



# LEGACY CENTER

FOR PEACE AND TRANSPARENCY

*~For Transparency, a Leap Forward, a Better Future ~*

## Overview of Corruption, Underlying Causes, and its Impacts in Somalia! 2016



*"To stabilize Somalia, efforts to combat corruption must be robust, effective, and thorough. But above all, these efforts must be independent."*



Compiled by the *Legacy Center for Peace and Transparency (LCPT)*

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Legacy Center for Peace and Transparency (LCPT) is a research and empowerment center whose mission is to promote peace, good governance, democracy and sustainable development. LCPT was established in Minnesota, United States with core operations in Somalia but with foot print in the North Eastern Kenya region. Our aim is to provide capacity building and conduct high quality research that culminates in innovative practical recommendations for policy and practice in the following thematic areas:

- **Good governance**
- **Peace, equality and democratic values and practices**
- **Sustainable development (in particular, livelihoods)**

The LCPT conducts extensive research across Somalia, using quantitative and qualitative data collection methods. In addition to household surveys using mobile phones and Interviews with key community figures and other stakeholders, LCPT also analyses publicly available data to complete its secondary research.

**To learn more visit us at [www.legacycentersom.org](http://www.legacycentersom.org)  
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# TABLE OF CONTENTS

<b>I. INTRODUCTION &amp; EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>II. BACKGROUND.....</b>	<b>5</b>
a) <i>Brief Geography and History .....</i>	<i>5</i>
b) <i>Somalia's Economy Outlook.....</i>	<i>6</i>
c) <i>Central Government's Regulatory Abilities .....</i>	<i>7</i>
d) <i>Rule of Law.....</i>	<i>7</i>
<b>III. CORRUPTION IN SOMALIA .....</b>	<b>7</b>
<b>A. CORRUPTION APEXES IN SOMALIA .....</b>	<b>8</b>
a. <i>The Financial Sector .....</i>	<i>8</i>
b. <i>The Security Sector.....</i>	<i>10</i>
c. <i>The Private Sector .....</i>	<i>10</i>
d. <i>The Political Sector.....</i>	<i>11</i>
<b>IV. CAUSES OF CORRUPTION IN SOMALIA .....</b>	<b>11</b>
<b>V. CORRUPTION IMPACTS .....</b>	<b>11</b>
<b>VI. RECOMMENDATIONS.....</b>	<b>12</b>
a) <i>Anti-Corruption Laws .....</i>	<i>12</i>
b) <i>Public Awareness Campaign .....</i>	<i>12</i>
c) <i>Somali Anti-Corruption Commission .....</i>	<i>13</i>
d) <i>Transparency.....</i>	<i>13</i>
e) <i>Public Participation .....</i>	<i>14</i>
f) <i>Building a Sustainable Capacity in Governments .....</i>	<i>14</i>
<b>VII. ACRONYMS &amp; ABBREVIATIONS .....</b>	<b>15</b>
<b>VIII. REFERENCES.....</b>	<b>16</b>

## **ACRONYMS & ABBREVIATIONS**

<b>AMISOM</b>	<b>The African Union Mission in Somalia</b>
<b>ARS</b>	<b>Alliance for the Re-Liberation of Somali</b>
<b>AU</b>	<b>African Union</b>
<b>CBS</b>	<b>Central Bank of Somalia</b>
<b>EU</b>	<b>European Union</b>
<b>FGS</b>	<b>Federal Government of Somalia</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>ICU</b>	<b>Islamic Courts Union</b>
<b>IGAD</b>	<b>Intergovernmental Authority on Development</b>
<b>IPC Phase</b>	<b>Integrated Food Security Classification Phase</b>
<b>LCPT</b>	<b>Legacy Center for Peace and Transparency</b>
<b>MP</b>	<b>Member of the Parliament</b>
<b>NGOs</b>	<b>Non-Governmental Organizations</b>
<b>ODA</b>	<b>Official Development Assistance</b>
<b>PRC</b>	<b>Peoples Republic of Chi a</b>
<b>SNA</b>	<b>Somali National Army</b>
<b>TFG</b>	<b>Transitional Federal Government</b>
<b>TFI</b>	<b>Transitional Federal Institutions</b>
<b>TI</b>	<b>Transparency International</b>
<b>TNG</b>	<b>Transitional National Government</b>
<b>UN</b>	<b>United Nations</b>
<b>UNDP</b>	<b>United Nations Development Program</b>

## **INTRODUCTION**

The Legacy Center for Peace and Transparency (LCPT) believes that reducing government and political corruption in Somalia will lead to increased economic activity, which will then lead to increased peace (defeating Al-Shabab) and political stability among clans and Federal Member States.

LCPT also believes that more awareness and dialog about government and political corruption must occur. To that end, this report provides findings of research on corruption. It also proposes actionable steps to reduce corruption.

The report is organized as follows: It begins with an executive summary. This summary is followed by a detailed discussion of the background of the problem (history, economy, government and rule of law). The next sections discuss the apexes and impacts of corruption. The last section proposes steps to reduce government corruption.

## **EXECUTIVE SUMMARY**

According to an over the phone survey of 465 people, 61.5% of respondents singled out corruption as the number one issue, when asked specifically about Somalia's key obstacle to peace. This number is significantly more than the 24% blaming Al-Shabaab or any other issue. (LCPT conducted this non-statistical convenience sample survey in September of 2015.)

