have usually have to be taken with the consent of influential clan heads, and the failure of state officials to do so usually leads to tensions and sometimes triggers violence.

The provincial federal constitution as well as the state constitutions of the FMS provide for the right to association and public assembly. Protracted warfare and counterinsurgency 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 remained high during the review period. While political association is not formally restricted in the areas controlled by the FGS, ongoing human right violations (e.g., killings, beatings, harassment and arbitrary arrests) particularly affect political activists and opposition groups, but also media workers and human rights groups who are critical of or report on political misconduct, corruption and mismanagement. Public assembly and protest, while officially allowed, was regularly restricted or confronted by violent state reactions in all Somali regions, including Somaliland. The Somali National Army, for example, opened fire on protesting taxi drivers in June 2014 killing one of the protesters. When a protest against the government became violent, security forces



Association /
assembly rights



of the Interim Galgadug Administration fired into the crowd and killed two people in January 2015. In March 2016, three people were killed in the town Beled Weyne when they demonstrated against the FGS during a presidential visit. When women protested against what they perceived as the unlawful allocation of public land in the Interim Jubaland Administration, 11 were arrested and several beaten. In none of the cases were official investigations initiated. The Minister of Internal Security has during 2016 three times stopped political meetings in which clan groups met to discuss the election.

In areas controlled by al-Shabaab, freedom of association is fully restricted, and civil society organizations, aid workers and journalists continued to be attacked by al-Shabaab. Somalia still ranks as one of the most dangerous places in the world for humanitarian workers and al-Shabaab has allegedly even attacked civilians who tried to access humanitarian aid. Al-Shabaab additionally poses a large threat to political activists and leaders outside their territory of control, and especially target locations where the political elites of the country meet. Since 2012, 18 parliamentarians have been killed during attacks or assassinated. Many of these killings have been attributed to al-Shabaab, with some attributed to other clan militias or could not be attributed at all.

While the right to association and assembly is guaranteed in the Somaliland constitution, during the review period there were incidences of heavy-handed repression against public protests and demonstrations. The decision to postpone the presidential elections from June 2015 to March 2017, for example, led to demonstrations in several towns. The government initially permitted the opposition parties Wadani, and the Justice and Welfare Party to participate in or organize demonstrations. However, the government subsequently raided offices of both parties and detained several party members, albeit for a short time. The government was also accused of blocking media access to the demonstrations. Political authorities have on several occasions prohibited political parties from holding meetings. In order to avoid clan-based political expressions, Somaliland's electoral laws allow the formation of political associations only every 10 years, when they have to compete for the right to become a party during local council elections. The number of parties is restricted to the three winners of these local elections. The parties elected in the district poll in 2012, among them the ruling Kulmiye party, the Justice and Welfare Party (UCID) and Wadani are expected to compete in the parliamentary election which is now scheduled for March 2017. Most of the time, however, local and international non-governmental organizations operate without serious interference.

The provincial federal constitution as well as those of the four interim administrations of Puntland, Galmudug, South West and Jubaland, provide for the freedom of opinion and expression. The constitutions are however not harmonized, and contain different sets of restrictions related to prohibitions on speaking against Islam, public safety, public order and unethical public expressions (without however specifying what is

Freedom of
expression

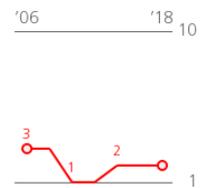
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considered unethical). In January 2016, and after lengthy discussions, the Somalia Media Bill was passed in the federal parliament. The new law, which prohibits censorship and protects the independence of media outlets, was followed by the rather hasty establishment of a National Media Council (NMC). The NMC's main responsibility is to safeguard ethics and the media code of conduct, settle media disputes, deal with complaints pertaining to media and journalism, and recommend licenses. Criticism was raised against the appointment procedure and composition of the NMC, and its independence from the FGS was questioned.

Somalia also saw the establishment of a number of media associations, lobbying for media rights, freedom of expression and improvements in the quality of journalism. In spite of continuous efforts, the freedom of expression is severely restricted in Somalia. Political activists, politicians, and other people who publicly present opposing political opinions or report on public misconduct can at any time come under pressure from security forces. Forms of severe repression used by the security forces have included beatings, arbitrary arrests and imprisonment. Media workers and especially journalists are regularly harassed, and the Committee to Protect Journalists during 2015 and 2016 regularly reported assaults by the FGS or the interim administrations against journalists, including searches and forced closures of media outlets, radio stations, newspapers and websites. The U.N. Assistance Mission in Somalia (UNPOS) additionally reported that 48 media workers were between January 2015 and June 2016 arrested in areas controlled by the FGS or interim administrations. Only 10 of them were brought before a court, while 38 were released without charges. One of the prosecuted was sentenced to death by a High Military Court and was executed in April 2016 without being brought before a civil court. A particular challenge for the freedom of expression is posed by the National Intelligence and Security Institution (NISA) which was established in 2013 to collect intelligence in the national interest. NISA was never anchored in a legislative framework and has acquired wide-ranging power with respect to security. For example, between 2014 and 2015, it raided several media outlets, shut down three radio stations, seized the equipment of others and arrested 14 media workers without formal statements or any other form of communication. NISA also involved in other operations that restricted the freedom of both assembly and expression.

In areas under Al-Shabaab control, independent media is prohibited. Al-Shabaab runs its own radio stations which broadcast a mixture of political propaganda and religious sermons. The Islamist militia also targets media workers in areas outside its control. In total, six journalists were killed in Somalia between 2015 and 2016. Reporters without Borders ranks Somalia 167 out of 180 countries in terms of press freedom.

Press Freedom and Freedom of Speech are also partly limited in Somaliland and the review period saw restrictions on the freedom of expression. The ruling party has dealt repressively with the media, closed media outlets or summoned journalist for interrogation.



3 | Rule of Law

Formally, as a parliamentary model of governance, there is no clear separation of power between executive and legislative branches. However, the key element creating a “fused” executive and legislative parliamentary systems – party cohesion – is entirely absent in Somalia. Members of parliament represent their clans, thanks to the 4.5 formula, or themselves, thanks to corruption, but are not disciplined by a ruling party. Parliament can and does rebel against the dual executives (the president and prime minister).

Informally, there is a robust system of checks and balances that plays out along clan lines, manifested in the regional member states and the Somali Leadership Forum. In the forum, major political issues have to be negotiated and regional member states have the ability to walk away, hence have a degree of veto power. This constitutes a sort of checks and balances system that is extra-constitutional but effective.

