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SOMALIA

URBANIZATION REVIEW

Fostering Cities as Anchors of Development

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Fostering Cities as Anchors of Development-

INTRODUCTION

Somalia is a tale of two countries — one a fragile state and the other a resilient society. For decades since 1991, Somalia was considered the “archetypal failed state.”¹ Thanks to gradual progress in governmental capacity and reach, it is now considered a “fragile” state.² Somalia’s recent political progress has been impressive, but like all countries emerging from a protracted period of state failure, it remains precarious. Today, it still ranks as the second most fragile state in the world, after Yemen, in the Fragile States Index.³ The nascent political settlement holding the country together is under strain. It is, moreover, a conflict-affected state, and must manage the legacy of years of civil war, communal and political violence, and violent extremism. Between 2010 and 2020, there have been over 11,000 reported violent events. This translates to over three violent attacks a day every day of the year.⁴

Despite the challenges, Somali society has demonstrated remarkable resilience. At the local level, hybrid forms of governance, combining elements of customary, religious, civic, private sector, and governmental authorities, have emerged to provide communities with variable, uneven, negotiated, sometimes illiberal, but nonetheless real systems of governance and regulation of behavior. 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 is growing at an estimated 3.2 percent in 2020.⁵ The mobile money market is booming with US\$2.7 billion or over a third of gross domestic product (GDP) recorded every month,⁶ and investments from the diaspora have skyrocketed. The private sector has been especially adept at harnessing new technology, like telecommunications, that can operate 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. By 2017 mobile phone penetration as a percentage of population was over 48 percent, a striking increase from 0.9 percent in 2000, and was higher than that of Ethiopia at 38 percent.⁷

Somalia is no longer defined by state collapse and war. Somalia has achieved important milestones toward the goals of successful state building and reconstruction, and shows potential to emerge from a long and vicious era of conflict and fragility. Some regions of the country achieved stability and economic recovery faster than others, but over the past decade the country has seen accelerated progress, including the clearing of al-Shabaab from the capital of Mogadishu and the capital city’s ensuing economic boom, the first steps toward implementation of a federal system of government, two peaceful transfers of power following indirect elections in 2012 and 2017, and gradual improvements in capacity building at all levels of government. This improved capacity was best demonstrated by the successful partnering of government, civil society, and international actors in response to the severe drought of 2017, preventing what could have been a serious famine. Somalia also normalized its relations with international financial institutions earlier this year for the first time in thirty years, following its achievement of major milestones in terms of state-building efforts.

Somalia has experienced one crisis after another for almost three decades. But through it all, Somalis have found ways to not only establish thriving businesses, but also take on core state functions such as provision of basic services. For decades, people, especially young urban Somalis, have been organizing themselves and helping address crises on their own, rather than waiting for help from their government or foreign donors. This form of civic self-help sometimes manifests itself in formal non-governmental organizations, but often operates informally, at the level of neighborhood self-help groups and extended-kinship mutual aid mechanisms.⁸ Somali civil society has played a “unique role in occupying the space left vacant by absent government. [...] The lack of formal governance structures in much of Somalia, and the consequent function of civil society in filling many of the gaps, notably in relief activities, service provision, rehabilitation/development initiatives but also peace initiatives and human rights advocacy, provide some important lessons for civil society institutions in other post-conflict situations.”⁹ Recently, when a truck bombing in Mogadishu killed nearly 600 people and

injured over 300 others, hundreds of young volunteers got together to identify the victims, launched social media campaigns to appeal for global attention and collected US\$3.5 million in donations.¹⁰ In a country where more than 70 percent of the population is under the age of 30, vibrant youth present a significant force that can be harnessed for Somalia’s development.

At the same time, an estimated 2.6 million who have been displaced within the country have largely migrated to urban areas, but being left behind.

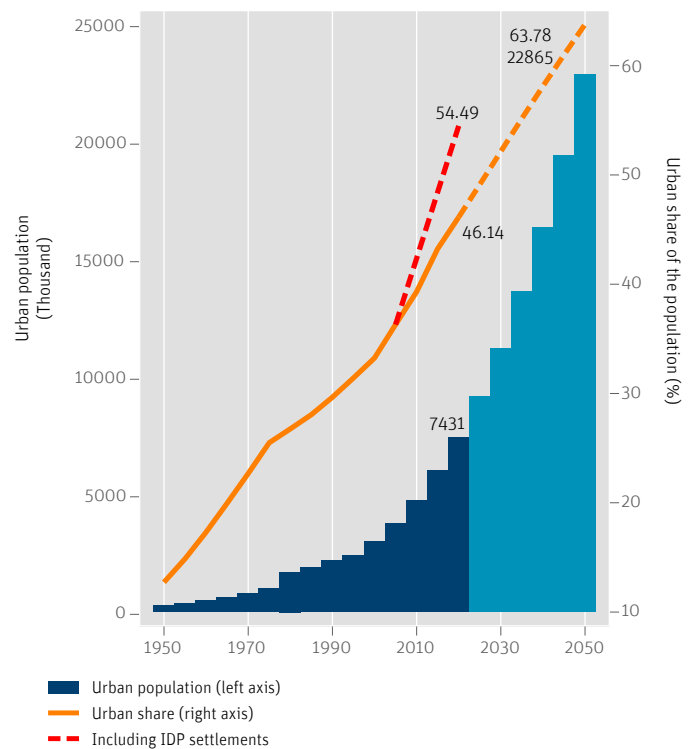
The internally displaced persons (IDPs) who flee rural areas due to insecurity and natural calamities rarely integrate into the core city as they arrive. Instead, they cluster in IDP camps, de facto slums that once were found throughout cities, but which today are increasingly concentrated at the distant edge of cities, beyond the reach of infrastructure and basic services. The new outer ring of IDP camps have been fueled by forced eviction from older IDP camps sitting on valuable real estate. The majority of IDPs reside on land where they do not have security of tenure and are vulnerable to multiple forced evictions. They often do not possess necessary skills for urban livelihood and are subjected to low-paying, unstable informal jobs. Many are from weak or low status clans and minority ethnic groups, and are removed from the clan-based support system that gives others a safety net and protection.

