



## OVERVIEW

# SOMALIA URBANIZATION REVIEW

Fostering Cities as Anchors of Development

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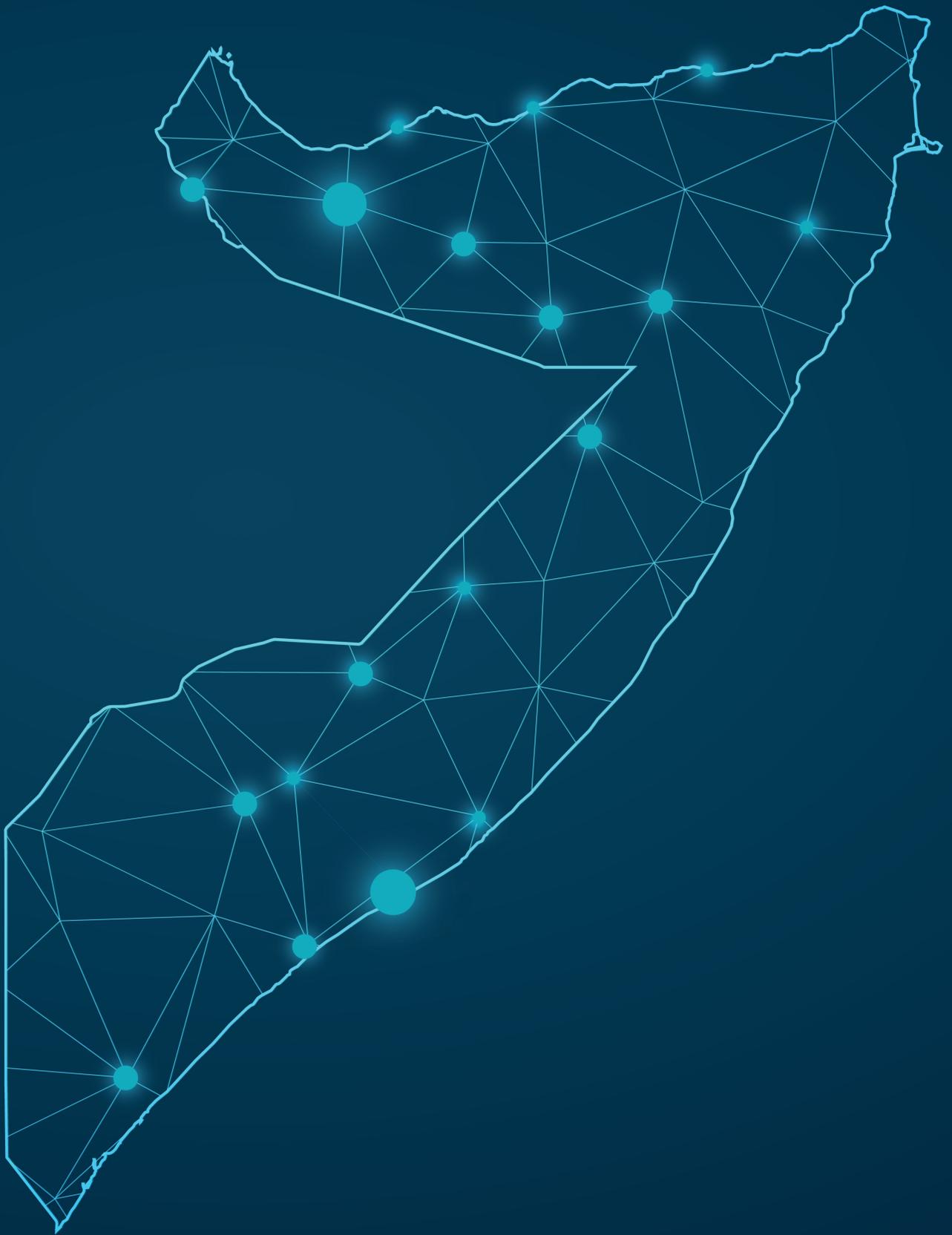


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# INTRODUCTION

**For thirty years, Somalia's cities have served as anchors of development. If managed well, urbanization holds the key to helping Somalia to develop faster and further.** Though Somalia's high urban growth rate can present challenges, fast growing cities can be powerful catalysts for economic growth, innovation, and improved service delivery. Evidence shows that incomes rise as the share of population living in urban areas increases: On average, for every 1 percent increase in urbanization, GDP per capita grows 4 percent. Cities generate more than 80 percent of GDP worldwide. Their density promotes productivity and offers people opportunities to improve urban dwellers' livelihoods and quality of life, eventually helping lift many out of poverty.

**On the other hand, if poorly managed – if Somalia fails to meet the needs of growing urban populations – Somalia's modest successes and wider stability will be undermined.** The faster Somali cities grow, the more the absence of adequate planning and uneven, contested governance stifle the potential development and economic growth those cities could generate. Unplanned growth causes slum expansion and environmental degradation. It also increases competition over land and the costs of providing basic public goods like roads, water and sewer systems, and access to the power grid. In Somali cities, settlement patterns are typically highly segregated by ethnic groups/clans. But given that cities are receiving large waves of forcibly displaced people and other rural-urban migrants, those inter- and intra-clan dynamics are at risk of being destabilized. The rights of urban internally displaced persons (IDPs) are contested and their settlements are often cut off from basic services. Poor and marginalized groups, more broadly, are often excluded from access to land and basic services. And property disputes in neighborhoods where real estate is a prized and scarce commodity are a major source of violence and communal tension. As promising as Somalia's cities economic successes have been, the ongoing risks of targeted political violence, communal clashes, and terrorist attacks keep them vulnerable. The Somali cities of Mogadishu, Merka, and Kismayo were recently ranked the three most fragile cities in the world.<sup>1</sup>

**Given the central role cities play in Somalia's development and stability, managing Somalia's urbanization is crucial. Yet the political and administrative complexities in Somalia mean that conventional approaches to addressing urbanization are unlikely to work.** Urban management is stymied by a potent combination of inadequate demographic data nationally; lack of clarity on city boundaries; disputed, unclear, and overlapping jurisdictions over cities between federal, state, and district authorities; the lack of a strong formal-legal role and adequate capacity and resources for mayors and municipalities particularly in south central Somalia; a pluralistic, disputed, and conflict-ridden set of systems for property titling, sales, and dispute management; and, as noted below, the existence of numerous non-state actors making claims on political authority or service provision.

**Somalia's urban centers are governed by a complex mix of different state and non-state authorities, a political landscape described as "hybrid governance."** Despite the presence of multiple state actors – the federal government, federal member state government, and district administration – much to most de facto authority resides in the hands of traditional clan elders, business leaders, militia leaders, civic groups, and religious authorities. These non-state actors were frequently already an important source of political authority in the years before the civil war, but their roles greatly expanded and were tested during the long period of war and state collapse in Somalia, when they constituted the only source of governance in the country. Their relations with one another range widely, from routinized cooperation and power sharing to open rivalries. When this authority is expressed in quasi-judicial roles involving rulings on crimes or disputes, it reflects a form of legal pluralism in which residents may opt for civil, customary, or religious law, or a combination of more than one. These hybrid governance arrangements are fluid and variable in their degree of local legitimacy and capacity. With the partial exception of al-Shabaab, which can impose its decisions by force, most of Somalia's panoply of informal governance actors rely heavily on negotiation.