Al-Shabaab has established a Shariah-based administration in areas under its control. Powers are not separated. However, detailed information on their organizational and administrative structure is not available, as they operated in a highly secretive manner.

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

There is no countrywide rule of law and secular legal institutions are in a nascent stage. Additionally, there is no countrywide agreement over the basic framework, institutional structure or composition of a legal system. The FGS has not put much effort into designing, debating or implementing a legal framework, or providing legal services to its citizens. However, over the last decade, successive governments have re-established state courts at the district level in Mogadishu and in other cities. Though many of these courts operate under the regional authorities or clan groups, and their procedures and frameworks are not harmonized. The courts are responsible for criminal and civic laws. Additionally, there is an appellate court and a Supreme Court in Mogadishu. Puntland and Somaliland both have established an independent and formally structured hierarchical court system. The courts in Somalia and Somaliland run parallel to two other legal systems: customary law (Xeer), which is negotiated on a case by case basis and implemented by elders; and the Islamic Shariah law, which is interpreted quite differently in different courts and locations. Different versions of Shariah law thus exist and there are tensions about the interpretation of the Islamic law.

The independence of the judicial system is a serious concern in all regions and generally people display little trust in the formal institutions, which are costly and seem open to political and clan-based manipulation. A survey in Mogadishu in 2014

Separation of powers



Independent judiciary



established that only 13% of interviewees trust courts, while 48% rather rely on customary and 29% on religious mechanisms. The capacity of court personnel is generally low and many judges and prosecutors lack formal qualifications. Furthermore, the availability of different legal codes, among them the Italian, British and the Somali before the state collapsed, complicates adjudication and makes it seem arbitrary. Newly appointed judges usually do not receive any form of training.

The independence of the judiciary is continuously challenged. During the review period, conflicts between the Ministry of Justice and the Supreme Court on the appointment of judges hampered the establishment of a coherent legal system, and highlighted the clan-based and economic interests that are deeply interwoven into the judicial system and influence the daily performance of the courts. Judges regularly seem to base their decisions on clan or political considerations, and are regularly accused of corruption and misconduct. No proper oversight mechanisms exist.

Al-Shabaab has established courts in their area of control, which follow their own, strict Salafi interpretation of Shariah law. These include enforcement of strict punishments (huduud), including amputation of limbs, stoning and executions. Al-Shabaab does not allow the application of the customary law.

Somaliland's constitution allows for the coexistence of civil, Shariah and customary legal systems, as long as they don't contradict Shariah law. However, the three legal systems partly contradict each other and the country has so far not managed to harmonize them. Nevertheless, Somaliland has built a legal infrastructure and a court system that reaches most urban centers. Though judges and other personnel in the judiciary often lack capacity and have no formal qualification. The judiciary lacks independence from the executive, as judges are often appointed on the basis of clan or political association, and is underfunded. The Supreme Court is widely perceived as being ineffective. A new chief justice was appointed in May 2015, an appointment that was welcomed by civil society. Somaliland also started within the Somaliland National Plan 2012-2016 to tackle the capacity challenge and trained 90 law graduates with international support. It remains to be seen if these steps improve formal judicial services in Somaliland, where a majority of citizens and, especially in rural areas, rely mainly on customary law.

Corruption and the misappropriation of domestic revenues and foreign aid are endemic and continue on a large-scale in the federal institutions and beyond. This became in 2016 particularly pronounced during the election period, where vote-buying, bribery and other forms of corruption were widespread. The review period also saw allegations of vote-buying within the parliament to influence debates and the development of laws. Corruption, mismanagement of public resources and nepotism are reported to affect all federal institutions, including the ministries, the security services and even the foreign aid sector. These allegations include the unlawful transfer of land and property, evictions, provisions of passports, and major licensing practices (e.g., the provision of extraction licenses for oil companies or

Prosecution of
office abuse



fishing licenses). Diversion of aid is widespread in Somalia and a number of “gatekeepers” rose to provide paid access to vulnerable people, especially to internally displaced people (IDPs) living in camps. Even high-level U.N. staff in the review period were accused of taking bribes. There are no accountability mechanisms in place to oversee conduct of public servants of politicians. Corrupt officials enjoy impunity and, while individual cases of dismissal due to corruption are known, there are no legal repercussions at any level of corruption. The inability of federal institutions and donors to address endemic corruption hampers the ongoing state-building process, makes institution-building ineffective and undermines citizens’ trust in the state level institutions. The high risk of corruption is particularly evident in the security services, where mismanagement of resources and failure to pay salaries has led to severe security risks. The misuse of offices and corruption is facilitated by impunity and the acceptance that public offices need to “pay off.”

In Somaliland, corruption continues to be a serious problem and is often practiced on a clan basis. While legal improvements were made under the current presidency of Silanyo, concerns were raised about international contracts given out by the Somaliland government for the renewal and management of the port in Berbera. Also, the heavily militarized approach in unruly eastern parts of the country are often criticized for supporting the ruling party’s business interests.

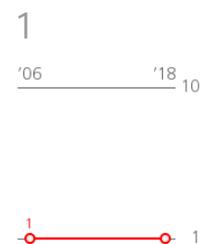
The February 2017 election as president of a known anti-corruption political figure, Mohamed “Farmajo,” could challenge the Somali kleptocracy in the future.

In Somalia civil and human rights are regularly and systematically violated. All political actors fighting for political and economic power in southern and central Somalia have been involved in severe and systematic human rights violations in recent years. Civilians bear the brunt of armed conflicts, and indiscriminate attacks and the disproportionate use of force 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.

Al-Shabaab has, in the areas under its control, systematically violated civil rights, and has arrested, beaten and even executed civilians, often under the pretext that the accused were spying for the West. State security forces and affiliated militias have, though to a lower extent, resorted to arbitrary executions and indiscriminate retaliation attacks. People accused of working with al-Shabaab have been arrested and prosecuted without due process. There has been a dramatic rise in the number of executions in Somalia. Between January and August 2016, a total of 20 executions were carried out, seven of them in Somaliland. These sentences were often imposed on civilians, including children, without due process or trial.

Women in Somalia lack protections, and are subjected to various forms of gender-based and sexual violence. In al-Shabaab areas, girls were forcefully “married” to fighters and offered as a reward for volunteer suicide attackers. Women were beaten

Civil rights



in some regions if they left the house without a male relative; they were also beaten if they did not obey the strict dress code. Yet, government and allied forces also frequently committed crimes against women with impunity. Among displaced populations, women are particularly vulnerable, and are at high risk of being raped or sexually assaulted by militiamen or bandits. Incidences of rape were also extremely high in refugee camps for internally displaced persons (IDP) in government-controlled areas.