Lack of political stability arising from historical, external and internal influences is a root cause of corruption. This corruption depresses economic activity in Somalia. Gross domestic product (GDP) per capita in Somalia was estimated at \$284 - against a sub-Saharan Africa average of \$1,300 per capita according to the 2012 Human Development Report.

The corruption occurs along four apexes. Each kind of corruption reinforces an overall environment where corruption is taken as customary and accepted as an informal part of everyday life.

### **Financial Misappropriations at the Government Level**

Official documents obtained by LCPT in September of 2015, from credible sources, provide examples of corruption. The Federal Government of Somalia borrowed ten million dollars from the Dahabshiil and Salaam banks. Of that money, only six million dollars was deposited to the account of the Federal Government of Somalia, with the remaining four million dollars unaccounted for as of today.

**Security Sector Incongruities**— There are approximately less than 10,000 Al-Shabaab fighters, 33,000 Somali army troops, and 22,000 African Union Mission in Somalia (AMISOM) troops. From this perspective, there are 5.5 soldieries for every Al-Shabaab fighter. AMISOM troops are paid substantially more than Somali National Army (SNA). Could this create an incongruous situation where it becomes expedient to turn the peacekeeping mission into a Mission Creep?

**Private Sector** – Many business transactions require payment of bribes to government officials. According to International Crisis Group 2013, government leaders have interests in local telecommunication companies. As a result, these companies allegedly offer undeclared fees, to public officials in relevant ministries, on a routine basis.

**Political Sector**—It is well known that one can “buy votes” of public officials. This is especially common with respect to “no confidence votes” for prime ministers. Corruption is one of the causes of the protracted political instability in Somalia. Equally, political instability is one of the sources of corruption and this in turn causes lack of economic development, which in turn is a major cause of lack of peace.

LCPT recognizes that it can do little about top government officials and armies. However, in the face of this serious problem, LCPT hypothesizes that the following actions will reduce corruption and over time lead to political changes.

- 1) Raise awareness of how corruption depresses economic development. Awareness campaigns can occur through the internet, radio and other grassroots efforts.
- 2) Instigate (through awareness) a grassroots call by the Somali people for anti-corruption laws, as well an independent Somali Anti-Corruption Com- mission.
- 3) Encourage (through awareness campaigns) the cessation of bribery and corruption at the village, district, and regional levels in Somalia and work from the bottom up to reduce corruption.
- 4) Encourage and help the return of knowledgeable people in law, accounting, taxation, government regulations, business and economic development from the Diaspora to assist Somalia. These individuals may come on a volunteer basis for short periods of time to give guidance on processes, forms and internal controls that strengthen transparency and accountability.

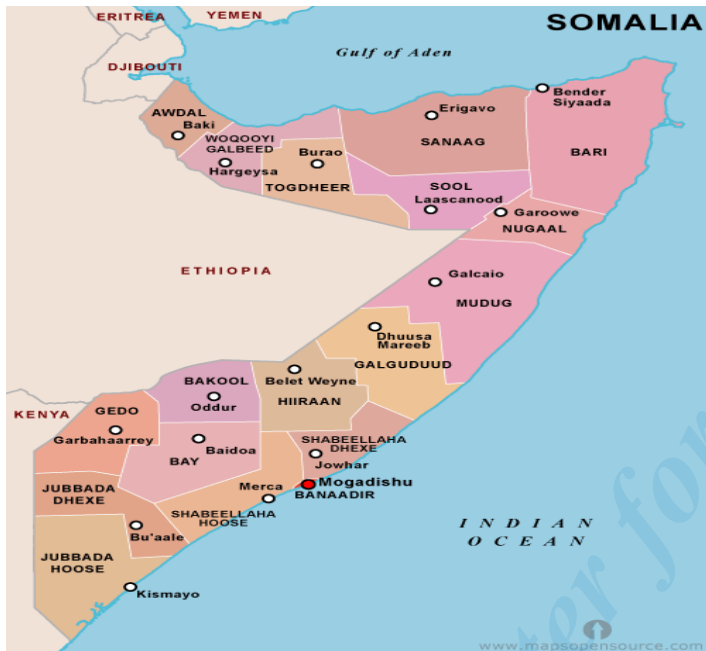
## BACKGROUND

This background section begins with key facts about Somalia's geography and the external forces that have shaped the country. It then discusses the current status of the economy, the central government's regulatory abilities and rule of law.

### Brief Geography and History

The purpose of this section is to hypothesize as to how history and geography sets the backdrop for the prevalence of corruption in Somalia.

Here is a map of Somalia as it stands today. Somalia is an old civilization. In ancient times, it was a key center of trade between India, China, Arabia, Greece and Italy. On the coast, fishing was important and still is today.



Away from the ocean, the climate is hot and semi-arid. Therefore, in ancient times, clans (the precursor to the political clans today) moved nomadically, with their livestock, to take advantage of pastures and patterns of rain.

In the late 1800's, European colonialism came to Somalia. Especially in areas away from the coast, it was fiercely fought with resistance. In the end, most of Somalia came to be under the control of Britain, France or Italy. World War II brought about further fighting in the region, as Somalia's ocean access is strategic. After World War II, Britain, Italy and the United Nations remained involved in governing Somalia. In 1960, the Somali Republic was established with a civilian government.