**Put simply, Somalia is not yet at a point where conventional urban development policies and programs can be effective.** The country needs to maximize the positive contributions its cities can make to overall development, employment, peace, and good governance, but currently lacks the effective, empowered, and financed local institutions to provide the requisite governance framework and directly provide services. Somalia’s cities do have committed leadership – both large and small cities have attracted some dedicated and effective leaders over the past 25 years.<sup>2</sup> But those leaders have had few tools to work with and have faced resistance from many quarters.

**A transitional strategy for engaging and strengthening urban governance and service delivery is required and unavoidable.** Ongoing efforts to strengthen local government and defining political authority in Somalia must be twinned with pragmatic strategies aimed at working within existing local capacities in order to deliver badly needed governance and services to urban populations.<sup>3</sup> Such an approach is less likely to result in “premature load bearing,”<sup>4</sup> whereby Somali government institutions are made to shoulder too much, too soon. Working with what exists may require a mindset change: cooperating partners (especially development partners) need to be willing to embrace hybrid, “good enough” solutions, collaborating with both state and non-state actors as needed. For the government, this means condoning, at least as an interim strategy, the concept of a “third-party service delivery” model, common



in a number of countries like the United States, in which the government partners with or outsources the delivery of critical services to the private sector.<sup>5</sup> This approach requires all stakeholders to come together and agree on the formal rules, norms, and accountability mechanisms that undergird third party government service delivery models.

**The goal of managing urbanization in Somalia should be to incrementally bring a wide range of formal and informal rules and systems surrounding governance and service delivery into a state of greater coherence, complementarity, credibility, and capacity.** “Coherence” means that conflicting systems and institutions evolve from competing against one another to cooperating, so they broadly move in the same direction, with similar standards, rather than undermining one another. Because no single entity can address the vast urban governance and service delivery challenges, “Complementarity” requires formal and informal systems to find a way to not merely co-exist but also help fill in each other’s gaps, leveraging respective comparative advantages. “Credibility” emphasizes that the process and the outcomes of such an endeavor need to be perceived as legitimate by all to ensure political support. It is particularly important to ensure the state’s acceptance and buy-in whenever partnering with “hybrid” governance actors for service delivery. Finally, “Capacity” will need to be strengthened among both formal and informal actors to enable them to play more complex and expansive roles.

## OBJECTIVE OF THE SOMALIA URBANIZATION REVIEW

**The Somalia Urbanization Review aims to capture the challenges pertaining to urbanization in Somalia and to identify key interventions that can help better manage them.** Both the government and development partners broadly agree on the critical importance of urbanization for Somalia's development. Yet, there has been little comprehensive analysis that serves as a basis for a coherent urban development strategy. The Urbanization Review draws on both technical and political economy analyses to provide a better understanding of a broad range of urban issues in Somalia. The report aims to facilitate a more informed dialogue between the government, private sector, civil society, the development partners and other stakeholders on a more comprehensive urban development strategy in Somalia. It also aims to inform the World Bank's future urban projects by identifying priority areas of intervention.

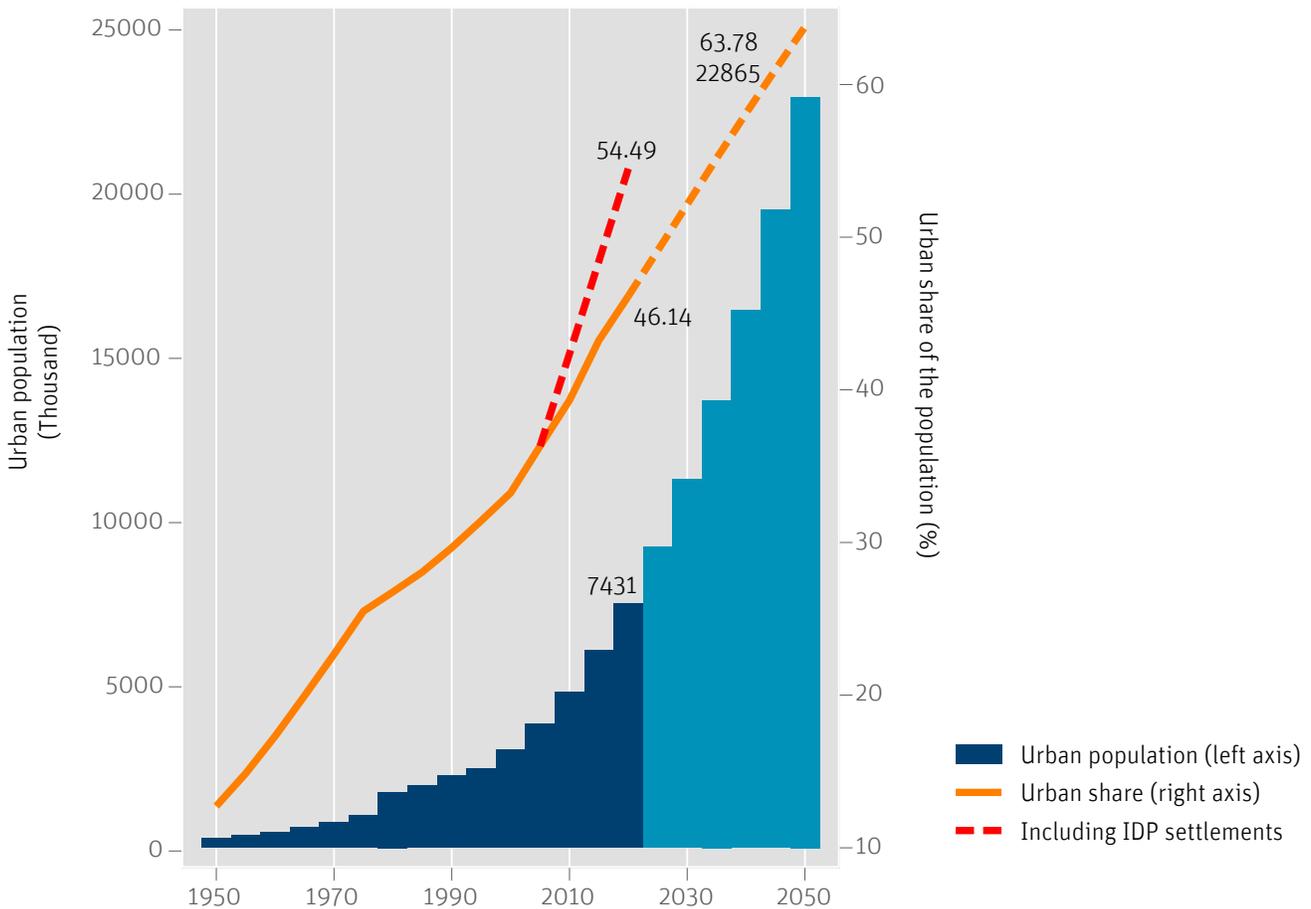


# URBANIZATION IN SOMALIA

**Somalia is urbanizing rapidly.** The population growth rate in urban areas is relatively high – around 4.3 percent per annum,<sup>6</sup> similar to rates across East Africa but higher than the continent average of 4 percent.<sup>7</sup> But Somalia is currently more urbanized than its neighbors. Although reliable population figures are lacking, Somalia is home to an estimated 15.9 million people, of whom 7.4 million or 46 percent are urban dwellers, compared to an estimated 28 percent in neighboring Kenya. Predictions show that by 2030, Somalia will add another 3.8 million residents to its urban areas, and another 11.6 million by 2050, tripling its urban population over 30 years.<sup>8</sup>