All parties have recruited child soldiers, again with al-Shabaab at the forefront, using aggressive and violent methods to recruit children as young as 11. Al-Shabaab was even reported to systematically kidnap children of minority groups to integrate them into their army. The parents of recruited children have no opportunity to protest and if they tried to protest, faced punishment or were even killed.

All parties were involved in the forcible displacement of civilians, often in an attempt to annex farm land or urban public land.

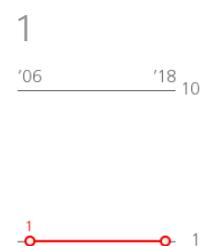
In the centers of Somaliland, some basic rule of law has been established, and the police force, the judiciary and other government institutions are working reasonably well. However, in the more remote rural areas, local authorities, mostly elders, provide for legal order. In such contexts, the rights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

4 | Stability of Democratic Institutions

There are no democratic institutions in southern or central Somalia. During 2015, the transition toward democratic elections was postponed to 2020.

While democratic institutions are relatively stable in Somaliland, they do not have adequate resources and expertise. The review period saw attempts to concentrate power in the hands of the ruling elites, which strengthened the position of some clan groups while sidelining others. Presidential elections were due in 2015, but have been postponed in May 2015 until 2017 by the Guurti, the Upper House of Parliaments. The Guurti is composed of 82 elders from different clan groups. The original aim of the Guurti was to oversee the peace and reconciliation process, and ensure that minorities and smaller clans have a voice in politics through clan-based representation. However, members of the Guurti, who have held their seats since 1997, are increasingly perceived as corrupt and as distanced from affairs on the ground. While an initial delay of the election by one year was accepted by the opposition due to difficulties in voter registration, the postponement by two years was met with sharp criticism, as it is assumed that the government is using the postponement for its own political purposes.

Performance of democratic institutions



Clan-based organization of political parties is constitutionally prohibited in Somaliland, but clan affiliation continues to dominate politics and decision-making. In Somaliland, customary norms and institutions operate simultaneously to the democratic institutions. Even though state legislation and traditional rules can contradict each other (for example, with women's rights), they tend not to be perceived as competitive but rather as complementary. Somaliland has so far held two local council elections in 2002 and 2012, a parliamentary election in 2005, and two presidential elections in 2003 and 2010. All of these polls were rated as reasonably fair by international observers, although especially the 2012 elections raised concerns about election fraud involving problems in voter registration and multiple voting. Instead of taking the chance to further strengthen democratic institutions, and provide further checks and balances to promote democratic norms, clan-based politics continued to dominate the political arena, and the ruling elite has been more concerned with securing its own position than in fostering reconciliation. This is especially visible in the contested eastern parts of the country, the border region to Puntland, where the government increasingly applies a militarized approach. After oil reserves were detected in the region, the government seems to be driven more by business interests than by the need to reduce political tensions and contribute to consensus-building.

The federal government has committed itself to democracy, but has not put much effort into translating this commitment into practice. The indirect electoral model that was applied to parliamentary elections is far from democratic and reinforces the political elite's control. However, it also demonstrated an attempt to widen the democratic space, as the selections of political representatives were no longer restricted to elders. A positive sign has been the smooth transition of power to a new president.

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

Commitment to democratic institutions



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

Party system



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. The outcome was that Kulmiye, UCID and a new party, called Wadani, became the new national parties. Albeit parties are officially not clan-based, they are clearly associated with different clan groups and continue to represent clans rather than different political agendas or ideologies.

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

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.

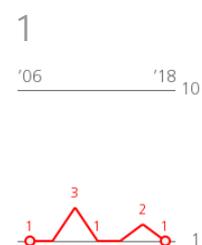
That said, Somalia today is in many ways a “mediated state” in which the weak federal state must negotiate with a range of non-state actors (e.g., clans, militias and businesses) for indirect influence in areas it claims to control.

A survey explicitly exploring attitudes toward democracy has never been conducted in Somalia. More general surveys have asked questions that indirectly test citizens’ attitudes toward democracy. Those surveys consistently find strong public support for Shariah law, which, while not entirely incompatible with democratic norms and procedures, certainly creates tensions with them. Norms of deliberation and procedures of free speech are found in the traditional system, in which all adult males at clan assemblies have a right to voice their views. This culture of debate has led some to call Somalia a “pastoral democracy.” A recent, non-representative survey about democratic attitudes in Mogadishu indicates that urban residents would prefer elections and are unsatisfied with the clan-based system (the 4.5 system) that currently determines political representation. The example of peaceful democratic transition in Somaliland additionally 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 the war-torn Somali society. Social capital is often based on kinship lines, and is grounded primarily in extended family systems. Membership in Islamic organizations and associations provides further opportunities for social organization across clan lines. There is also an emerging form of social

Interest groups



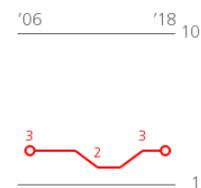
Approval of democracy



Social capital

3

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. Somalia's vibrant business sector, exemplified by the remittance companies, are based largely on cross-clan partnerships, and high levels of trust and social capital.



II. Economic Transformation

6 | Level of Socioeconomic Development

The Somali economy has suffered due to the country's history of violence, inequitable distribution of resources and structural inequalities. The World Bank estimated that GDP per capita in Somalia equaled \$435 in 2013, which leaves Somalia the fifth poorest country in the world. Minority and caste groups have traditionally been excluded from politics and the economy, despite sometimes fulfilling vital economic roles such as specialized workers or traders. Women experience many barriers to economic participation and often do not own much capital independently. This exclusion was upheld until 1991, despite the 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 forced labor, and often killed. While women perform increasingly vital economic roles in Somalia and have in many cases become the family breadwinner, they are largely excluded from political and economic positions. Another dramatic development undermining economic development has been the massive displacement of people caused by conflicts, recurrent droughts and increasingly forced evictions. A recent study estimated that approximately 10% of the Somali population are defined as internally displaced persons (IDPs). IDPs living in camps were identified as the most vulnerable population group. They are on average much poorer than people living in ordinary residential neighborhoods and lack access to basic services, such as clean water, electricity or education.