In 1969, Mohamed Siad Barre seized power and became the ruler of Somalia. He ushered in socialist views of nationalized businesses and cooperative farms. Government

positions in the Siad Barre regime went to clans loyal to him, despite his regime's outwardly anti-clan laws.

The Cold War further complicated matters in Somalia. Both the West and the Soviet Union believed the area to be of strategic importance. Hence weapons and humanitarian and financial aid come into Somalia from outside governments.

During the period of 1969 to 1991, fighting occurred between Somalia and Ethiopia and the Barre regime and clans; the Barre regime began a war with Ethiopia to bring Somalis in Ethiopia into his vision of a Greater Somalia and incited fighting between clans. As a result, the economic situation deteriorated. Also, significantly, the country experienced a severe drought in mid-1970. These factors result in hundreds of thousands of Somali deaths.

In 1991, the Siad Barre regime is ousted. Clan fighting and anarchy follows for 25 years--consequential to the birth of Harakat Al-Shabaab ('the youth movement'). This movement believes in a radical military view of Islam, as opposed to most Somali people who practice the Sunni form of Islam. Further, during this time, thousands of Somalis leave the country, enter refugee camps and establish homes in North America, Europe, Middle East, and neighboring countries. A great number of Somalis live in diaspora.

Also, in 1991, northern clans declare an independent Republic of Somaliland. Although not recognized by any government, this entity has maintained a stable existence, aided by the overwhelming dominance of the ruling clan and economic infrastructure left behind by the former Somali Government (formerly a British protectorate). The neighboring Regional Autonomy Puntland has also made strides towards reconstructing legitimate, representative government since its inception in 1996.

The remainder of Somalia goes through a series of failed attempts at a federal government. The United Nations, [World Bank](#), [African Union](#), [Arab League](#), and the countries of Ethiopia, Djibouti, Kenya, the [United States](#), the [European Union](#), and others assist Somalia in efforts at constructing a government. Indeed, military involvement of varying degrees, for varying purposes and at varying times has come from the United Nations, the United States, African Union, Kenya and Ethiopia.

Besides military intervention, other governments, non-profit organizations and the Diaspora provide resources to Somalia. These resources are subject to politics, clan influences and corruption. Severe drought and famine are again present in

1991-92 and 2011-12.

In the most recent attempt to federalize the country, the states of Jubbaland, Southwest, and Galmudug were formed in 2013, 2014, and 2015 respectively. Currently underway is an effort to form the final state consisting of Hiiraan and Middle Shabelle regions. Based on the mandate for the current FGS, the country is expected to have fully functioning federal member states and fully participated free and fair election by the end of 2016. While the first is on course to implementation, the latter, is ruled out. In concluding this section on geography and history one notes that the following factors set Somalia up for an environment where corruption is able to take hold.

- Somalia's geography and history lent itself to loyalties to clans and strong interests in securing scarce resources – whether they include water, land or outside aid from governments, non-profit organizations or the Diaspora.
- External forces related to Colonialism divided the Somali people by drawing political lines and imposing government rule by several different European governments.
- Recent Somalia governance has included British, Italian, and socialist/communist.
- War and conflict have been and are fueled by both internal and external forces – such as the Cold War and continued desires by various countries to have influence over the strategic position of Somalia.
- In short, like other conflict-torn countries, the instability in Somalia allows for corruption to exist.

### **Somalia's Economic Outlook**

Somali's recent economy has been shaped by civil wars and endless conflicts. As a result, the socio-economic indicators of Somalia remain very low. Somalia continues to be highly dependent on foreign aid and livestock production with 60% of the population deriving a livelihood from pastoral based livestock production.<sup>i</sup> The country's narrow economic base makes it highly vulnerable to external jolts. Somalia's contracted economic base remains a binding constraint on the federal government's ability to generate necessary revenues to support rebuilding an unstable macroeconomic environment.

The 2012 Human Development Report estimates per capita GDP at \$284 - against a sub-Saharan Africa average of \$1,300 per capita. Poverty incidence is 73% (61% in urban centers and 80% in rural areas). Most Somalis live in rural areas where traditional coping mechanisms, clan affiliations and pastoral mobility have been undermined by conflict. According to the World Bank, only 7% of the rural

population enjoys access to improved water sources, compared to 66% of people living in urban areas. Somalia is heavily dependent on aid and remittances for outside sources. In the absence of a formal commercial banking sector, remittance companies have enabled the Diaspora to remit around \$1.3 billion annually to families in Somalia.<sup>ii</sup>

In recent years, Somalia has received approximately \$1 billion in Official Development Assistance (ODA) annually (including both humanitarian and development assistance). In 2012, ODA per capita was \$98. While a majority of aid has been directed toward humanitarian assistance in the past, an increasing proportion of ODA is being directed toward longer-term development in Somalia under the New Deal.<sup>iii</sup>

### **Central Government's Regulatory Abilities**

While progress has been made in several fronts, Somalia's central government lacks the ability to administer taxes or provide essential basic services effectively. Although some duties and taxes are collected, little or no effective fiscal policy exists. Most government expenditures are financed through aid with some limited internal revenue mainly from Mogadishu Sea and Air ports.

Institutional shortcomings, including absence of the rule of law, severely impede any meaningful and sustained economic activity. A functioning formal labor market is nearly absent, and much of the labor force is employed in the informal sector. Despite almost nonexistent national governance, the informal agricultural, financial, and telecommunications sectors have prospered without subsidies or effective governance.