It is in cities where both opportunities and challenges for Somalia’s development and prosperity are acutely felt.

Cities present a microcosm of Somalia’s dual personality. They are the sites both of the greatest wealth and the most enduring poverty and vulnerability; of impressive and inclusive cosmopolitanism and entrenched clannism; of the highest levels of security and the most destructive acts of political violence; and of the great potential for expanded prosperity as well as risky exposure to external economic shocks. The quest then is how to manage and reduce the risks Somali cities face, increase their potential to provide livelihoods and services, and do so in a way that is more inclusive and accessible for all.

Somalia is urbanizing rapidly. Somalia is home to an estimated 15.9 million people, of whom 7.4 million (46 percent) are urban dwellers.¹¹ The growth rate for urban areas is extremely high – around 4.3 percent per annum.¹² 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.¹³ 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 the 2.6 million IDPs live in Somali cities. Nearly all of the hundreds of thousands of Somali returnees from refugee camps have settled in cities. Considering that these settlements are largely located in urban areas, this suggests that 54 percent of Somalis live in cities, compared with the 46 percent projected number (Figure 1).¹⁴ Somalia, once an almost entirely rural society, is being transformed by this extraordinary level of rapid urbanization.

Figure 1. Somalia is Urbanizing Fast



Source: WUP 2018 and SHFS 2017.

Somalia’s urbanization is part of a wider trend toward rapid urban growth across East Africa.¹⁵

Somalia is currently more urbanized than its neighbors, which have larger rural (mostly farming) populations (Figure 2). But neighboring countries are experiencing equally high urbanization growth rates. Kenya’s cities are growing at 4.3 percent per year, and by 2050, close to half of Kenya’s population will live in cities.¹⁶ Ethiopia has an even higher urban population growth rate at 4.7 percent a year. Its urban population is projected to triple between 2020 and 2050, from 24.5 million to some 74.5 million. With only 25 percent of its population living in urban areas, Uganda’s urban population growth rate is among the fastest, at some 5.9 percent per year. Its urban population grew from 1.9 million in 1990 to 11.8 million in 2020.

Somalia’s cities have served as anchors of development over the past three decades.

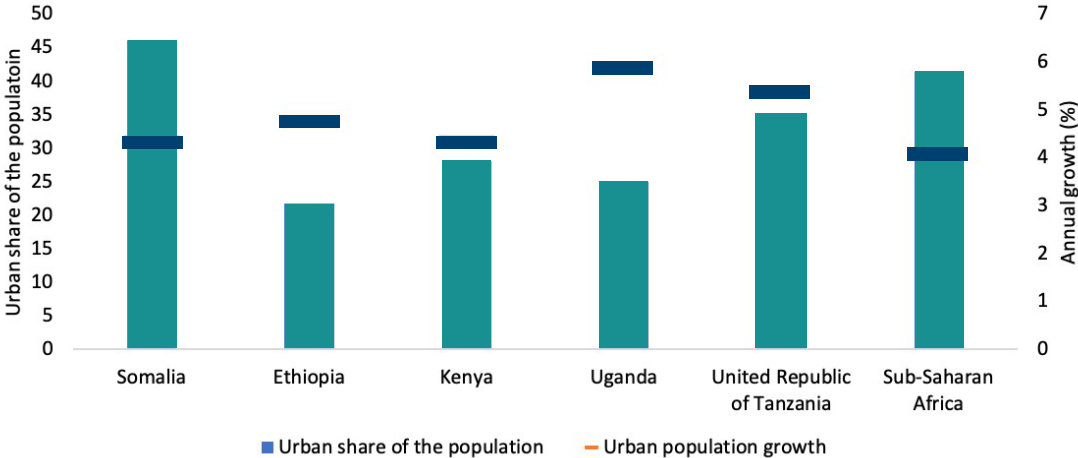
Cities everywhere enjoy a greater concentration of people and skills, businesses, infrastructure, public services, and other assets than do rural areas. These assets constitute important engines of development and help firms and households manage risks. Cities can reduce and diversify risks for vulnerable people through better services, a diversity of income opportunities and, in some cases, better security.¹⁷ Because of their concentrated populations, cities are much more propitious locations for accessible provision of services such as health care, power, and sanitation.

In the midst of conflict and fragility, Somali cities have demonstrated surprising levels of resilience and adaptability, often driven by non-state actors and the private sector.¹⁸ Though Somali cities can feature sharp neighborhood or district divisions along clan lines, the private sector has often overcome clan and territorial fragmentation through cross-clan partnerships.¹⁹

If managed well, urbanization can help Somalia to develop faster and further.