**Most of urban growth to date has been fueled by rural-urban migration.** Drought, poverty, and insecurity have driven this migration, but pull factors matter as well – many rural migrants are attracted by the prospect of better access to services and employment. These predictions could actually underestimate urban population growth, as recent shocks have pushed rural Somalis to seek refuge in cities en masse. It is estimated that most of these 2.6 million IDPs live in cities. Nearly all of the hundreds of thousands of Somali returnees from refugee camps in neighboring countries have settled in cities as well. Considering that these settlements are largely located in urban areas, this suggests that the real percentage of Somalis in cities is closer to 54 percent, rather than the projected number of 46 percent (Figure 1).<sup>9</sup> Somalia, once an almost entirely rural society, is being transformed by this extraordinary level of rapid urbanization. The dramatic increase in the populations of Somali cities in the next thirty years holds the promise of significant increased demand for goods and services domestically.

**Figure 1. Somalia is urbanizing fast**

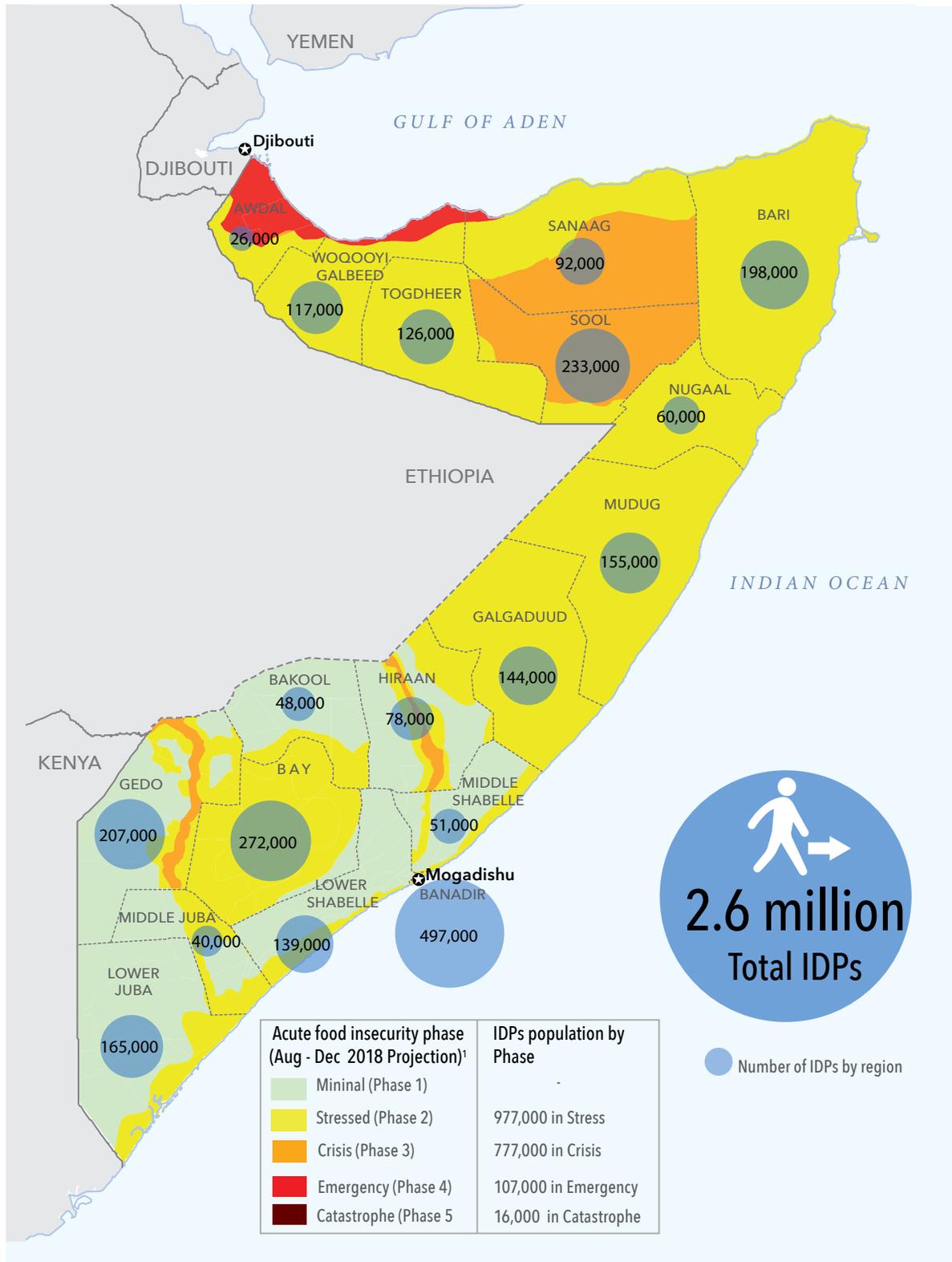


**Cities in Somalia are growing in large part because people are being forced into them.** In Somalia, there is too little data to estimate natural population growth<sup>10</sup> in cities (though it may be similar to the national population growth rate of 2.8 percent).<sup>11</sup> There is, however, evidence of large-scale rural-urban forced displacement and migration. For example, close to 75 percent of Somalia's 2.6 million IDPs are thought to live in urban centers, implying that one out of every four of today's urban residents is an IDP. Most returnees and refugees from neighboring countries are also believed to have settled in cities.<sup>12</sup>

**IDPs typically migrate to large urban areas, where they can find broader economic opportunities, diverse amenities and more anonymity.** In 2018, 20 percent of Somalia's IDPs live in Mogadishu, or close to 500,000 IDPs; Baidoa hosted over 270,000; and Kismayo approximately 140,000 (Figure 2).<sup>13</sup> Bay, Bakool, the Shabelle regions, and Juba Valley have seen particularly high outmigration from displacement due to recurring fighting, contested land tenure, and drought. The five biggest Somali cities—Mogadishu (Benadir), Baidoa, Bosaso, Hargeisa, and Berbera—attracted around 40 percent of the average annual IDP flows between 2007 and 2018. Mogadishu, Baidoa, and Kismayo have expanded faster than other cities as a result.