Violence in Somalia has deterred international trade and investment flows. Political instability, an outmoded regulatory environment, and inadequate infrastructure continue to suppress development of the financial sector, which has been under reconstruction following the civil war. A large portion of the population remains outside of the formal banking sector, and access to credit remains severely inadequate. Despite daunting challenges and insecurities, Somalia's first cash machine has opened in Mogadishu in October 2014.<sup>iv</sup>

### **Rule of Law**

Despite the resilience of local communities and businesses, the absence or weakness of central and state governments seem to be at the root of underdevelopment and insecurity. Many business people have found the creativity to cope and

make a living, and some have taken advantage of insecurity and unpredictability. However, the business community as a whole has not prospered due to lack of regulation and displacement. Conditions of environmental predation during the past 25 years have significantly altered Somalia's natural resources, infrastructure, and human resources. As an emerging state from a long and difficult period of instability, Somalia lacks the necessary rule of law and means to enforce them so it can govern itself.

## **CORRUPTION IN SOMALIA**

As one of the longest running state collapses, Somalia faces many of the major corruption challenges that affect conflict-torn countries, with widespread corruption and a deeply entrenched patronage system undermining the legitimacy of the FGS. Corruption is further exacerbated by the absence of a strong functional central government, a lack of resources and administrative capacity, weak leadership structures as well as a limited ability to pay public officials. Quantifying corruption is difficult given the various types of corruption and the illicit nature of the activities. It is even more difficult to assess the consequences in terms of the economic cost and societal damage. Although there are limitations to corruption assessment methods, [Transparency International](#) believes that perceptions and other methods are useful for gauging corruption. In its Global Corruption Barometer, Somalia ranks at the absolute bottom as the world's most corrupt country tied with North Korea in 2012, 2013, 2014, and 2015<sup>v</sup>

According to a non-statistical convenient over the phone survey conducted by the LCPT between July and September of 2015, with 465 participants between the ages of 18 and 62 years old, 61.5 percent singled out corruption as the number one issue when asked specifically about Somalia's problems and the significance of corruption on ongoing problems. Twenty-four (24%) percent blamed Al-Shabaab for the present unrest in Somalia and, 12.5 percent blamed the FGS while the remaining five percent blamed foreign interventions and the international community for the country's unending problems.

The survey includes opinions of those living in the area of greatest conflict – those in Mogadishu. The survey was performed via a phone chain whereby fifteen LCPT volunteers called each approximately ten people in Mogadishu and another twenty people in other areas. Volunteers called people with whom they were acquainted. Participants were asked to identify the cause and source of Somalia's unrest, as well as the significance of corruption to Somalia's unrest. From this judgmental sample, LCPT

concludes that corruption is a significant cause of unrest and lack of peace and political instability in Somalia.

Further, facts attest to the public's concern about corruption. Indeed, with surmounting proofs, the Auditor General of FGS alleged 19 ministries of the FGS to have committed irregularities, fraud, and misuse of public funds during his testimony before the General Assembly recently.

Corruption is present and occurs at all levels in both public and private sectors and is visible and anticipated at every level of society from local government, civil society and large and small businesses, all the way up to the judiciary, the security forces, and the financial system in federal and state governments. Undeniably, corruption has marred every aspect of the Somali society; businesses have adjusted to the climate of lawlessness, avoiding taxes, selling expired food and drugs, and commercializing services traditionally in the public sector to make a profit. Corruption in Somalia includes not only public officials' misuse of public goods for private gain, but also everyday activities such as the demanding of bribes to use basic services, networks to obtain employment and registering political appointees.

The extensive corruption in Somali society has been institutionalized, become customary and accepted as an informal part of everyday life. Therefore, the public does not challenge the status quo that enables corruption to thrive, as it is accepted as a fact of life. The government itself has acknowledged that corruption is systemic and endemic. Government officials often do not view corruption as a criminal act as they rationalize their actions—a sense of entitlement is at the core of corruption and there are clear evidences that Somali's government officials regularly engage in corrupt practices due to a culture of impunity, which is sustained by low pay for the civil service, minimal job training, lack of anti-corruption laws, lack of enforcement mechanisms, minimal paper trail for government transactions, lack of court convictions for corrupt practices.

Corruption in Somalia has undermined security institutions and slowed down development, so even if all surveys, statistics, and indexes were to put a side, there are undeniable and convincing evidences that reality sides with perception.

## **Corruption Apexes in Somalia**

**The Financial Sector:** The formal financial sector consists of the central bank, six banks with provisional licenses, and nine licensed money transfer firms. The sector is small and nascent while there is reportedly a large informal sector. The central bank of Somalia (CBS) faces challenges in building financial sector supervision due to technical and human

## Overview of Corruption, Underlying Causes, and Impacts in Somalia!

resource constraints. The economy is predominantly dollarized and cash is scarce, particularly in lower denominations. Somali banknotes are not readily available, creating problems for the poorest citizens.<sup>viii</sup>