Though Somalia’s high urban growth rate can present challenges, fast growing cities can actually 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 increases by 4 percent. Cities generate more than 80 percent of GDP worldwide. The density of cities promotes productivity and offers opportunities to improve people’s livelihoods and quality of life, eventually helping lift many out of poverty. For firms and workers in urban areas, proximity makes skills matching and job searching more efficient. For governments, basic public services and infrastructure can be provided at a lower cost thanks to economies of scale.²⁰

Figure 2. Urbanization in Somalia Compared with Countries in East Africa

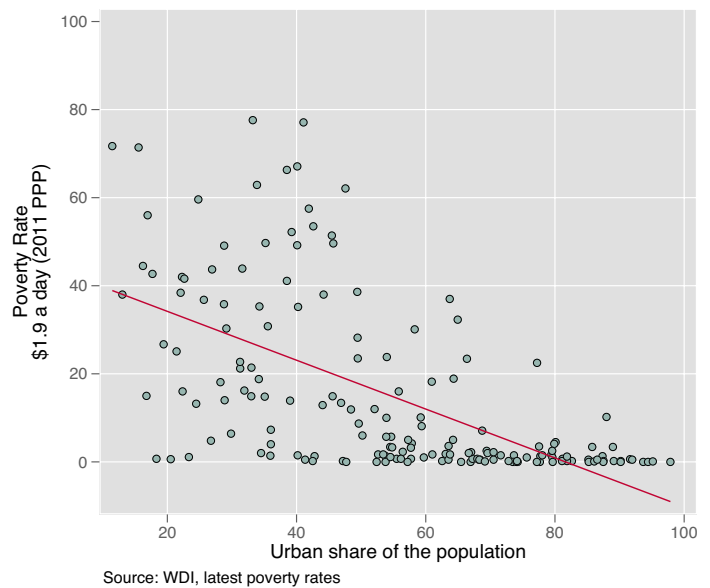
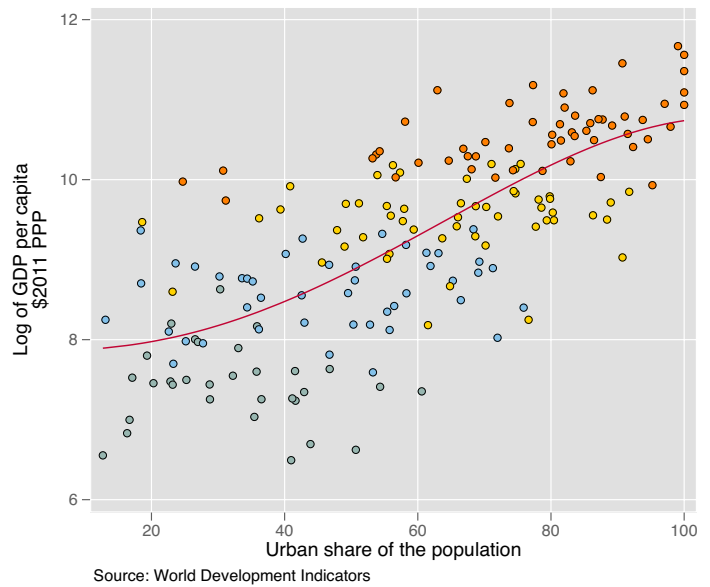


Source: World Urbanization Prospects 2018; urban share of the population estimates of 2020. Annual growth rate between 2015 and 2020

Urbanization and broader spatial transformation of countries are critical for poverty reduction and for boosting prosperity, as these forces reshape traditional low-productivity economies into modern high productivity economies. This transformation typically encompasses the structural shift to manufacturing and service activities from agriculture. The “pull” of urban areas on rural workers and their families has the potential to move large numbers of poor people to where they have better economic opportunities and access to basic services. Global evidence shows that urbanization goes hand in hand with lower poverty (Figure 3). Further, income per capita tends to rise as the share of the urban population rises, often accompanied by increases in the share of gross domestic product (GDP) generated by industry and services, as well as the share of the labor force working in those sectors.²¹ Evidence shows that no country has ever reached middle-income status without urbanizing, and none has reached high-income status without vibrant cities.

On the other hand, failure to meet the needs of growing urban populations threatens to undermine Somalia’s modest successes and wider stability. Though Somali cities are growing rapidly, the absence of adequate planning and uneven, contested governance risks stunting the potential development and economic growth Somali cities can generate. Unplanned growth is resulting in slum expansion and environmental degradation. Basic public goods like roads, water and sewer systems, and access to the power grid are complicated by unplanned growth. Settlement patterns are typically highly segregated by ethnic groups/clans. Meanwhile, cities are receiving large waves of forcibly displaced people and other rural-urban migrants, which risks shifting clan dynamics in ways that are destabilizing. The rights of urban 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 risks of targeted political violence, communal clashes, and terrorist attacks make them vulnerable. The Somali cities of Mogadishu, Merka, and Kismayo were recently ranked the three most fragile cities in the world.²²

Figure 3. Urbanization Goes Hand in Hand With Lower Poverty and Higher Incomes



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 do not allow for a 'conventional' approach to addressing urbanization. Urban management is stymied by a combination of inadequate demographic data at the national and local levels alike ; lack of clarity on city boundaries; disputed, unclear, and overlapping jurisdictions split 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 feature a complex mix of different state and non-state authorities, a political landscape described as 'hybrid governance.' In addition to the presence of multiple state actors – from 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 in some cases already an important source of political authority in the years before the civil war. 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 from routinized cooperation and power sharing to open rivalries, or from separate divisions of labor to being a set of options citizens may select from. 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, capacity, and roles. With the partial exception of al-Shabaab, which can enforce its decisions, most of Somalia's panoply of informal governance actors rely heavily on negotiation.