**Figure 2. Number of IDPs by Region (2018) (Estimated Stock)**



**Somalia's cities have expanded in different ways to accommodate this influx.** Many have developed and expanded around trade opportunities, such as ports, borders, and major highway junctions. Others have sprawled rapidly as IDPs arrived from surrounding areas, or as peace was consolidated in the city. Some cities have avoided sprawl by densification in their urban cores through infill of vacant land or an increase in building heights.

**Different paths of urban expansion can lead to different outcomes.** The denser the population, the shorter the distances over which infrastructure and services must be extended, reducing servicing costs, improving access, and enabling scale economies in service provision and production. Agglomeration economies allow specialization in economic activities, essential to increasing productivity and job creation. As large labor markets, cities make job searching easier, and hasten the spread of ideas and information. No country has ever reached middle-income status without urbanizing, but for cities to realize their potential to generate inclusive and sustainable economic growth, they need to use density and connectivity to generate these agglomeration economies and integrated labor markets. More sprawling, disconnected, low-density, crowded settlement patterns raise the costs of infrastructure and service provision, reduce the size of markets, constrain productivity, and can carve out segregated pockets of persistent poverty.<sup>14</sup>

**Urban density alone does not guarantee agglomeration benefits, however.** People and businesses within the city cannot simply be close together: they need to be connected, and services need to be extended to them. Unplanned urbanization often results in dense low-rise settlements that are hard to physically traverse, let alone do business in: they lack access roads, footpaths, public transport, safety, and basic water and sanitation. Planning and demarcating street grids in advance of settlement is one of the most critical and cost-effective means to support orderly and efficient urban expansion and avoid the need for costly retrofitting later. Somalis, in fact, have a greater tradition of urban grid demarcation than many neighboring countries do, but this has often been foregone when crisis forced cities to expand rapidly.

**In Somalia's fragile context, the physical shape and structure of cities affects social integration and equity, but they are heavily influenced by social and political contestation.** Many cities are divided spatially along clan lines; Galkayo is divided down the middle between not only two rival clans, but also two competing administrations. IDPs are often segregated onto peripheral, or totally dislocated, land. The reason for this is simple: The land is cheaper and often less contested. But these outcomes reflect the low status and rights accorded to many IDPs and may reflect intentional segregation from city life. The result is that IDPs struggle to contribute to or benefit from city life, and risk long-term 'ghettoization' and inequality. Another impact is sprawling, low-density, urban forms that impede productivity and entail extremely high costs to extend infrastructure and services.

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<sup>1</sup> "These are the World's Most Fragile Cities". Urban Gateway. <http://new.unhabitat.org/news/these-are-worlds-most-fragile-cities>.

<sup>2</sup> See for instance Andrew Harding, *The Mayor of Mogadishu: A Story of Chaos and Redemption in the Ruins of Somalia* (New York: St. Martin's Press, 2016); and Ken Menkhaus, "If Mayors Ruled Somalia" Nordic Africa Institute Policy Note 2 (2014). <http://nai.diva-portal.org/smash/get/diva2:714676/FULLTEXT01.pdf>. In 1996, Mayor of Hargeisa Hashi Elmi was awarded the UN Habitat Scroll of Honour Award for his work developing a planned neighborhood for returning refugees.

<sup>3</sup> RVI (2019)

<sup>4</sup> Andrews, M., Pritchett, L. and Woolcock, M. 2017. *Building State Capability: Evidence, analysis, action*. Oxford University Press.

<sup>5</sup> Young, Dennis. 2007. "Third Party Government," in Steven Ott and Lisa Dicke, eds., *The Nature of the Non-Profit Sector 3rd ed* (Boulder: Westview Press, 2015); Aspen Institute, "Non Profits as Contractors for Local Governments; Challenges and Benefits," Snapshots no 445 (March).

<sup>6</sup> UN World Population Prospects 2019 and World Urbanization Prospects 2018 (UNDESA).

<sup>7</sup> Over the last 5 years, urban population growth was 4.3 percent, which is within the top 20 worldwide.

<sup>8</sup> World Bank staff calculation based on UN-Habitat and CIA World Factbook. World Bank. 2019. "Somali Poverty and Vulnerability Assessment." Washington, D.C.: World Bank Group.

<sup>9</sup> World Bank. 2019. "Somali Poverty and Vulnerability Assessment: Findings for Wave 2 of the Somali High Frequency Survey" Washington, D.C.: World Bank. World Urbanization Prospects 2018.

<sup>10</sup> Births minus deaths per year. A city's population growth is explained by both natural population growth and net in-migration.

<sup>11</sup> National population is growth is 2.8 percent, which mostly reflects natural population growth, considering low levels of immigration. There is little evidence that health outcomes – and hence birth and death rates – in cities differ substantially from those in rural areas. For example, urban fertility is 6.4 children per woman – the highest rate in Africa. Half the population lives in cities.

<sup>12</sup> Just 121,000 Somalis are thought to have returned to Somalia overland from 2014 to 2018, suggesting incoming refugees have a much smaller impact on cities than IDPs. UNHCR estimates the number of Somalis seeking asylum in foreign countries as of 2018 at around one million.

<sup>13</sup> UNHCR (2018).

<sup>14</sup> Lall, Henderson and Venables (2017).





SOMALIA

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# THE STRENGTH OF SOMALI CITIES: RESURGENCE, INNOVATION, AND GROWTH

**Thirty years ago, large sections of Somalia's two largest cities – Mogadishu and Hargeisa – were reduced to rubble in the country's civil war,** and every other Somali urban area suffered years of neglect and had only modest numbers of residents. Then, cities were the main prizes over which militias fought, and were scenes of violence, displacement, destitution, and death. Today, Somalia's cities are, with some exceptions, sites of sustained peace, reflecting sometimes fragile but enduring local political settlements, and the rise of a private sector with stakes in protecting their investments from renewed strife. Mogadishu and Hargeisa are fast-growing and are sites of impressive investment in commercial and residential real estate and service economies. Cities like Bosaso, Berbera, Galkayo, and Baidoa that were once small, poorly-served, remote towns in the pre-war era have rapidly grown into large and bustling metropolitan areas.