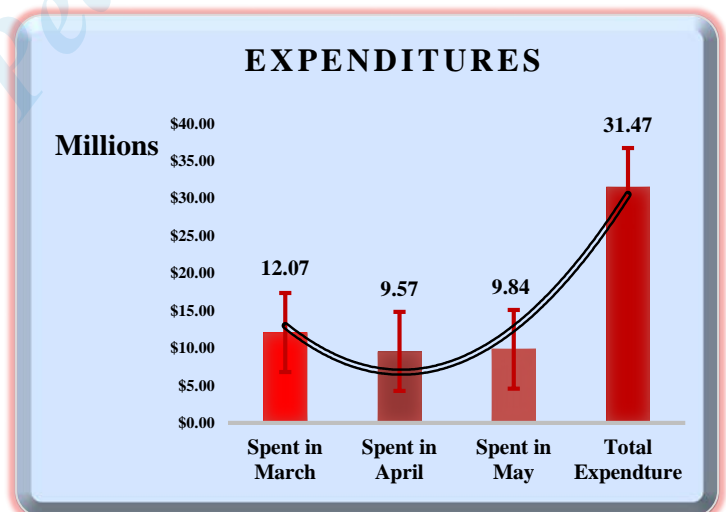
One way to understand the economy in Somalia is to consider estimates of per capita Gross Domestic Product (GDP). GDP is a measure of the total output of a country. GDP per capita is the GDP divided by the number of people in the country. To gain a better understanding of average living standards one must look at the growth of GDP per capita. For example, if one country has GDP growth of 4%, and the population increases in size by 4%, then the average citizen will have the same income. Another country could have zero GDP growth but, if the population is declining then the average citizen will be better off. In Somalia's case, while the GDP was stagnant, the population growth was exponential. According to the UN, Somalia's GDP per person as of 2013 was \$133.00.

It's for this reason that the [World Food Program](#) (WFP) has estimated 857,000 people in Somalia (12% of the population) as in crisis and emergency acute food insecurity for February– June 2014. (This is IPC Phases 3 and 4 based on the Integrated Food Security Phase Classification.) Most of the population (61% or 4,598,000 people) is facing minimal acute food insecurity (IPC phase 1). While 27% (2,048,000 people), are facing stressed (IPC Phase 2) food security conditions. There are high rates of acute malnutrition across the country with over 200,000 malnourished children under 5 years.<sup>vi</sup>

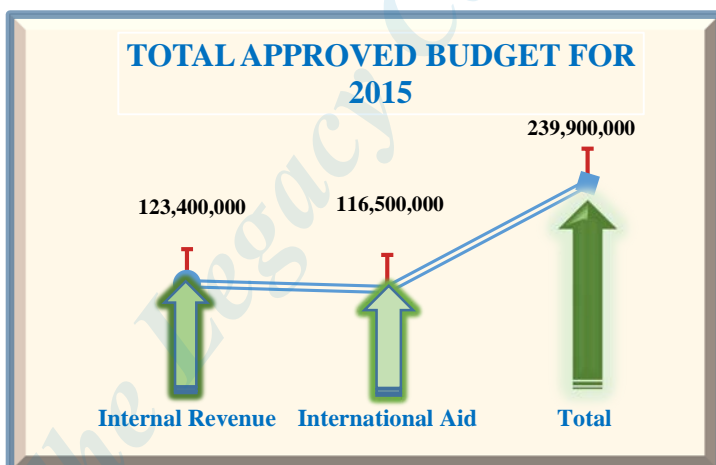
According to a document obtained by the LCPT, the approved budget for the year of 2015 was as follows ([see the chart—Total Approved Budget for the FGS for the Year 2015](#)). This budget on a per capita basis is \$22 per Somali (population estimated at 10,810,000).

One way to understand the government's budget in relation to its GDP is to consider the ratio of the government's expenditures per person to the GDP per person. For example in the United States, the federal government spending per person divided by the GDP per person is 22%. For Somalia, that ratio is 17%. In both the case of the United States and of Somalia, government spending is significant on a per person basis. In the United States over half of government spending goes to social security and healthcare payments to individuals. The difficulty in Somalia is that for the average person, there is no visible sign of government spending that benefits them. This lack of visible signs leads to questions about corruption and theft at the federal government level.

According to an official document from the office of the Auditor General of the Federal Republic of Somalia, the total expenditures during the months of March, April, and May of 2015 was \$31,473,638.85. During this time, no wages for public service employees and the security forces were paid. Therefore, questions remain on what, where, and how these funds were spent. ([Chart below details monthly expenditures per the official document.](#))



Additionally, the Somali government maintains an Emergency Supplementation budget. According to the spending resolution (adopted by the parliament to pass the 2015 budget), the Supplementation of Expenditures budget could only be used for emergency and unforeseen circumstances, of which must be approved by the cabinet. As of the last five months (prior to July 2015), total expenditures incurred on Emergency Supplementation Expenditure stands at \$1,329,949. This amount was spent without any proper procedures or emergency situations.



## Overview of Corruption, Underlying Causes, and Impacts in Somalia!

What is more, the document explicitly details stolen funds donated by the Peoples Republic of China (PRC) to the Federal Republic of Somalia at the end of 2013. The PRC donated one million dollars to the Federal Republic of Somalia through the Somali Embassy in Nairobi. Of that money, five hundred thousand dollars is still missing. The General Assembly received overwhelming evidence to substantiate this case.

Furthermore, there was \$1,476,900 allocated for the former members of the parliament [unseated in 2012 elections] for their unpaid salaries of three months. This money was withdrawn from the central bank of Somalia as soon as it was deposited. When asked, the finance minister who had withdrawn the funds, declined to specify where and how these funds were used. However, detailed documents obtained by the LCPT show that the permanent secretary of the ministry of finance (implementing orders from the offices of the prime minister and the finance minister) ordered the Accountant General and the Central Bank of Somalia to return the funds.