Delivery of nearly all services normally associated with the state is the domain of the private sector, with roles also played by local civic groups (NGOs), international aid agencies, mosques, or lineage-based mutual support systems. Local authorities rarely directly control or finance this service delivery but can and do play a modest regulatory and mediating role to handle disputes involving these services. The private sector is the main source of health care, education, water delivery, telecommunications, transport, and, importantly, security - private security is a fast-growing sector of the economy.²³ Rudimentary welfare and social security roles are either played by Somalia's strong tradition of mutual support obligations within lineages, or by mosques, international aid agencies, and local civic groups. The commoditization of social services and security produces acute problems of access, as only households with purchasing power enjoy these private services. Somalia's near-total reliance on non-state actors for service delivery is extreme but not unique. This approach, known as a third-party governance model or third-party service delivery model, exists in other countries, including the United States.

These hybrid governance arrangements and third-party service delivery systems are a mixed blessing. On the one hand, they have at least partially filled the void left by the failed or weakened state since 1991. But they have their own pathologies. Flexible hybrid governance is part of the reason Somali urban communities have survived and managed decades of political violence and collapsed state authority. But competing authorities can and do undermine each other.²⁴ Non-state sources of governance come under criticism for being generally illiberal and often exclusionary for women and weaker ethnic communities.²⁵ Private sector provision of social services delivers what should be public goods like education and basic health care only to those who can pay, leaving the poor to scramble for access to whatever charitable sources that may exist. And privatized provision of security can easily slip into forms of extortion, in which the providers of security are also the main potential sources of insecurity.²⁶ This complex and fluid array of authorities and service providers also creates real challenges for external aid agencies trying to partner with local actors. Somalia's impressive hybrid systems are critical sources of governance and services in the short term but are no panacea.

Put simply, Somalia is not yet at a point where ‘conventional’ urban development policies 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 not lack for committed leadership – both large and small cities have attracted some dedicated and effective leaders over the past 25 years.²⁷ 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 capacity and clarify the roles of federal, state, and district authorities in Somalia must be twinned with pragmatic strategies aimed at working within local capacities in order to deliver badly needed governance and services to urban populations.²⁸ Such an approach is less likely to result in “premature load bearing,”²⁹ whereby Somali government institutions are made to shoulder too much, too soon. Working with already-existing capacities may require a mindset change: cooperating partners (especially development partners) must be willing to embrace hybrid, “good enough” solutions in order to improve the success rate of service delivery and parts of governance such as those related to land dispute resolution, while always remaining mindful of the need to assess the acceptability of local non-state actors as partners. For the government, this approach would require willingness to embrace, at least as an interim strategy, the concept of a “third-party service delivery” model, in which the government partners with or outsources roles to the private sector, civil society, and others, for the delivery of critical services.³⁰ This “outsourcing” model is embraced in some cases because it is viewed as a more efficient means of service delivery; in other cases because it is more effective. This approach requires that all stakeholders understand and agree on the formal and informal rules that undergird third-party government service delivery models.

The third-party service delivery model opens up the possibility for Somalia to leapfrog in its quest to ensure quality service delivery to its people. For countries like Somalia where the state collapsed in whole or in part, reviving direct service delivery by the state requires a long, costly process of institution-building and capacity-building – a luxury that the state cannot afford. Adoption of a third-party delivery system, by contrast, does not. It requires the development of a strong oversight, evaluation, and regulatory capacity on the part of the state, which is much faster and less costly to develop, while allowing the state to leverage the existing vibrant non-state actors. Just as it has already done in the telecommunications sector, Somalia could leapfrog over a state-led service delivery system requiring expensive infrastructure to a model of service delivery that is more efficient and responsive—a model of service delivery preferred in a number of post-industrial economies around the world.

Managing urbanization in Somalia should be a process by which a wide range of formal and informal rules and systems surrounding governance and service delivery incrementally come to have greater coherence, complementarity, credibility, and capacity. “Coherence” requires different systems and institutions to shift from competition against one another to cooperation, so they broadly move in the same direction with similar standards, rather than contradicting or undermining one another. “Complementarity” requires that formal and informal systems find a way to not only co-exist but also help fill in each other’s gaps, leveraging respective comparative advantages, because no single entity can address the vast urban governance and service delivery challenges. “Credibility” signifies 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 on approaches that seek to leverage and partner with “hybrid” governance actors for service delivery where it is warranted. Finally, “Capacity” will need to be strengthened among both formal and informal actors to enable them to play more complex and expansive roles.