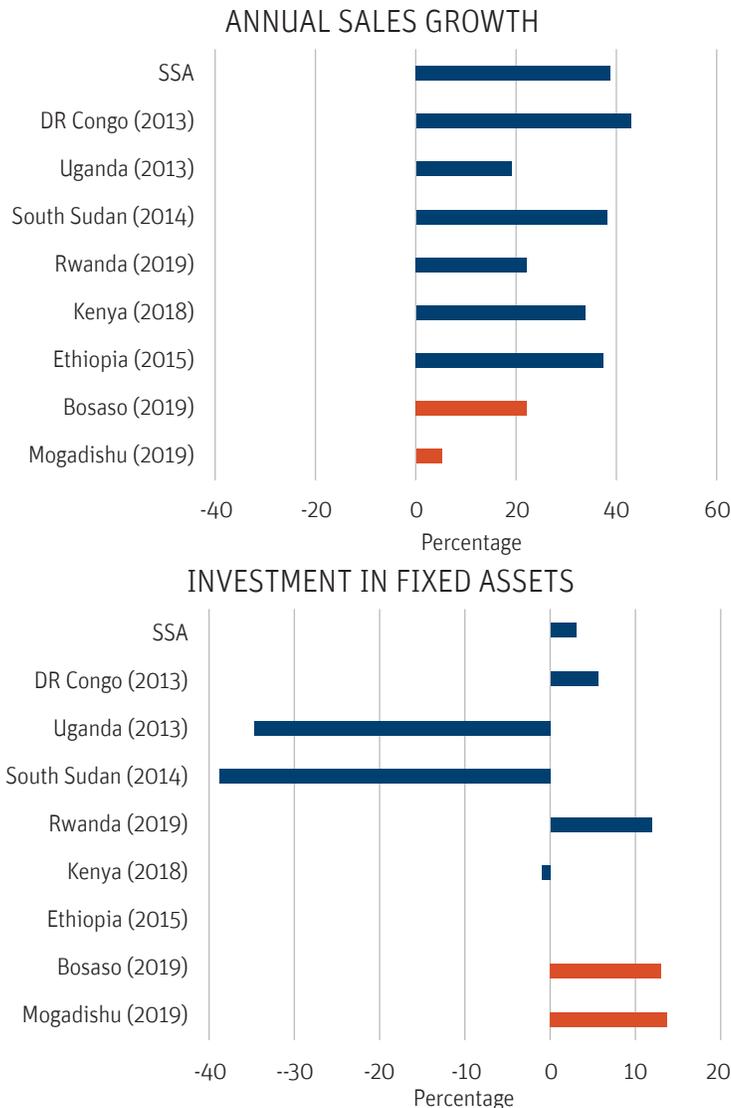
**Somali cities today are the anchors of national economic growth and development.** They are the sites of employment opportunities, vibrant entrepreneurship, and service access. Though the country has historically been an almost entirely rural society, and though even today Somalia's top exports are livestock and cash crops, Somali cities are attracting investments and hold the key to the country's long-term development and job creation.

**Somali cities have experienced impressive revival despite nearly two decades of state collapse and an ensuing period of relative state fragility and limited governance.** In the absence of the state, Somalis have constructed ad hoc hybrid governance systems, involving a complex mix of traditional leaders, religious authorities, civic groups, militia commanders, businesses, and local government authorities, which provide variable levels of security, justice, conflict management, regulation, and norms – despite the fact that the potential volatility of such ad hoc arrangements has caused Somalia's instability in the first place. In essence these hybrid systems establish “rules of the game” that allow millions of Somali city dwellers to enjoy at least some degree of predictability and safety as they pursue their livelihoods. The legal pluralism they embody varies in its definition, legitimacy, and effectiveness from one city to the next, and is often made up of fragile, ad hoc arrangements. Much of urban governance is based on negotiations rather than application of laws. Urban households, neighborhoods, and businesses have developed sophisticated strategies for navigating the complexities of these overlapping and sometimes competing local authorities.

**The private sector has shown the most dramatic resilience, adaptation, and risk management skills.** Fueled in part by robust flows of remittances from Somalia's large diaspora, the economy was growing at an estimated 3.2 percent in 2020 until the COVID-19 pandemic hit. The private sector has been especially adept at harnessing new technology, like telecommunications, which can thrive in a context of weak infrastructure and minimal regulation. Somalia leapfrogged from having one of the worst telephone systems in the world in the 1980s to becoming a pioneer in the development of cheap, reliable private sector telecommunications, opening doors to increased communication and mobile banking.

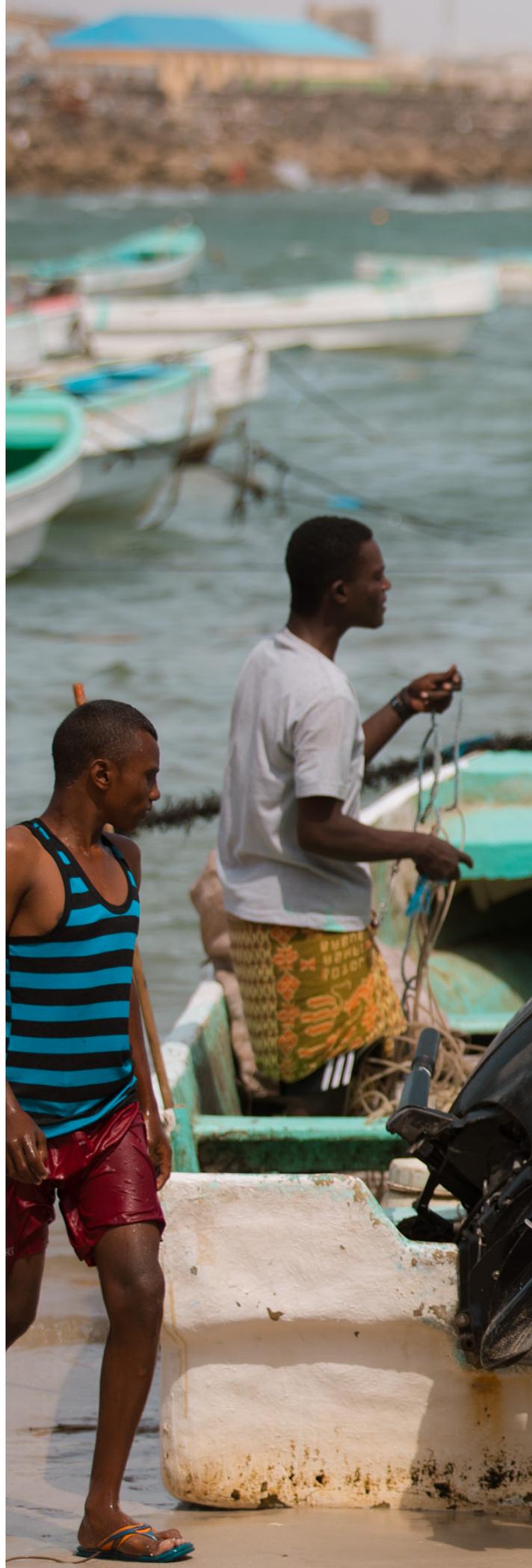
**Innovation has been the defining feature of the Somali private sector, which has flourished despite the many difficulties posed by state failure and fragility, and which has been the driving force behind the extraordinary pace of urban growth and revival.** Most private sector activity has been in commerce, the service sector, the hospitality sector, and construction. Sales have been growing in Mogadishu and Bosaso firms, which are performing better than regional comparators, though uncertainty is driving investment down, which hampers productivity and growth (Figure 3). Most business endeavors in Somalia have been legitimate and welcome sources of job creation and market response, but a few, such as charcoal harvesting and exportation, are illegal, and others, like human trafficking, and gun smuggling, are violently destructive. The future health and dynamism of Somali cities will continue to be dependent on the vibrancy and responsiveness of the private sector. This puts a premium on developing policies, urban planning, and regulatory capacities that enable and catalyze responsible, legal private sector investment and behavior.