This document obtained by the LCPT supports the claim of the Auditor General regarding the \$1,476,900 appropriated for the back pay of the former members of the parliament (MPs) as referenced above.

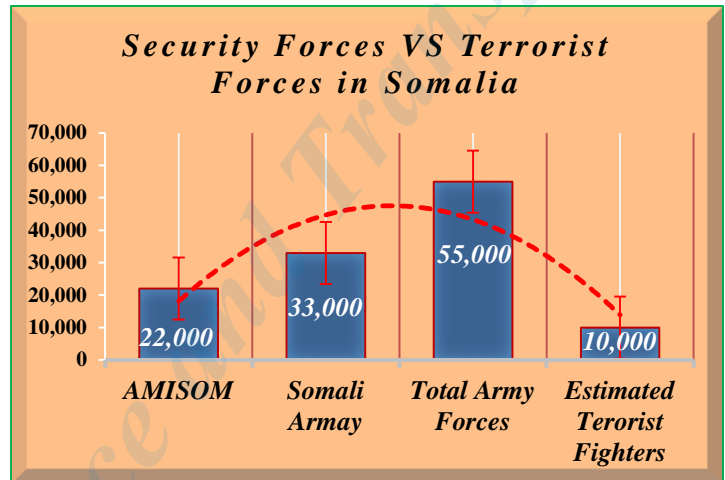
This document further details, at the end of the 2013, the Federal Government of Somalia borrowed ten million dollars from the Dahabshiil and Salaam banks. Of that money, only six million dollars was deposited to the account of the Federal Government of Somalia, with the remaining four million dollars unaccounted for as of today.

The document also highlights the excessive spending on travel related outlays by the higher government officials. More than \$1.5 million was used for travel related overhead during the first half of the year 2015. Given the nation's economic situation and the countless needs for Somalia's starving population, this amount is exceedingly unwarranted spending.

**The Security Sector:** It is essential that reform of a country's security sector takes place once a conflict has come to an end. It's even more significant for sustainable peace and development, that people feel safe and secure, and have confidence in their system and government. In Somalia, corruption exists in every sector of the security system including the police, the SNA and the judiciary, consequently undermining the improvement of the security sector. According to the FGS, Somalia employs more than

33,000 solders including military, police, and Prison Guards.

In addition, to that number, more than 22,000 African Union Mission in Somalia (AMISOM) peace keeping soldiers are currently deployed in the south central parts of Somalia (not including Somaliland & Puntland) making the total defense force in the country over 55,000 versus lightly armed terrorist group with less than 10,000 fighters.<sup>xvi</sup>



Besides a lack of logistics and adequate salaries (coupled with irregular wage payment system) the SNA is ill trained, ill organized and ill equipped to lead. Since the TNG days, the transitional governments have granted military honors to clan and warlord militia commanders simply to appease them. This has resulted in an army of semi-literate officers at every level, including veteran warlords promoted to Generals and former ICU and other clan foot soldiers and loyalists promoted to Captains, Majors, and full Colonels without qualifications warranting such promotions.

These untrained officers are leading Somalia's military in unsuccessful campaigns to defeat Al-Shabaab. Consequently, it is a fact that the Somali army alone cannot exterminate the remaining Al-Shabaab by itself. Moreover, these officers oversee perhaps one of the largest self-sabotaging operations any military has done to itself in the recent history—the selling of weapons to arms traders who resell them to customers that include Al-Shabaab itself<sup>x</sup> Because the FGS does not make paying wages of its soldiers a number one priority, soldiers often cash their weapons and ammunitions to feed themselves and their loved ones.

While AMISOM peacekeepers in Somalia have sacrificed a lot to win the semblance of peace that now exists in the country, many believe they could have done better had they exerted strong leadership coupled with a precise vision to defeat the militants and absolute exit strategy. “Universal TV” a widely watched and popular Somali television has

recently aired a string of satires about the lack of fighting prowess within the force, showing peacekeepers cowering behind a tree, while a lone Somali soldier took the bullet. "With a monthly pay of \$1200 and an extra \$500 allowance to boot, I earned more than ten Burundian and Somali soldiers, each of whose monthly salary is \$50 and \$160 respectively." "I don't want to defeat Al-Shabaab. I would rather scatter them to prolong my mission," said a Burundian peacekeeper who returned from Mogadishu<sup>vii</sup>.

This peacekeeper's statement may not represent the view of all AMISOM peacekeepers in Somalia who have sacrificed a lot and suffered significant casualties, but many wonder - what is preventing AMISOM, with all its fire power and technology, from engaging in the Al-Shabaab militants instead of remaining in their respective bases for years and doing little! There is wide public discourse among Somalis, who believe there is conspiracy to turn the AMISOM mission in Somalia into a long term military assignment through "Mission Creep". For example, recently, the Al-Shabab militia recaptured positions in Lower Shebelle region, south of the capital Mogadishu. This region was previously secured by AMISOM and the SNA troops, who then withdrew without explanation<sup>viii</sup>. This move supports the perception by the Somali public that the security forces are not interested in maintaining security and prefer to continue insecurity to maintain their jobs. This is yet another manifestation of corruption in Somalia.