The corresponding policy question then is how different actors—citizens, private firms, policymakers, customary authorities, and the international community—can coordinate their actions in ways perceived by all to be legitimate, in order to facilitate this process. This amounts to working incrementally with both formal and informal rules and systems, facilitating these actors' relationship from competition to cooperation, leveraging the existing systems that work (however imperfectly), and evolving them to become more expansive, inclusive, and equitable.

The Somalia Urbanization Review aims to improve our understanding of the complex issues pertaining to urbanization in Somalia and identifies priority interventions that can help better manage it. There is wide consensus within the government as well as among development partners 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. Previous studies have often focused on specific topics or geographic areas. Studies have also been either technical or political, but each – on its own – falls short of providing a full picture of the issues at hand. The Urbanization Review draws on both technical and political economy analyses to provide a better understanding of a broader range of urban issues in Somalia, and craft recommendations that are better tailored to the local contexts. The report aims to facilitate a more informed dialogue between the government, private sector, civil society, 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. Lastly, the report hopes to inform discussions around urban development policies in other conflict-affected states.

The report is divided into five chapters. The first chapter looks at how cities evolved over time in Somalia. The study then discusses the key drivers of the urban migration that contributes to urbanization. The third chapter looks at the growth patterns of cities and puts forward a typology of cities, highlighting the heterogeneity of the Somali urban context. The fourth chapter takes an in-depth look at the four sectors that are essential for a city to fulfill its core functions of governing space, people, and resources: urban governance, services, land, and local economic development. The last chapter puts forward policy recommendations on how to leverage the existing hybrid governance and non-state-led service delivery systems and improve them to make Somali cities more effective at generating economic development, better able to deliver key services to the citizenry, and more inclusive and equitable for all.



NOTES

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Evolution of Cities in Somalia

THE EMERGENCE OF CITIES IN SOMALIA IS RELATIVELY RECENT

Recent, rapid urbanization in Somalia constitutes a transformational change in Somali society and economy. Until the early- to mid-twentieth century, Somali society was almost entirely rural, composed mainly of pastoral and agro-pastoral households and, in parts of southern Somalia, agricultural villages. A number of ancient coastal cities – such as Mogadishu, Brava, Merka, and Zeila – served as trade hubs linking the interior of Somalia to the commercial flows of the Indian Ocean. The indigenous inhabitants of these coastal trade towns were ethnically distinct from Somalis, with trade and cultural ties across the Indian Ocean littoral. Rural life and labor shaped Somali culture and society. Urban areas began to grow in importance with the advent of European colonialism but remained modest in size into the mid-twentieth century. The capital of Mogadishu hosted a population of only 40,000 in the 1940s.

After independence in 1960, there was rapid urbanization and investment in urban infrastructure, but these were concentrated in the capital Mogadishu while other cities were relatively neglected. This resulted in the dominance of Mogadishu as the center of administration and business and a very lopsided manifestation of urbanization in Somalia.³¹ For a brief time in the 1970s, the Barre regime mobilized resources for provision of public goods in the capital and the country, in the form of public works, education, and health care services. But after the disastrous war with Ethiopia in 1977–78, Barre regime became preoccupied with regime survival, corruption exploded, and service delivery in cities essentially collapsed, even in Mogadishu.³² The shift toward commodification of services normally under the purview of the state accelerated with the collapse of the state in 1991, but had already begun by the 1980s.

Somalia's growing cities were important sites of cosmopolitanism. Clans generally clustered in distinct neighborhoods, but city districts featuring mixed clan composition grew and were among the most valued areas of the city. In the 1970s and for most of the 1980s, clan identity and loyalties among Somali urban dwellers were at least partially eroded by a common sense of nationalism. Some smaller cities and towns which in earlier eras had been the exclusive domain

of a single clan saw migrants from other regions take residence in the city.³³ This was sometimes welcomed, and sometimes resisted, as locals feared that they would be overwhelmed by newcomers from other clans. This was especially acute in areas where large numbers of drought victims³⁴ or Somali Ethiopian war refugees were resettled. Still, had the country remained at peace, the gradual trend toward cosmopolitanism might have accelerated, and issues which today plague Somali cities – unresolved debates over identity, rights, and citizenship, or “who has the right to live where” – might have been resolved. But in the 1980s, the besieged Barre regime resorted to manipulation of identity politics, relying on a small coalition of clans and marginalizing the rest. That set the stage for a civil war in 1988-1992.

The 1988-92 civil war transformed Somali cities in multiple ways. The war, waged by clan-based militias, led to violence targeted at rival clans in Somalia's main cities as Somalis all fled to their clan's home regions for safety.³⁵ By 1991, most of Somalia's cities had at least temporarily become the domain of a single clan. Over the course of 1991-92, internal divisions within those clans promoted still more warfare and either green lines dividing cities (Mogadishu, Hargeisa, Galkayo, Beledweyn, Luuq) or expulsion of losing clans by the victors (Kismayo). A few other important cities (Baidoa, Merka, Jilib, Bardhere) found themselves occupied by an outside clan with superior firepower, leading to tensions between armed settlers and local populations.

In all of these settings, land grabbing in cities was ubiquitous, and left a legacy of property disputes that plagues some cities to this day.³⁶ Specific clans were targeted in cities and, as they fled en masse, their abandoned land and houses were forcibly appropriated. This history of social distrust and repeated displacements poses a significant obstacle to the normalization of political and social relations in Somalia; conflict over land, especially in urban areas with increasing land values, remains one of the most contentious issues. While urban land-grabs were most dramatic in Mogadishu, the largest city, land grabbing in Somalia's smaller cities occurred as well. Some clans lost land to armed occupiers in one city and grabbed urban real estate by force in another.