Question
Score

Socioeconomic
barriers

1



Economic indicators		2013	2014	2015	2016
GDP	\$ M	5352.0	5647.0	5925.0	6217.0
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	6.8	6.8	6.7	6.6
Foreign direct investment	% of GDP	4.8	5.0	5.2	5.5
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	3055.5	2953.2	2891.6	2649.2
Total debt service	\$ M	0.6	0.0	0.0	0.1
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	5.1	7.2	6.9	7.5
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.0	0.0	0.0	0.0

Sources (as of October 2017): 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 social services such as health care or education, have become radically privatized. A war economy has emerged in south-central Somalia, in which a few business organizations, usually in cooperation with violent actors, control most of the import-export trade. The private sector tends toward anti-competitive behavior, and especially larger businesses try to block competition and formal regulation.

Market-based competition

2

'06 '18 10



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Taxes and fees on trade are also a key source of revenue for militias, whether clan or al-Shabaab militias. The charcoal trade has in recent years received international attention, as port fees for charcoal trade were among the main revenue sources for al-Shabaab. However, the Islamist militia did not extract fees on this trade nor did charcoal trade stop when al-Shabaab was ousted from Kismayo and other port cities in southern Somalia. Instead, the victorious Ras Kamboni militia, allegedly with the help of the Kenyan AMISOM forces, took over the organization of the lucrative charcoal business. Though the U.N. Security Council in 2012, in an effort to cut off funding for al-Shabaab, had banned the trade.

In Somaliland, the private sector also plays a key role, but anti-competitive behavior is 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 southern parts of the country where business owners are intertwined with the political elites and ruling authorities.

In the absence of state regulation, economic actors in Somalia have been organizing themselves according to kinship or 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 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 affiliation can be transcended to some degree.

Without proper access to financial institutions or credits, the current Somali economy is mainly driven by consumption, and based on remittances from diaspora communities abroad and international trade networks, which are controlled by a small group of wealthy businessmen. The majority of the population continues to survive on a subsistence level and are engaged in small-scale businesses as petty traders, livestock herders or other agricultural producers. Remittances provide many individuals and families with a basic income. Remittances enable large segments of the population to sustain consumption rates, including consumption of basic, privatized services (e.g., clean water, health care, education or electricity). They also provide significant investment in the building and housing sector, and outweigh international aid flows. The urban economies in southern and central Somalia, and especially in Mogadishu show signs of recovery, with supermarkets, restaurants and shops being reopened. The continuous attacks by al-Shabaab, however, continue to distort economic opportunities.

Information on economic structures and activities within areas formerly controlled by al-Shabaab is not available. The expulsion of international organizations, and

Anti-monopoly
policy

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'06 '18 10

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restrictions put on the khat trade and humanitarian supplies indicate a general decline in trade and economic activities.

International trade is the backbone 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, which is a mild stimulant mainly imported from Kenya and Ethiopia. With respect to export, the Somali economy relies on a few products, including livestock, charcoal, hides and skins. Livestock exports to Saudi Arabia, the United Arab Emirates, Yemen and Oman account for approximately 80% of export earnings. Albeit exports increased over the last decade, the country still faces a large trade deficit, which is compensated for by diaspora remittances and, albeit to a much smaller part, by donor support.

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

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. Smuggling is a major form of trade into the country and across regional borders into neighboring states, with payments to militia and al-Shabaab checkpoints an indirect form of taxation on trade.

When the state-owned banking system collapsed in 1991, private money transfer companies (Hawala) became the sole financial institutions connecting Somalia to the rest of the world. Diaspora remittances sent through the Hawala network 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. Hawala companies operated until 2014 under no formal regulations, and facilitated financial (including foreign currency) transactions and safe deposits, but did not provide for a capital market. The lack of capacity or will of the remittance companies to implement monitoring systems and adhere to international money laundering standards has led to the closure of international accounts of some remittance companies. The FGS eventually attempted to improve regulation of the financial sector. The central bank of Somalia was reopened in 2009, but has only recently attempted to regulate and formalize the financial sector, mainly with the support of the World Bank. It has for example in 2014 and 2015 licensed and registered six commercial banks and nine Hawala companies. These initiatives have produced modest results, but the monitoring system remains weak, and the companies often lack the will or capacity to implement rules and follow regulations.

Liberalization of foreign trade

2

'06 '18 10



Banking system

2

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Somaliland and Puntland have established independent banking sectors, and the central banks in Somaliland and Puntland have opened branches in some cities. However, these banks offer very little commercial banking services, and people in Somaliland and Puntland continue to rely mainly on informal banks and the Hawala system.

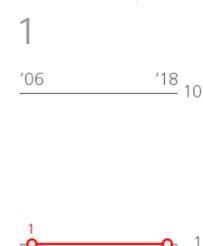
8 | Currency and Price Stability

Without a proper functioning banking system, the Somali economy remains largely cash-based and dollarized. No policy to deal with inflation in foreign exchange rates exists. The U.S. dollar is commonly used for major economic transactions, while the Somali Shilling is used for smaller businesses and household consumption. Currency transactions are mainly carried out by local vendors, who 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. The exchange rate of the shilling remained relatively stable at approximately SOS 23,000 to \$1 during 2015. However, it rose sharply to SOS 30,000 to \$1 after the State Bank of Puntland printed new notes in May 2016 to pay outstanding salaries of civil servants and security forces. Several militia leaders, authorities and businessmen have in the past resorted to printing money as a way to increase revenue, often leading to a dramatic devaluation in the shilling. Thus, weakening the already limited purchasing power of the population. There are also reports of counterfeit U.S. dollar notes, albeit they seem to be of low quality.

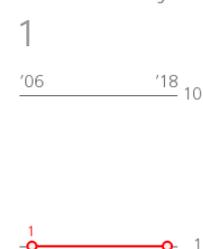
In 1994, Somaliland set up a central bank and introduced a new currency, the Somaliland shilling. Responsible for directing the monetary system and the currency, the central bank however lacks trained personnel, experience or market power, which weakens its institutional capacity. Although the central 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. In the westernmost part of Somaliland, the Ethiopian birr is used as a second currency, and the Somali Shilling is often used in central and eastern regions of Somaliland. All major transactions are made in U.S. dollars.