**The Private Sector:** Most of Somalia's economy relies on the informal sector, based on livestock and remittances from the Diaspora. According to International Crisis Group (2013), the unregulated market system that came into being after the fall of Siyad Barre's regime (while stimulating entrepreneurial energy in the country) is also partly responsible for fueling corruption. For example, enterprises don't pay taxes regularly to the state, but routinely pay non-statutory fees to senior FG officials to support and approve foreign business deals or keep the government on their side<sup>ix</sup>.

The Telecommunication sector is one of the country's most lucrative and vibrant sectors, with nine cellular networks. At the same time, the sector is seen as particularly corrupt. The growth of the sector has been fueled in the last decades by sustained emigration and remittance trade that have exponentially increased the demand for telephone and internet services. According to International Crisis Group 2013, government leaders have interests in local telecommunication companies. As a result, these companies allegedly offer undeclared fees to public officials in relevant ministries on a routine basis.

**The Political Instability:** The corruption in Somali government has derailed the system of governance and overall political stability. During the last decade since 2004, the country has had three presidents and over 10 prime ministers. The average Somali prime minister stays in office about 1.3 years. Only Ali Mohamed Ghedi remained in office three years, while Mohamed Farmajo lasted less than eight months. Fights over political appointments, authority, and resources between presidents and prime ministers overshadow much of their time. This results in a rottenly employed process for a quick fix—which is to sack the prime minister by using members of the parliament; often by corrupt means. Ordinarily, such processes are long and highly contentious as it requires a significant number of the parliamentarians to rally to pass a "no confidence vote."

The latest prime minister to vacate the office was Abdiweli Sheik Ahmed whose sacking was ugly and antagonistic. "I am concerned about allegations of some MPs being asked to exchange votes for cash in the context of a potential 'No Confidence' motion, which is a disservice to Somalia's progress towards accountability and transparency," said Nicholas Kay, the U.N.'s representative to Somalia. "Somalia and Somalis deserve better."<sup>xiv</sup> The vote-buying accusation is well known in the Somali public. Vote buying is nothing but a means for daily survival for a mainly figurative parliament, that does nothing but "motion" to oust sitting prime ministers and sanction more political infights.

## **CAUSES OF CORRUPTION IN SOMALIA**

Corruption is widespread and part of everyday life in most developing countries and societies have learned to live with it (even considering it, philosophically) as an integral part of their culture. However, Somalia's corruption has gone too far. Not only are public or official decisions such as government contracts or the amount of tax due bought and sold, but very often access to a public service or the exercise of a right, such as obtaining civil documents, also has to be paid for.

In Somalia, political and economic powers are directly linked because access to political power ensures access to economic privileges. Similarly, access to economic privileges ensures access to political power, such as a privileged position in the present patronage-based system. The process of allocating political and administrative posts, particularly those with powers of decisions over the import and export licenses, logistics, and banks are influenced by the gains that can be made from them. The political foundations are cemented, as these exchanges of privileges are reciprocated by political support or loyalty. These and similar settings encourage the corruption.

## *Overview of Corruption, Underlying Causes, and Impacts in Somalia!*

- Another very important feature that aids corruption in Somalia is the country's utter underdevelopment, which is also conducive to corruption. In fact, underdevelopment encourages corruption.
- First of all, low to nonexistence wages in the civil service encourage petty corruption, and the imbalance between the supply of, and demand for, public services likewise creates opportunities for corruption.
- Also, individuals tend to invest in a career in the public service, given the shortage of opportunities in the private sector, thus increasing the likelihood of their involvement in corrupt practices.
- Lack of skilled labor in the government and adaptation of advanced technology that can detect and discourage corrupt officials' behavior is another feature that entices unethical practices to overwhelmingly prosper in Somalia.
- The low level of education found in the country maintains citizens in a state of ignorance of their rights, barring them from participating constructively in the political life.

### **CORRUPTION IMPACTS**

The civil wars tore Somalia apart, leaving a barely functioning economy, destroyed infrastructure and impoverished and traumatized population. Today, more than two decades since the beginning of the civil war, the population still suffers due to insecurity, political instability, and underdevelopment resulted by these conflicts. Consequences of those wars can be seen everywhere. The current government struggles with weak governance capacity and limited economic ability, and lacks the capacity and resources to provide its citizens with adequate public services.

Corruption is undeniably the greatest challenge to rebuilding Somalia's political, educational, economic, security, health and infrastructural networks. Corruption discourages taxing and stifles entrepreneurship, "lowering the quality of public infrastructure, decreasing tax revenues, diverting public talent into rent-seeking, and distorting the composition of public expenditure." Furthermore, the consequences of corruption negatively affect democracy and rule of law, as well as erode public trust in government, which undermines institutions, as well as processes at all levels of society.

In Somalia, corruption incapacitates the judicial integrity and rule of law, facilitates trafficking in arms and empowers insecurity and terror (Al-Shabaab & others), undermines development and humanitarian programs, and diverts funds from education, infrastructure, and other essential societal programs; thus deepening poverty in society, impeding the

qualities and oversight of infrastructure, distorting business competitions, circumventing environmental resources: water, forests, and fisheries, and subverting domestic institutions. This results in crisis and competition over the little resources available—a fallout of civil war and political instability.

Another critically vital area is procurement. Because the country's institutions are zero to nonexistence, international donors spend tons of money to rebuild institutions. Government officials take advantage of this sector and rip-off funds intended to rebuild the country. Corrupt officials hide their activities and introduce distortions into the procurement activity. First, since corruption is secret, corrupt officials effectively underfund activities relative to its preferences and pocket the remaining financial gains. Second, procurement officials substitute the types of goods, making hiding corruption easier both in terms of qualities and quantities, which in the public eyes seem effortless, but makes tons of money for these government officials and greatly undermines public projects.