**Figure 3. Real annual sales growth is solid, ahead of regional benchmarks, but as uncertainty prevails, investment in fixed assets remains low**



Source: Bosaso and Mogadishu Enterprise Survey 2019.

**Because formal government capacity at the local, regional, and national levels has been weak and poorly funded, the private sector has stepped in to provide services, as well as other public goods like security, that are normally viewed as a responsibility of the state.** This has mainly occurred in urban settings, where the concentration of purchasing power allows entrepreneurially-minded businesses to turn a profit fulfilling these unmet demands. But the de facto privatization of security, utilities, education, health care, and other public goods and services carries real costs, including inequitable access for the poor, uneven coverage, and lack of regulation. In the absence of state-provided





services, local non-governmental agencies, mosques, remittances, and international aid programs cannot fully meet the demand for basic education and health care for the poor.

**In the short term, Somalia’s “third-party service delivery model” is and will remain the most active and responsive source of basic services and public goods in urban centers.**

But effective and appropriate levels of government regulation are the key to ensuring that this outsourcing of service delivery to the private sector is responsible and fair. The Somali diaspora, which now features a large cohort of Somalis with impressive levels of education, professional training, and experience across a range of disciplines and sectors, could be an ongoing source of both financing and expertise. Despite being scattered all over the world, more than 1.5 million diaspora Somalis remain tightly woven into the fabric of Somali urban life, both directly, as investors in business and real estate, and indirectly, as the source of the estimated \$2 billion a year in remittances that help fuel urban demand for services and consumer goods.

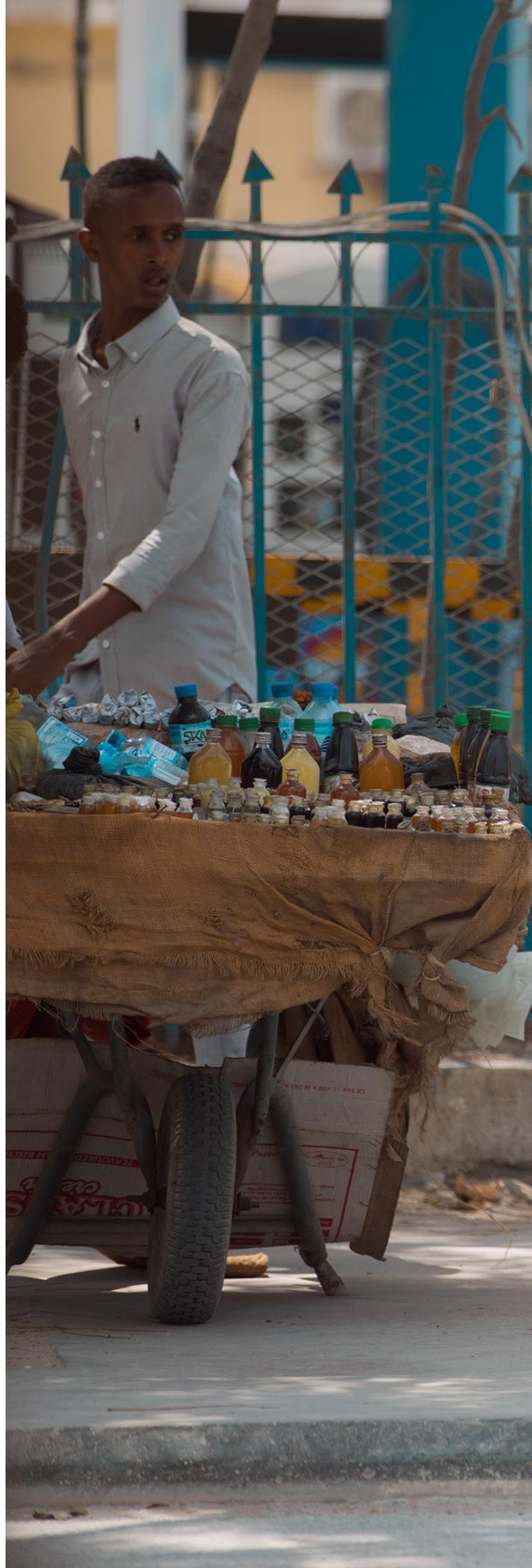
**Most Somali cities are well-positioned to take advantage of their role as entrepot economies serving a rapidly growing East African and Horn of Africa market.**

The Ethiopian and Kenyan markets will produce considerable demand for import-export trade, and Somalia’s port cities stand to benefit. Expanded import-export commerce though Somalia will generate customs revenue and significant employment at seaports and in the transport sector. Trade corridors across the country, if kept secure and in good condition, will serve as arteries of transit commerce and sites of new business opportunities. A strong commercial economy generates customs and other tax revenue, which will provide the Somali state at all levels with bigger budgets and a greater capacity to establish effective urban administrations, and thereby provide more services and generate jobs in the public sector.

**For as successful as Somali cities have been, they have even more potential yet to be tapped.**

Whether that potential will be realized depends in large part on public policy, governance, and urban planning choices Somali authorities make right now. Somali cities face major challenges but are also in reach of major opportunities. If they can manage hybrid governance well – at least as a transitional measure –, get the urban policies right, harness the private sector’s role in service delivery, and improve the regulatory environment to attract more investors, there is immense opportunity for further development.

<sup>15</sup> World Bank: <https://www.worldbank.org/en/country/somalia/overview>





# THE CHALLENGES, THREATS, AND UNKNOWNNS FACING SOMALI CITIES

**For all their potential, Somali cities and their residents and businesses are already coping with daunting impediments and face mounting challenges in the future.** A number of these challenges involve fractured formal governmental institutions. Unresolved differences over the delegation of authority between the federal government, regional states, and district or municipal authorities, as well as the contested status of the Benadir Region, has led to chronic clashes between competing government offices and ministries. Even when delegation of authority is worked out, capacity to execute the basic work of government– to enforce laws, regulate, and deliver basic public goods and services – is extremely limited. District authorities tasked with at least some authority to manage cities have only modest means to raise tax revenues, and face resistance to payment of taxes because they are seen as providing little or no service to the public. Low legitimacy, low revenues, low capacity, and low output all reinforce one another and trap many district authorities in a cycle of poor governance.