The government has not set up any fiscal or debt policy and is so far unable to regulate the market or to promote stability. It continues to rely on international aid, and taxes on trade and fees paid at the international ports and airports, mainly in Mogadishu. However, in 2015, the World Bank reported an increase in revenue (including grants) by 300% between 2012 and 2014, when revenues amounted to \$145.3 million. The federal states rely on similar revenue/fee structures. Puntland and Jubaland interim administrations rely strongly on port fees, while the interim administrations of South West and Galmudug rely mainly on trade taxes at major transport nodes and on taxing

Anti-inflation /
forex policy



Macrostability



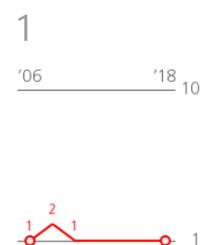
businesses in their area of control. Significant fiscal inequality across states is already emerging and will likely to become a source of conflict. Puntland's revenue grew by 13% between 2007 and 2013.

Somaliland also does not have a fiscal or debt policy in place, and does not actively regulate the economy. The revenue base of Somaliland, however, also increased from \$84 million in 2011 to \$114 million in 2014. However, like in the south, its revenue is largely composed of fees and trade taxes.

9 | Private Property

The federal government does not ensure property rights. Land conflicts are common in Somalia. Somali diasporas are buying land especially in Mogadishu but also in other cities, although there is no functioning land registry. Most of the land and buildings in Mogadishu have been forcefully occupied by militias in consecutive fashion. Protection of individual and collective ownership of land and other property depends mainly on the support of clan or the military forces of related factions. With ongoing urbanization, partly driven by the migration of forcefully displaced people to urban areas, and increasing investments from diaspora communities in cities, urban land is highly sought after and land prices are increasing. The political and military elites are regularly involved in large-scale grabs of public and private land, and have in many cases ordered forced evictions of vulnerable populations from informal settlements and camps. According to the U.N. monitoring group, evictions of IDPs and urban poor by both government and private actors were the main cause for displacement in 2015 and 2016. Evictions, some of them carried out extremely violent, were rampant in Mogadishu, and facilitated by the booming real estate prices, corruption and land speculation. Further forced evictions also occurred in North Galkayo (Puntland) and Kismayo (Jubaland), where more than 46,000 people had been displaced by mid-2016. In July 2016, the problem was acknowledged by the prime minister who established a Committee for the Protection of Public Properties, and prohibited the sale of public land without permission of the cabinet - its impact remains to be seen. Members of the army and collaborating militia were also accused of forcefully expropriating land, targeting especially members of minority groups that do not possess the protection of a clan. The pressure on urban land is likely to increase with the launch of the Kenyan government's voluntary return program to repatriate Somali refugees based in Kenya. The number of returnees from the Dadaab refugee camp in Kenya increased according to data collected by UNHCR from 5,616 in 2015 to 30,141 in 2016, with the overwhelming majority (14,236 people) returning to the regional capital Kismayo (Jubaland), followed by the South West Administration capital Baidoa (6,682), Mogadishu (6,153) and the southern Somali city Luuq (3,070).

Property rights



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

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



10 | Welfare Regime

No public welfare system exists in either Somalia or Somaliland. Welfare is either provided by Islamic charities, through clan membership or through the work of NGOs. With the collapse of state-run social services, any services including health care, housing, job-seeking and poverty alleviation became “privatized.” The main social safety nets that exist are maintained 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. International organizations have since the end of 2016 again warned that a severe drought is likely to lead to another humanitarian crisis if no measures are taken. The FGS has not yet undertaken any effort to mitigate the already unfolding humanitarian drama.

Social safety nets



In Somalia, there is no substantive equality of opportunity. Gender discrimination is widespread in the clan-based and patriarchal social environment. Girls are partly subject to parental restrictions on education, which is reflected in the male to female enrollment ratio of 0.6 at primary and 0.5 at secondary school level. This is measured against a low gross enrollment rate of 29.2 at primary and 7.4 at secondary level. Minority groups often lack access to opportunities and services, and are discriminated against in many aspects of social and economic life. Conditions for the huge number of internally displaced persons (IDPs) in Somalia are catastrophic. In general, in a society disrupted by decades of civil war. 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 are able to counterbalance such inequality.

Equal opportunity



11 | Economic Performance

The real output strength of the Somali economy is impossible to calculate, as there is little reliable economic data for Somalia. In October 2015, the World Bank published its first assessment of economic trends in Somalia estimating GDP to be around \$5.7 billion in 2014 and predicted it to grow. However, disparities between cities and regions are estimated to be high. The Somali economy is dependent on imports and mainly driven by private consumption. Consumption levels are to a large extent driven by diaspora remittances. The economy is characterized by high levels of inequality and poverty, huge unemployment, and a lack of infrastructure. There are no regulatory measures in place. Consequently, while the economy is privatized, anti-competitive behavior is common and often leads to monopolistic tendencies. Livestock and trade are the main contributors to the GDP, followed by services and agricultural activities.

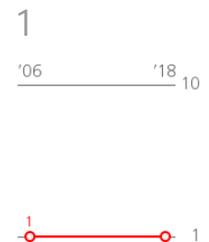
The economic structure of Somaliland does not differ significantly from Somalia. The World Bank estimated Somaliland's GDP to be \$1.6 billion in 2012. Here too livestock and services are the main drivers of the GDP, while the economy is generally driven by consumption and dependent on imports.

12 | Sustainability

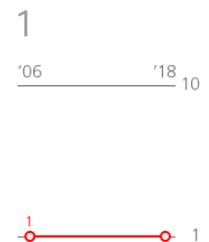
Environmental concerns are entirely subordinate to profit opportunities and short-term benefits, and have no institutional framework. The charcoal business in southern Somalia provides a striking example. Trees are cut and burned for charcoal export, which facilitates desertification and the destruction of valuable grazing zones and fertile soil for agricultural needs. Only 3 years after the United Nations banned charcoal exports, some positive trends are visible, especially because importing countries, prominently among them the United Arab Emirates, seem to have enforced the ban. Furthermore, foreign companies have disposed of toxic waste and are engaged in uncontrolled fishing along Somalia's shores; the damage from this has yet to be assessed. Natural resources (e.g., land, water and recently identified oil reserves) are the main cause of conflict and regularly lead to violence.

Somaliland has a Ministry of Environment, but it does not have the necessary means and likely also lacks the will to provide effective environmental protection or to monitor environmentally sustainable economic growth. Like in the southern parts of the country, the discovery of oil reserves in eastern Somaliland has led to conflict between local forces and the central government.