It's for those reasons that in many parts of the country inter-governmental and non-governmental organizations have become the de facto governments, without any directives and accountability from the Somali Federal and regional state governments. These organizations provide the little humanitarian assistance the Somali people receive such as education and health care. Paradoxically, even the [United Nations](#), [World Bank](#), and advanced western nations prefer to fund NGOs rather than local and national government institutions.

### **RECOMMENDATIONS**

#### **Anti-Corruption Laws**

While there are some efforts underway to draft the anti-corruption laws on a nation level, there are no state level anti-corruption laws currently available to law enforcement sectors. Therefore, efforts must be exerted to completing these laws and training both the judiciary and security system employees.

- a) Laws must be clear, publicized, stable and fair, and they must protect fundamental human rights, including the security of persons and property. The government and its officials and agents are accountable under the law—"No one is above the law."
- b) The process by which laws are enacted, administered, and enforced is accessible, fair and efficient; and access to justice is provided by competent, independent, and ethical adjudicators, attorneys or representatives, and

judicial officers who are of sufficient number, have adequate resources, and reflect the make-up of the communities they serve.

### **Public Awareness Campaign**

The extensive corruption in Somali society has been institutionalized, become customary and accepted as an informal part of everyday life. Somalis mostly do not challenge the status quo that enables corruption to thrive as it is widely accepted as a fact of life. In this regard, a public awareness campaign must be undertaken to educate the public and to create and strengthen a participatory social movement across all sectors of society to fight corruption and advance a culture of peace and respect amongst Somalis.

### **Somalia Anti-Corruption Commission (SACC)**

Efforts to combat corruption in Somalia must be robust, effective, and through. But above all, these efforts must be independent. Given the current stage of the corruption in Somalia, these efforts must be focused on both prevention and investigation. Therefore, we recommend an establishment of independent Somalia Anti-Corruption Commission (SACC) to directly investigate and recommend for prosecution all acts of corruption in all sectors of government including the private sector and to institute measures aimed at eradicating the practice and its impact.

In order to convince the public and earn the trust of all sides, members of this commission must be independent, without being affected by influences that compromise their professional judgment, allowing them to act with integrity, and exercise objectivity.

To be a strong weapon in the fight against corruption, the SACC must be well-funded, supported, and have strong tribunal system in place that can and will carry out prosecutions if needed.

Finally, the security of the SACC members must be protected at all times. The magnitude and the nature of their duties attract unbounded enemies from all sides, and unless convinced, no one will accept to endanger themselves and commit to such a greater risk.

### **Transparency**

In order to increase transparency and accountability –

- a) Contracts, employment opportunities, and other related revenue stream and human capital sectors must go through proper vetting of tender and procurement process.
- b) Allowances for the senior politicians and their travel related expenditures must be open and accountable.

- c) To defeat Al-Shabaab, the FGS must transform itself into a transparent and accountable system that warrants the trust of the public as well as the international donors, and it must commit to rebuild effective and lean, but well trained and equipped SNA that is logistically sufficient and are led by knowledgeable, resolute, and accomplished officers with adequate salary and benefits.
- d) Employ accounting firms and enact laws that enhance accounting procedures in all government departments. This will not only decrease corruption, it will make it nearly impossible for Somali officials to steal funds and engage in unethical behaviors.

### **Public Participation**

Public participation is essential to alter Somalia's present corruption behaviors. Empowering ordinary citizens from grassroots to monitor their officials to prevent corruption will significantly increase pressure on government officials.

One important take-away is that for community participation to work, it is important to get the details right in terms of protecting people from retaliation, limiting the free rider problem, and preventing elite capture.

### **Building Sustainable Government**

The International Organization for Migration (IOM), with the support of the governments of Japan, Finland, Sweden, and others has implemented programs to recruit Somali expatriates in an effort to rebuild institutional capacity.

However, significant security concerns coupled with inadequate vetting and recruitment procedures prevent the professional Somalis in the diaspora to come to the country and tender their services. As a result, Somalia's Federal and State governments continue to lack the institutional capacity to serve the citizens they represent.

No profound change can take place in Somalia, in the absence of adequate capacities in governments, in business and in the civil society as a whole. Accordingly, it is very important to insist upon unlocking the human potential in the Somali diaspora, and to make it work for the transformation of the economy and government. Essential here are young entrepreneurs, experts, and innovators who have thrived in the diaspora during the last three decades. Citizens can enhance their participation in the economy and the policy dialogue space with better knowledge, effective roles, and advisory services.

LCPT understands the limited financial resources of the current Somali government and its need for skilled experts who can contribute to the nation's rebuilding. In view of that,

there must be significant alternative initiatives to improve governance, increase transparency, and propel public confidence in the government.

There are other initiatives readily available to boost government's capacity, which will attract many technical expatriates to return to the country for the first time in decades and establish a patriotic connection to the country and the people of Somalia. Government agencies will be able to tap into these talents to develop proper policy documents, tax forms and their relevant statutes (e.g. income tax, sales and use tax, multi-jurisdiction taxes, immigration, domestic regulations, etc.), with the associated pertinent laws, and other technical guidelines.

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