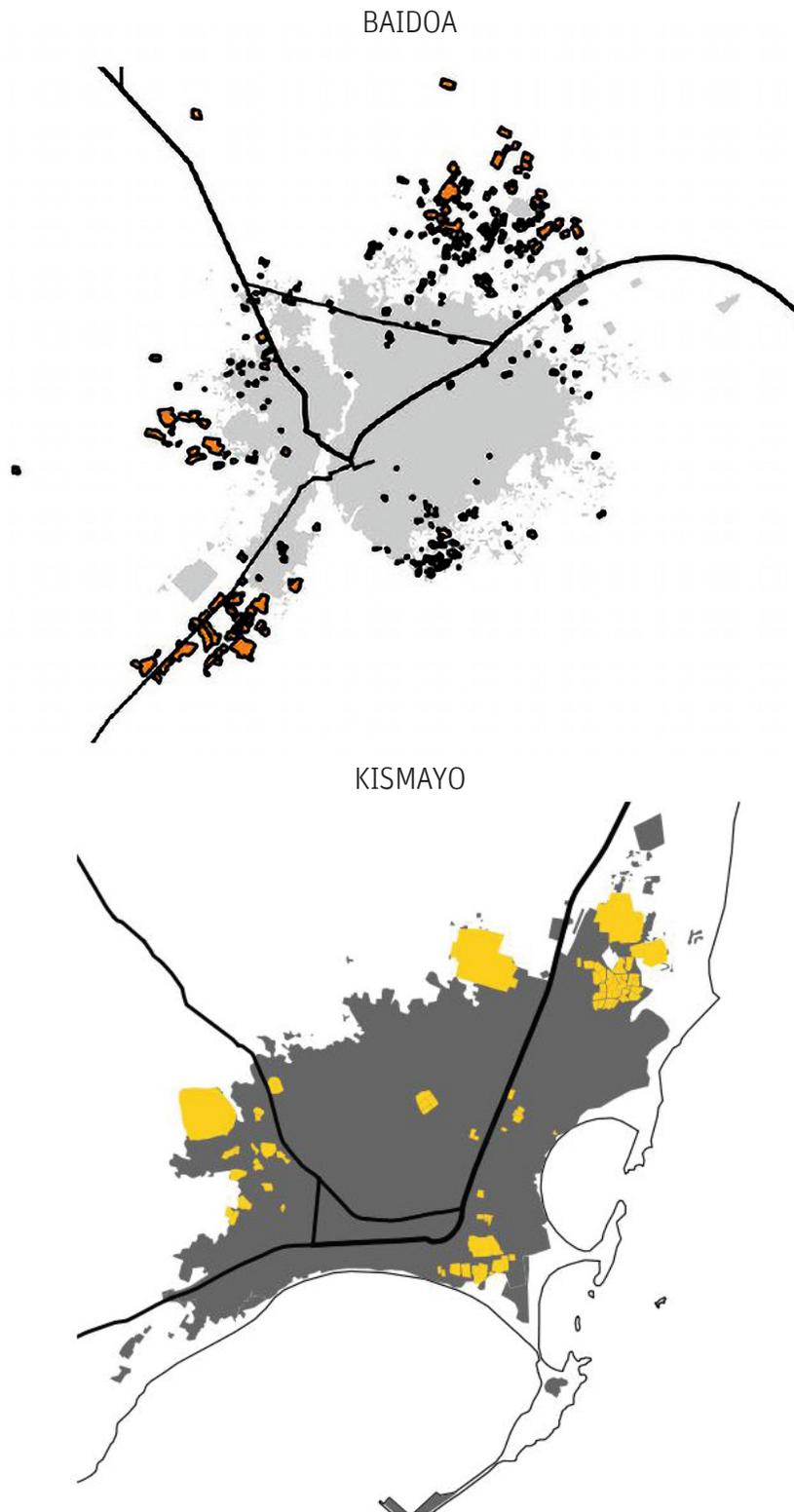
**Hybrid governance and the legal pluralism it embodies have been an effective coping mechanism for Somali cities which cannot be replaced quickly, but they create high degrees of complexity and uncertainty, which is a disincentive for many private investors.** The most powerful private sector actors may thrive in this setting, because they have the finances and power to successfully negotiate and pay for preferred outcomes, but smaller and middle level investors are left much more vulnerable.

**Nowhere is this inequity more apparent than in Somali cities' long-running crisis of land ownership, titling, and dispute management.** Insecure land tenure and contested titling have made purchasing and maintaining possession of valuable urban real estate a fraught endeavor, throwing a major roadblock in the way of investment. The legal authorities in charge of land dispute management include a volatile mix of the government judicial system, clan authorities, and religious authorities. Urban land is highly prized and the source of serious individual and communal tensions, made worse by outstanding 30-year-old disputes over land grabs during the civil war. Few Somali cities have successfully managed this challenge, and most seem to prefer to avoid dealing with such a sensitive subject.

**Insecurity is another major challenge in Somali cities.** The formal security sector remains weak. A loose patchwork of hybrid governance arrangements, clan-based deterrence, and private security services provides security for some, but fails to protect the poor and residents from marginalized and minority social groups. The cost of private security is a burden to businesses and households. Protection money paid to Al Shabaab and local clan militias, depicted as “taxes,” constitutes a form of extortion few urbanites can escape. Al Shabaab’s complex terror attacks on hotels, restaurants, and other businesses are another threat to urban centers, especially in Mogadishu. Finally, the threat of assassination by Al Shabaab, by business rivals, or by a rival clan due to long-held grievances is an abiding fear for residents. For cities in southern Somalia that host AMISOM peacekeepers, the anticipated drawdown of those forces adds additional uncertainties to the security scene.

**Rapid urbanization can be a blessing or a curse; it depends entirely on the strength and focus of urban planning.** But the absence of reliable (or any) demographic and socio-economic data, lack of clarity over the boundaries of urban centers – or even what constitutes a city – plague urban planning and service provision in Somalia. At present, most Somali cities do not have effective plans in place for the development of new neighborhoods with proper infrastructure. The results are sprawling peri-urban slums (see Figure 4).

**Figure 4. IDP Settlements are located in the periphery**



Source: UN-Habitat 2017

**One of the biggest challenges facing Somali cities is the large IDP populations cities host.** The IDPs pose two challenges. The first is the expansion of the size and number of IDP “camps” where the displaced settle. These are sometimes located near the center of towns, but with rapidly rising real estate values many of the IDPs in these camps have been forcibly displaced to new IDP camps at the edge of cities, far from basic services and adequate public transport. The second is the question of identity and citizenship rights of the IDPs in these cities. Somali urban migrants are typically designated as IDPs when they are poor and from another region. The term carries additional freight as a result: It implies that IDPs are guests, with limited rights, and are presumably in the camps temporarily until they can return to their “home” region. The reality is that most internal displacement is permanent, and IDPs require full citizenship rights regardless of their clan or region or origin. The presence of IDPs raises a fundamental question about who is entitled to live in Somali cities.

**The civil war’s enduring legacy of clan division manifests itself in Somali cities in the form of self-segregation by neighborhood or district.** Clustering by lineage identity is one of the more effective ways households ensure better security for themselves, as they can count on fellow clansmen to look after one another against external threats. But self-segregation along clan lines risks deepening distrust of other clans, makes moving people and goods across the city hazardous and expensive, and limits business investments and access to markets. Most Somali cities have at least some mixed neighborhoods, but enduring patterns of clan self-segregation can be an impediment to development.

**As migrants continue to flock to Somali cities, the challenge of generating new jobs will remain a top priority.** Unemployment in Somali cities is already high and will likely get worse unless the right combination of public policies and investments are pursued. Given the Somali state’s modest budgets, the private sector will continue to be the main source of job creation in the near to medium-term. The private sector will need more than just an enabling environment to expand; it will also need a better trained skilled labor force to fill new jobs. The formal employment sector must also expand opportunities for women, who are currently under-represented in the formal economy and who instead dominate the informal economy.