Output strength



Environmental policy



In 1991, the formal education system in Somalia collapsed and there has since been no uniform education system. The Ministry of Education has only limited outreach and control over the education services. It has made no efforts to develop a harmonized curriculum and no teacher training institutions have been built. Teaching at all levels is provided by a variety of actors, among them committees, NGOs, community based organizations and private organizations, and some of them with very limited training. Islamic schools have been established across the Somali territory. Primary and secondary schools, and universities have also been established. The U.N. Population Fund has in 2016 published a census report that estimated the adult literacy rate in Somalia to be 40%. The country has one of the lowest levels of adult literacy worldwide. Literacy rates across the country are also unequally spread and reach nearly 65% in urban areas, while rural areas reach only 27.5%. The literacy rate among Somali's nomadic population is only 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 insufficient teachers (both qualified and unqualified).

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

In Somaliland, where peace and political stability was established in 1997, educational and training services have improved. 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 are providing higher education throughout Somaliland. Also in Puntland and parts of southern Somalia, particularly in Mogadishu, education up to the tertiary level is booming. Still, curricula are quite diverse, and adequate resources and equipment are often scarce.

Education policy /
R&D

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Governance

I. Level of Difficulty

Somalia is in the midst of state-building and implementing a nationwide system of governance remains very difficult, in spite of increased donor support since 2012. The structural constraints for government remain exceptionally high after two decades of statelessness and ongoing violent conflicts. The physical and social infrastructure was destroyed during the war, and the government has to rebuild institutions from scratch. The continued insurgency of al-Shabaab, regular attacks, violent conflicts, recurrent droughts and humanitarian emergencies place severe constraints on any form of political regulation and management. The ruling elites themselves have been shaped by the war and their government capacities are weak. The government has to overcome a tremendous lack of human capacities while still managing the scarcity of accessible resources. While some progress has been made, the ruling elites still seem to be concerned more with their own enrichment and positions of power than in building accountable institutions.

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 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 as a means of survival. Numerous NGOs and community based organizations (CBOs) have also sprung up since the mid-1990s, often in response to (real or expected) external funding from both Western and Islamic donors. 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. With the withdrawal of al-Shabaab, several have resumed their activities. There are also a good number of professional associations, unions or guilds that represent the interests of professional groups, such as the National Union of Somali Journalists, business associations or women business

Structural
constraints

10



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Civil society
traditions

8



1

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

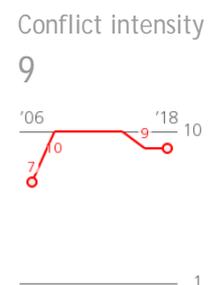
In Somalia, and to a certain extent even in Somaliland, trust in a central authority and formal institutions remains weak.

Somalia is still in the midst of an Islamist insurgency, and al-Shabaab, while it had to withdraw from major urban centers, has continued its attacks against civilians and government installations. It has also re-entered into direct military confrontations, and al-Shabaab units have tried to storm bases of the Somali army and AMISOM forces. Al-Shabaab also continued targeted killings of government officials, civil servants, human rights activists. Thus, al-Shabaab poses a significant threat to any peace- and state-building attempts. Additionally, the long-lasting war has deepened social cleavages, and regular clashes between clan militias, although often localized and timely limited, are the expressions of ongoing conflicts over power and resources. The establishment of federal member states remains contentious, and highlighted power and territorial conflicts between the federal states as well as between the federal government and federal states. Several of these conflicts escalated, but violence was usually contained and stopped after a few days.

Government forces continued to threaten civilians, and government units were reported to have taken sides in clan conflicts and conflicts that accompanied the federalization process.

While al-Shabaab remains responsible for the greatest number of civilian fatalities, all sides in the conflict have violated international humanitarian laws and human rights, such as killing civilians, gender-based violence and rape, forceful evictions, public harassment, illegal arrests, and executions. The government and political elites more generally have not managed to foster dialog and initiate a nationwide reconciliation process.

In the contested eastern border regions of Somaliland and Puntland, conflicts intensified during the review period. Forces of Somaliland, Puntland, the self-declared Khatumo State and local clan militia have all used violence.



II. Governance Performance

14 | Steering Capability

There is no unified or common political leadership structure throughout Somalia. The steering capability of the leadership is extremely weak. The development of policies and strategic action plans is supported by and sometimes drafted by international donors. The implementation of these plans is usually weak, and affected by internal power struggles and ongoing conflicts. The establishment of the federal administrations was poorly steered by the government and instead largely driven by local groups.

In Somaliland, the steering capability of the political leadership is also weak. There have been attempts to reform the civil service, but political leaders continue to act ad hoc and without a coherent political strategy. The postponement of election to 2017 was met with criticism and the ruling party has concentrated power in the hands of one clan group.

Some regional member states and some branches of the FGS are making concerted efforts to engage in strategic planning on matters related to urban planning, public finances, resettlement of refugees and economic development priorities.

While there has been some progress in policy implementation, the overall balance of progress in institution- and state-building, forming cohesive policies, and supporting the implementation of policy and strategic plans remains weak. The FGS failed to initiate a constitutional review or to even start preparing a voter registry. The reform of the security sector stalled in spite of considerable international support.

The FGS has made some modest improvements with respect to policy learning and has started to implement some of the reforms, albeit at a very slow pace. Though the goal to conduct general elections was not met, the relative peaceful process of selecting parliamentarians and the transition of power to a new president in February 2017 suggest some progress, although again these processes were fraught with corruption. It remains to be seen whether the new president and his cabinet will be able to seriously implement reforms. Among the key priorities is the establishment of accountable security services, and power- and resource-sharing mechanisms between the interim federal administrations. This will determine if the executive is able to learn from the failures of its predecessors and in Somali's extremely difficult situation.

Question
Score

Prioritization

2

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Implementation

1

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Policy learning

2

'06 '18 10



The creation of the Somali Leadership Forum to bring together leaders of regional member states and the FGS to advance critical agreements while parliament was paralyzed demonstrated flexibility, if extra-constitutional.

15 | Resource Efficiency

The FGS has neither the technical ability nor the territorial control necessary to establish a nationwide tax collection system. There is also no system in place to balance revenue differences between its member states. No accountability systems for public expenditures are in place. Members of the executive and parliament are often accused of corruption, and the misuse of public and foreign funds. While the FGS has made modest improvements, it was not able to sufficiently develop administrative and bureaucratic infrastructure or to implement strategies and policies. Relying mainly on port taxes and fees, the FGS cannot meet the cost of basic government operations given its current revenue levels, including salaries of civil servants. The FGS depends on external grants to cover basic expenditures.

The Somaliland government manages its revenues and has established expenditure discipline. On only two occasions since 2002, has the Somaliland government run a deficit which was then financed by domestic borrowing. The largest part of the budget in Somalia as well as Somaliland is spent on security (approximately 46%) followed by administration (approximately 29%).