Gradually, in the years since the civil war, Somalia's cities have seen a return to varying levels of multi-clan residency. A few have seen the rise of districts defined by multi-clan co-habitation. But for the most part, Somali cities today have not been able to reclaim the cosmopolitanism of the 1970s and 1980s. Instead, they are “multi-clan without being cosmopolitan.”³⁷ Most neighborhoods are tightly defined by clan, and in some places clan militia roadblocks and protection groups reinforce that separation. When Somalis from other clans are allowed to live in these districts, they do so as “guests” under the protection of a local patron. Even in Hargeisa, which has been the site of an impressive level of stable peace and security for twenty-five years, neighborhoods are tightly defined along sub-clan lines, making it difficult to purchase property if one is from the wrong lineage.

Somali cities were also transformed by looting and destruction. The centers of the country's two largest cities, Mogadishu and Hargeisa, were leveled – Hargeisa by government aerial bombardments in 1988 that led to tens of thousands of casualties and Mogadishu by fierce intra-clan battles in 1991 and 1992. In most southern Somali cities, especially Mogadishu, sustained and uncontrolled looting included the emptying of government buildings, the pilfering of underground water pipes and telephone lines, and the dismantling of some industrial sites for scrap metal. The entire collection of land deeds was stolen and relocated to Sweden by an enterprising individual who subsequently charged fees to verify land titles.³⁸

Although urban kin concentrations provide social safety nets for their members, they also limit opportunities for inter-clan interaction, and can reinforce the logic of lineage as the prime unit of political and social organization. Since no genuine national-level reconciliation has occurred in Somalia over the past three decades, social mistrust is still evident.³⁹ Segregation confines social engagements such as weddings and sports to their respective neighborhoods and communities.⁴⁰ This has affected how cities have developed since diaspora investments and service delivery have been skewed to particular clan enclaves. For instance, businesses allied to the

locally dominant clan provide water in different parts of Mogadishu, albeit with some cross-clan shareholding for additional security. Diaspora investments in certain cities, and within areas of cities, have often been along clan lines, and clans with a larger diaspora therefore enjoy greater investment.⁴¹ At the same time, the business community can help facilitate improved clan relations. When businesses seek to expand into a new city, they seek out partners across clan lines.⁴² The partner in the new city facilitates the firm's entry and ensures that jobs created go to his/her people. The need to access the “cities of others” has resulted in many cross-clan business partnerships, at times helping create a mutually beneficial situation for both clans involved.

Over the course of decades of conflict, the majority of IDPs have flocked to cities. Many of them are from poor, agricultural clans from southern Somalia, such as the Digil-Mirifle and Bantu⁴³, who are considered “inferior.” The scale of the displacement is changing the demographic balance in urban areas. Yet, despite having arrived decades ago, they are still treated as outsiders with limited rights to the cities. Spatially, the majority of the IDPs are concentrated in peri-urban areas where there is more vacant land. But as a result, they are physically left out of networked services. Socially, they face considerable discrimination, and lacking a social network they can rely on, they have little political leverage. Economically, many lack the skills required for urban livelihoods and are confined to poorly-paying informal jobs. As the number of IDPs increases and their displacement becomes increasingly protracted, the question over their identity and their “rights to cities” as full citizens is becoming more and more contentious. As a result of high levels of displacement and mobility, the already segregated cities are becoming even more segregated – spatially, economically, and socially.

CITIES AND STATES HAVE FORMED, BUT REMAIN FRAGILE

Since the collapse of central government in 1991 and the onset of civil war, the story of urbanization has closely followed that of political consolidation and building of peace. Somaliland, largely free of external assistance, built a lasting political settlement⁴⁴ by reaching consensus in 1995 between political and business elites that secured sufficient resources to pay for the stand-down of militias and the building of stability that has prevailed ever since.⁴⁵ Rapid urbanization and growth followed, particularly in the economic hubs of Hargeisa and Berbera. Such hybrid governance arrangements were followed in Puntland in 1998, eased by the dominance of one clan, the prosperity of Bossaso port and the highway connecting the port down to the border city of Galkayo.⁴⁶ Southern Somalia has been far more contested, with business, clan and military interest more fragmented and until 2012, at least, less able to cohere around a “national project.”

Since 2012, the federalization and state-building process has led to the emergence (or contestation) of newly important cities. The Provisional Constitution of the Federal Republic of Somalia (2012) stipulates that Somalia will be governed through a federal system where power is shared between the Federal Government of Somalia (FGS), the Federal Member State (FMS) government, and the local governments. This federalism has had important implications on cities. First, it created new capital cities hosting FMS governments. These cities enjoy increased political significance and attract more resources and growth in population size. Second, federalism redrew territorial boundaries, and shifted the power of different political units, cities, and territories. Political and economic elites converge in cities, which are also sites of resource accumulation—particularly the new capitals of regions or FMS and, in the case of Mogadishu, the federal government. Locally dominant clan lineages have consequently sought to position “their” cities as new capitals in the hope of expanding their political and economic influence. Such competition has made some cities centers of conflict. In Galmudug state, Adado city hosts the parliament while Dhusamareb city hosts the executive branch for clan power-sharing. Similarly, in Hirshabelle state, Jowhar (controlled by the Abgal sub-clan) became the capital

whereas the competing Hawadle sub-clan has claimed the state presidency. Galkayo city is claimed by both Puntland and the Galmudug Regional Administration,⁴⁷ and Las Anood city is divided between Somaliland and Puntland.