**Finally, Somali cities face major challenges of sustainability – both environmentally and economically.** Very weak regulation of the private sector’s role in providing private security, education, health care, pharmaceuticals, power, water, and other services has created significant risks to urban customers. The first sustainability crisis is environmental and is already being felt from Kismayo to Hargeisa. Rapid increases in urban demand for water is straining some potable water sources and delivery systems, and the double-barrelled increases in urban population and growing wealth will place added demands on water supplies. The second sustainability challenge is economic. Somali cities consume far more than they produce, an economy fueled by the sizable flow of remittances from abroad each year. The long-term forecast for remittances from the diaspora is unknown, but concerns have been raised that as the first-generation Somali diaspora ages out, their children and grandchildren will be less enthused about remitting money to distant relatives. At the same time, it is now much more difficult for Somalis to resettle in third countries compared to the 1990s, meaning Somalia may not be able to easily replenish the ranks of diaspora dedicated to remitting money to their families. If that were to occur, Somali urbanites would gradually see their purchasing power decline.





## KEY RECOMMENDATIONS

Urban centers are Somalia’s most powerful and promising anchors of future development. National development strategies and international development assistance must focus on creating enabling environments for Somali cities to reach their maximum potential as drivers of sustainable and inclusive growth, providing citizens with diverse economic opportunities, boosting innovation, and enhancing access to quality public services, all with the support of stable and accountable governance. Some high priority recommendations are listed below.

### Urban Governance

KEY ISSUE		RECOMMENDATIONS	RESPONSIBILITY
CONTESTED, FRAGMENTED, AND INEFFECTIVE MUNICIPAL GOVERNANCE	Immediate steps	Clearly demarcate responsibilities between national, state, and district or municipal authorities, including financing arrangements	<b>Lead:</b> FGS MoF and MoIFA <b>With:</b> District governments and international community.
	Short-term	<ul style="list-style-type: none"> <li>• Develop strategies to set ground rules for partnering with hybrid political systems.</li> <li>• Strengthen district government’s credibility by outsourcing services using inter-governmental fiscal transfers rather than raising taxes. District governments need to first earn a degree of legitimacy in the eyes of residents and business by providing services reliably, at which point raising tax revenues will meet with less resistance.</li> <li>• Boost district governments’ basic administrative skill in budget management, planning, monitoring, and supervision.</li> </ul>	<b>Lead:</b> FGS MoF and MoIFA <b>With:</b> District governments and international community.

### Land Management

KEY ISSUE		RECOMMENDATIONS	RESPONSIBILITY
UNCLEAR LAND TITLES LEAD TO LAND GRABBING, URBAN LAND SPECULATION, AND UNPLANNED AND POORLY SERVED PERI-URBAN AREAS, MAGNIFYING POVERTY.	Immediate steps	<ul style="list-style-type: none"> <li>• Secure the status of IDPs by (semi) formalizing currently informal settlements. Solutions will be case-dependent, but could include formalization of occupancy, rental assistance, home improvement grants, communal leases and private-sector-led social housing development.</li> </ul>	<b>Lead:</b> FMS Land Commission, MoPW, MoPIED Durable Solutions Unit, district government durable solutions units <b>With:</b> non-state actors and international community.
	Short-term	<ul style="list-style-type: none"> <li>• Curb illegal land grabbing by non-state actors by establishing a mechanism to legally expropriate land in the public interest and provide fair compensation to affected persons.</li> <li>• Introduce protections against speculative practices, for example by reclaiming allocated land if it not developed in a certain timeframe, or heavily taxing speculation.</li> </ul>	<b>Lead:</b> FMS Land Commission, MoPW, MoPIED, Durable solutions units <b>With:</b> non-state actors and international community.

## Service Delivery

KEY ISSUES	RECOMMENDATIONS		RESPONSIBILITY
<p>POOR AND UNEQUAL SERVICE DELIVERY OUTCOME AND LACK OF REGULATION.</p> <p>LACK OF EFFECTIVE ARRANGEMENTS BETWEEN PUBLIC AND PRIVATE ACTORS.</p>	Immediate steps	<ul style="list-style-type: none"> <li>Recognize that presently, few public services are provided by public authorities; rather, most services are provided by the private sector or NGOs.</li> <li>Focus on third party service delivery as an opportunity for Somali cities to leapfrog over a state-led service delivery system that requires expensive infrastructure and significant capacity building.</li> </ul>	<p><b>Lead:</b> District government</p> <p><b>With:</b> Communities, service providers, and international community.</p>
	Short-term	<ul style="list-style-type: none"> <li>Establish a sound regulatory environment for third-party service delivery. This will require taking stock of current rules governing the private sector and their incremental improvement, consulting with providers to ensure their buy-in, and training communities in their rights as consumers.</li> <li>Focus on delivering the public services that the private sector will not spontaneously invest in. These services include solid waste management, road construction/maintenance, flood management, and vital registration (e.g. birth certificates).</li> </ul>	

## Urban Data and Analytics

KEY ISSUE	RECOMMENDATION	RESPONSIBILITY
LACK OF ACCURATE DATA FOR SOMALI CITIES	<ul style="list-style-type: none"> <li>Establish a funding mechanism to continually produce data and research on Somali cities as public goods.</li> <li>Policy development and interventions for urban development in Somali cities need to be informed by more and better evidence and knowledge.</li> </ul>	<p><b>Lead:</b> FMS National Bureau of Statistics</p> <p><b>With:</b> International community</p>

## Economic Development

KEY ISSUE	RECOMMENDATIONS		RESPONSIBILITY
HIGH JOBLESSNESS, ESPECIALLY AMONG YOUTH	Immediate steps	<ul style="list-style-type: none"> <li>• Avoid over-regulating the informal economy, which could undermine critical sources of income for the poor.</li> <li>• Articulate the minimum regulatory standards for informal businesses, such as ensuring that pharmacies only sell authorized drugs, while investing in infrastructure that protects their access to customers, such as installing hygienic vending stations in public bus terminals.</li> <li>• Generate jobs to address the post-COVID-19 economic downturn by leveraging construction projects, which both employ individuals with limited skills and simultaneously improve the business environment.</li> </ul>	<p><b>Lead:</b> FMS MoPIED, MoCI, MoLSA</p> <p><b>With:</b> district government, private sector, CSOs, international community</p>
	Short-term	<ul style="list-style-type: none"> <li>• Work with private sector to design policies to generate more employment opportunities (especially in the services sector), and significantly invest in vocational training and education – to be developed in collaboration with the private sector - to ensure Somali jobseekers have the requisite skills to fill them.</li> <li>• Improve the business environment through incremental reforms, specifically those pertaining to security, access to finance, sector regulation, and financial intermediation.</li> <li>• Rehabilitate and expand port infrastructure, which is the main source of economic opportunities in the tradable sector in Somalia.</li> </ul>	<p><b>Lead:</b> FMS MoPIED, MoCI, MoLSA</p> <p><b>With:</b> district government, private sector, CSOs, international community</p>





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