Policy coordination remains very weak. Competition between ministries, and between the federal government and federal states hampers institution-building. The cohesion of the political elite is weak. Politicians follow clan and personal interests, and seem more interested in gaining political resources than in achieving common goals. Corruption remains rampant and infighting continued to characterize the executive in the review period.

The FGS was however able to negotiate the 2016 to 2017 indirect elections by working through divergent preferences, with no defections outside of the rejectionist al-Shabaab group.

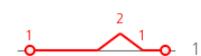
The government of Somaliland has a much better track record of coordinating conflicting objectives and negotiating policies with various political stakeholders, including clans and traditional leaders.

In 2016, Somalia was one of the most corrupt countries in the world. Numerous other investigative reports have confirmed that Somalia is paralyzed by kleptocratic behavior at all levels of government. While the FGS created an anti-corruption framework with the support of international partners, it has not yet implemented this framework. There are no measures in place to enhance the accountability or

Efficient use of assets



Policy coordination



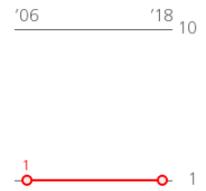
Anti-corruption policy



transparency of public transactions. A recent report concluded that corruption has evolved into a system of public management in Somalia.

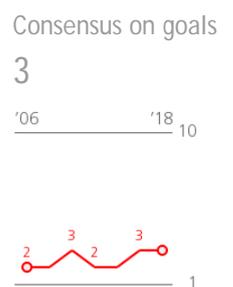
Individual ministers and public servants made some efforts to address the problem, but were unable to tackle the culture of corruption that permeates all levels of the nascent state system. The election process was for example accompanied by massive irregularities. Public contracts are provided in a non-transparent manner and bribes are common, the misappropriation of public land, evictions of vulnerable populations, the diversion of aid, and the delivery of aid through gatekeepers, all provide examples of the endemic nature of corruption in Somalia.

Somaliland showed some attempts to fight corruption, but has not established effective regulatory or monitoring mechanisms, or vetting procedures for public officials.



16 | Consensus-Building

The FGS and the transitional federal administrations seem to agree with the goal of building a democracy. This is also reflected in their constitutions. However, infighting and corruption significantly slowed the transition process. At times, it seemed that the political elite lacked the will to implement necessary reforms, and is more concerned with securing political and economic resources. The Islamist opposition forces are anti-democratic and aim to establish an Islamist caliphate, either with undefined borders or at least comprising, aside from Somalia and Somaliland, all parts of neighboring states that have a significant Muslim population. The Somaliland government agrees on the principles of democracy and a market economy, and has gone some way in achieving this. Democracy in Somaliland is however still weak and consensus among major actors is still fragile.

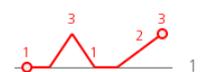


Aside from al-Shabaab, all major political actors in principle aim to establish a market economy. However, against the context of established clan-based trade and patronage networks, proper regulatory mechanisms need to be put in place to ensure market competition.

The main anti-democratic actor is the Islamist militia al-Shabaab. Albeit they have lost territorial control, influence and legitimacy, al-Shabaab is still very active in Somalia and the wider region, and still has a significant support base. Security remains unpredictable, and attacks are frequently reported in Mogadishu and other parts of the country. Al-Shabaab poses a significant threat to further reconstruction processes.



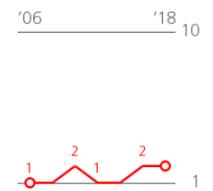
In general, multiparty democracy has no tradition in Somalia, but the “traditional” system of clan-based negotiations and joint decision-making, albeit only among men, provides a set of democratic values that can support the transition toward democracy.



Political conflicts are poorly managed, if managed at all, and tend to escalate and become violent. Reconciliation is rather localized, and often facilitated by local elders rather than political elites. Generally, the political leaders opt for a military solution when dealing with al-Shabaab and internal opposition.

Cleavage / conflict management

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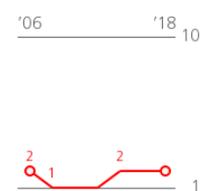


Even Somaliland, which underwent in the 1990s a quite successful reconciliation process that established power-sharing principles, seems to increasingly rely on military solutions, especially when dealing with the dissident factions in the east of the country. This fuels the perception that the state is centralized and in the hands of particular clan groups, which marginalizes other clans.

The democratic space for civil society participation in the political process is quite narrow. The FGS has not established an outreach strategy that includes civil society. The discussion on the electoral procedures in the National Leadership Forum and the decision to embark on indirect elections were determined between the top political leadership and excluded civil society. Critical civil society organizations or media voices were often threatened and silenced during the review period.

Civil society participation

2

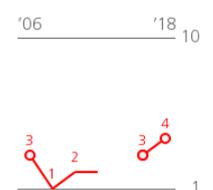


In Somaliland, civil society participates actively in the political life. There are, however, indications that dissent and critical voices are less tolerated prior to elections.

None of the political actors in southern and central Somalia have so far engaged in a broader reconciliation process or developed a reconciliation strategy. The re-emergence of clan conflicts in southern and central Somalia indicate the inability of the FGS and Interim Regional Administrations to foster reconciliation. A culture of impunity exists regarding atrocities and land grabs committed in the past. The government, supported by its international partners, mainly builds on a militarized approach. While this approach was quite successful in recovering territory from al-Shabaab, it had little impact on peace-building in the country. The dominant focus on defeating al-Shabaab seems to obscure options for a wider peace process and risks diverting attention away from other conflicts related to, for example, governance and power conflicts, resource and border conflicts, and rising clan-cleavages.

Reconciliation

4



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



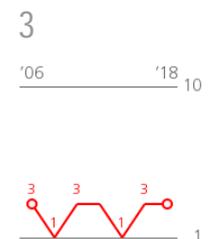
17 | International Cooperation

The Somali state depends largely on foreign aid and foreign protection. Somalia is supported by the United Nations, notably the U.N. Political Office for Somalia (UNPOS), and the African Union (AU). The UNPOS is steering the political transition and the AU has mainly taken a military role, deploying AU member state soldiers as part of its AMISOM operations. The largest number of troops are deployed by Somalia's neighboring countries Ethiopia and Kenya, which are among several countries interested in preventing the conflict spreading to their own territories. AMISOM is mandated to support the FGS to create the conditions for the long-term stabilization and reconstruction of Somalia. Besides securing the territory recovered from al-Shabaab, AMISOM also builds the capacity of the security services, primarily the army, but also the Somali police force.