The political status of the capital Mogadishu remains contested. Mogadishu is the seat of the federal government, including the presidency, executive, legislative, and judiciary. However, Mogadishu’s own political status is not clear in the Constitution and remains disputed. The city’s administration is appointed by the federal government, effectively making it an extension of national institutions: the President, the Prime Minister, and the Ministry of Interior have the authority to appoint or dismiss city administrators, including the Mayor of Mogadishu, the Governor of Benadir region, and subordinate positions. The Benadir region (and therefore, Mogadishu itself) has no representation in the federal parliament’s Upper House. Clans dominant in the Benadir region have pushed for a clan-based Benadir FMS with Mogadishu as its capital, but the federal government has so far resisted this move. The fundamental question of whether Mogadishu as the capital ‘belongs’ to all clans, or whether it should be ruled by locally dominant clan lineages (like other regions and federal member states), remains undecided.⁴⁸

There is a complex interplay between urban governance and state-building in Somalia. De jure the Provisional Constitution stipulates the establishment of six FMS, namely: Somaliland, Puntland, Galmudug, Hirshabelle, South West State, and Jubbaland. Each FMS is governed by a State President who is elected by the people of that FMS. The political status of the Benadir Administrative Region (BRA) that includes the capital, Mogadishu, remains contested and is currently under the direct control of the FGS. The Governor of BRA-cum-Mayor of Mogadishu is directly appointed by the President of the FGS. The pre-2012 administrative framework of 18 regions and 74 districts has now been regrouped into the six FMSs, though some boundaries are being contested. Districts represent the lowest administrative unit, and District Commissioners oversee the executive branch. While District Commissioners are supposed to

be elected, elections have only taken place in Somaliland and Puntland to date. Districts in southern Somalia are governed by the interim District Commissioners appointed by the FMS Presidents. Cities that lie within districts have neither legal boundaries nor mayors. The roles and responsibilities, as well as the division of labor among the different tiers of government, are yet to be clearly determined. De facto, however, government control essentially stops at the perimeter of cities, particularly in insecure areas where al-Shabaab (AS) controls the rural areas. This is the case for Mogadishu, Kismayo, Baidoa, and many other cities in southern Somalia. Somalia is thus a collection of city-states, where the government's reach rarely goes beyond major urban centers, rather than a unified political territory. This poses a significant challenge in terms of urban governance because the remits of the federal, state, and district governments overlap within cities, resulting in contestation over urban political and economic authority among different levels of government.

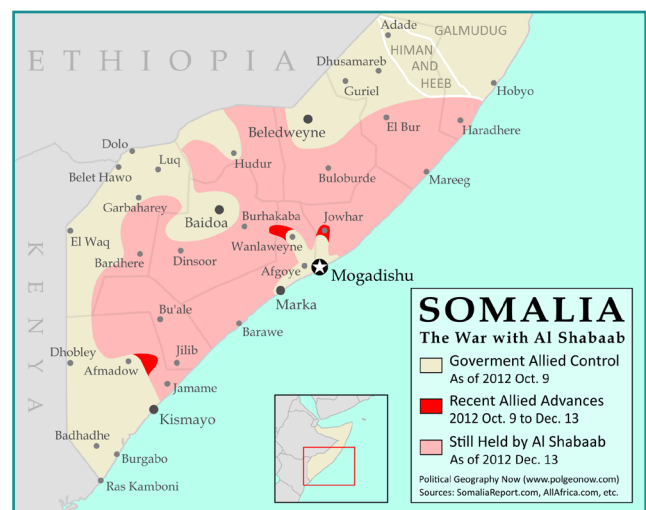
CITIES ARE UNDER SIEGE

Insecurity puts severe constraints on the management and function of Somalia's cities. It is clear that ongoing attacks disrupt daily life and business and reduce investment attractiveness and overall wellbeing in cities. In more secure contexts, inter-city trade helps fuel cities' economic development, allowing cities to develop greater economies of scale and specialization through access to wider input and consumer markets, as well as resources like international ports. Connecting cities to their surrounding rural areas is also important in order to supply cities with inputs such as agricultural products, other natural resources, and cheap labor; to lift rural incomes through access to markets; and to allow rural residents better access to urban services like hospitals, banks, government offices, and schools. But a number of Somali cities, most notably Kismayo and Baidoa, are largely cut off from their interior areas and from other cities by al-Shabaab's continued control of the hinterland. Another impact of Somalia's insecurity is that government resources earmarked for cities are overwhelmingly diverted to upholding fragile territorial control and security, to the detriment of competing urban services and infrastructure, while other revenue streams are captured by al-Shabaab and other violent

actors. Overall, Somalia's insecurity removes many of the means by which cities typically create jobs and revenue, boost productivity, support their surrounding regions, and improve quality of life.