Key international actors in Somalia are the United States, United Kingdom and European Union, which provide the bulk of the financial support for AMISOM. However, they are also engaged in other support mechanisms that aim to achieve stability, promote state-building and economic development, and provide humanitarian aid to Somalia. The support of the United States, United Kingdom and European Union are motivated by an interest in fighting terrorism. The United States has since 2007 provided over \$1.4 billion in security-related support to AMISOM, the Somali National Army (SNA) and regional forces fighting al-Shabaab. It has built counter-terrorism capacities in Somalia and neighboring countries, trained special reaction forces in Somalia, and carried out military strikes with the aim to kill or capture al-Shabaab leaders. U.S. operations against Al-Shabab increased in 2016. The United States has additionally deployed around 100 military personnel in Somalia. The European Union and United Kingdom are also militarily active, but have focused on combating piracy. However, the United Kingdom has in September 2015 also decided to deploy 70 soldiers in support of the U.N. Support Office for AMISOM (UNSOA). The European Union has three ongoing military missions in the region. The EU Naval Force (EUNAVFOR) ATALANTA is deployed to counter piracy off the coast of Somalia. It is complemented by the EU Capacity-Building Effort in the Horn of Africa and the Western Indian Ocean (EUCAP Nestor), which aims to strengthen maritime security capacities in Somalia. Finally, the EU Training Mission (EUTM) Somalia has between its inauguration in 2010 and December 2016 trained approximately 6,000 Somali security forces, mainly the SNA. All three missions were supposed to end in 2016, but were extended until December 2018.

With respect to non-military aid, the international cooperation is embedded in the Vision 2016 and the so-called Somali New Deal Compact that has provided since 2013 the framework for the engagement of international actors in Somalia. The United States is also the major provider of humanitarian aid to Somalia, and carries out or finances programs that aim to achieve stability and promote economic

Effective use of support



development, programs that remain embedded in the broader counter-terrorism goal. In February 2015, U.S. President Obama nominated a U.S. Ambassador to Somalia, the first since 1991. In September 2015, the U.S. Mission to Somalia was formally launched, though it is currently based in Nairobi. The United Kingdom focused its efforts mainly on achieving stability and the establishment of functioning state institutions, including institutions in the federal member states. It also provides substantial development aid supporting governance and peace-building programs as well as economic and human development, and has provided humanitarian aid. The largest development partner is the European Union, which has since 2008 provided over €1.2 billion in support for security, state-building, development and humanitarian aid, mainly through the European Development Fund. Since 2014, its priorities are state- and peace-building, food security and resilience, and education.

Turkey has also become a significant actor in Somalia. Besides governmental organizations, secular and faith-based Turkish NGOs are active in Somalia. They provide humanitarian aid, political support and engage in reconstruction activities, such as infrastructure development. Additionally, the Gulf states, primarily the United Arab Emirates, increased their military and political support to Somalia.

The political elite has used international support to initiate state-building, but has no viable long-term strategy. Its use of international assistance is opaque and often promotes short-term goals.

Ongoing corruption, a lack of accountability and embezzlement of funds have diminished the credibility of Somali institutions from the perspective of international partners and Somali citizens. A recent example was the election of the parliament and president, which was dominated by corruption, vote-buying and harassment of opponents. However, international support for the institutions unabatedly continues, as no alternative to developing state institutions seems available, albeit quite modest progress was made with respect to establishing state institutions.

Regional actors remain among the key players in Somalia. Ethiopia, Kenya, Djibouti, Uganda and Burundi have deployed troops in Somalia as part of AMISOM. Ethiopia and Kenya have, since their 2006 and 2011 military interventions in Somalia, gained influence over Somali politics. Kenya and Ethiopia were supported by international actors who see them as important partners in the fight against terrorism. Kenya has established strong relations especially with the Interim Juba Administration and cooperates with regional security forces in an attempt to secure its border with Somalia, occasionally in conflicts with the FGS.



Strategic Outlook

Somalia and the federal government of Somalia (FGS) will face huge challenges over the next two years. The proposed withdrawal of AMISOM forces starting in 2018, assuming it occurs, will create a dangerous power vacuum that Al-Shabaab will seek to exploit. Unless the Somali security forces can be quickly reformed and strengthened, the FGS will be imperiled. Vigorous efforts to combat corruption, and promote greater accountability and inclusiveness in governance are key to avoiding major problems over the next two years. In addition, the country faces a major drought and impending humanitarian crisis in 2017.

Somalia has over the last two years again missed a chance to consolidate reconciliation and initiate a political transition that incorporates larger parts of society into the post-war state. The newly elected president has a challenging task ahead. Al-Shabaab is far from being defeated. Yet, while AMISOM continues to maintain security in the recaptured territories, the FGS needs to change its strategic focus from defeating al-Shabaab militarily toward developing and implementing a broad-based reconciliation process, which is able to secure peace dividends and development to improve the living conditions of the country's impoverished population.

Among the FGS's first priorities should be the development of a capable and legitimate national security service, able to protect the population in the recaptured territories. So far, the population rather experiences a resurgence of clan-based violence, the marginalization of less powerful clan groups, a highly corrupt political process, and continued violence committed by a variety of security forces and local militias. If the government does not address these issues, the current fragile stability is likely to collapse as soon as AMISOM forces withdraw.

Among the most urgently needed reforms is the establishment of a power-sharing mechanism for the interim administrations. The international community has put significant pressure on the Somali government to embark on an electoral process, which in turn has led to hasty and exclusive processes of federal state-building, and given rise to conflicts within and between the interim administrations. In order to stabilize the federal units, a power- and resource-sharing mechanism needs to be put in place that allows the development governance institutions and delivery basic services at the federal level. Equally crucial is the integration of regional and local clan militias into a central or devolved command structure (as long as it is a structure), which includes monitoring and oversight of military conduct.

Among the most challenging tasks may however be the need to address infighting among the political elites, and curb corruption, misuse of public office and mismanagement of public resources. So far, the political elite seems to be more interested in capturing state resources than in building institutions of governance or initiating reconciliation initiatives. The ongoing power struggles between the leaderships of the federal government and federal states diminishes public trust in state institutions. Without the agreement of the political elites on the future of the Somali republic, the country's long-term stability is unlikely to be secured. The finalization of the constitution, the delivery of basic services (including security) to the population, and a broad-based reconciliation initiative are crucial peace-building initiatives in Somalia.