As the continent's most active and lethal armed actor, al-Shabaab has been the major driver of insecurity in Somalia. An insurgent Al Qaeda affiliate, al-Shabaab has been active in Somalia since the mid-2000s, when state collapse left a vacuum for the group to emerge and contest the government with the objective of uniting ethnic Somali-inhabited areas in Kenya, Ethiopia, Djibouti, and Somalia under an Islamist government. After being pushed out from Mogadishu by invading Ethiopian troops in 2006, it launched its guerilla campaign from south-central Somalia, where it controlled large areas between 2009 and 2011 (Figure 4).⁴⁹ While its geographic focus lies primarily on Somalia, al-Shabaab has conducted attacks in the neighboring countries of Uganda, Djibouti, and most prominently Kenya, killing hundreds.⁵⁰ Since 2008, the group has caused more than 22,000 fatalities in Somalia alone.⁵¹

Figure 4. Somalia Control Map (2013)

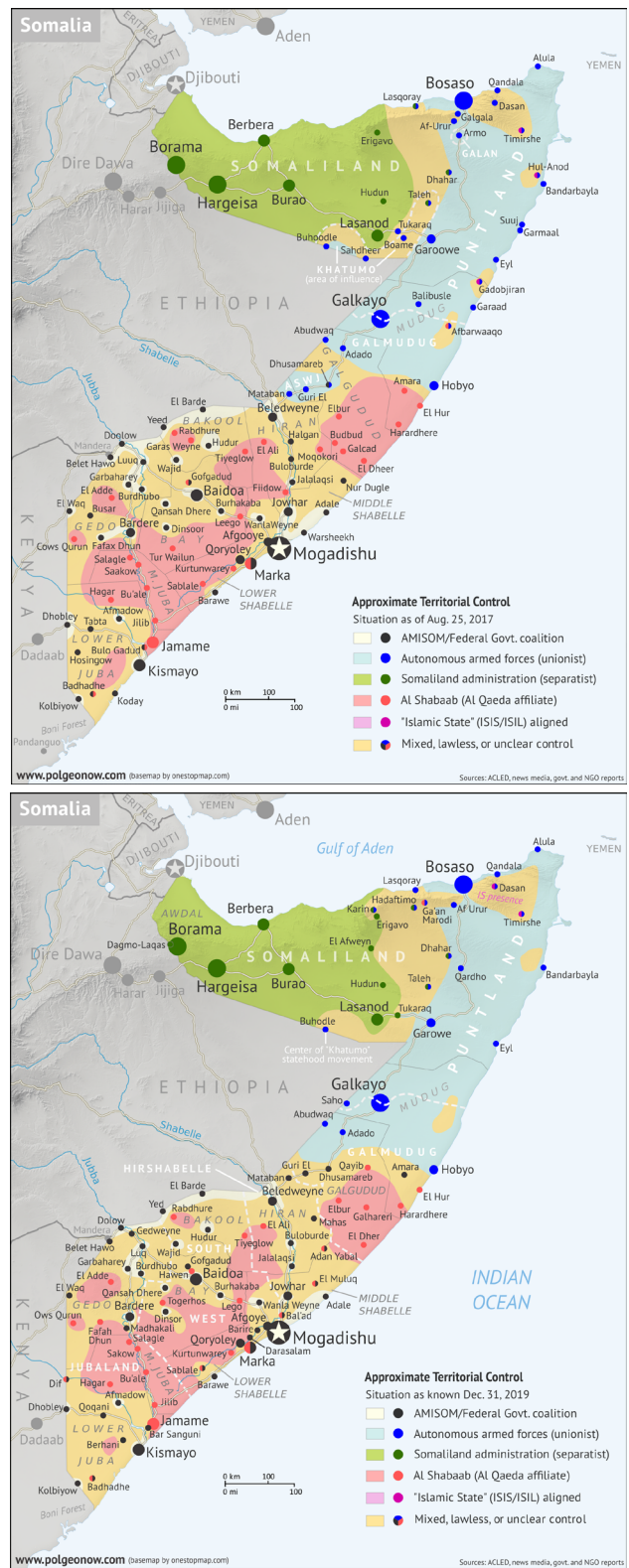


Source: PolGeoNow 2020.

Supported by AMISOM, Somali security forces were able to gain momentum against al-Shabaab between 2011 and 2014, but military advances have stalled since 2015. Deployed in 2007 with the mandate to support Somalia in fighting al-Shabaab and contribute to immediate stabilization,⁵² AMISOM grew to a size of more than 20,000 troops from five contributing countries.⁵³ Between 2011 and 2014, AMISOM retook large swathes of territory from al-Shabaab, ousting the group from strategic areas and main urban centers. However, having exhausted their offensive and counterinsurgency capabilities, AMISOM together with the Somali forces have launched very few operations against al-Shabaab since 2015,⁵⁴ making only slow advances to reclaim territory (Figure 5). It often relies on regional militias, such as the Ahlu Sunna Waljama'a (ASWJ) based in Galmudug FMS, in fighting al-Shabaab and maintaining liberated territory, which contributes to a fragmentation of the security landscape.⁵⁵

Most territory in Somalia's south is controlled by al-Shabaab, or has mixed, lawless, or unclear control. In south and south-central Somalia, government control is limited to tightly prescribed areas around major cities; once in the countryside, including on routes between major cities, that authority evaporates, and many places are controlled by al-Shabaab or entirely ungoverned. While al-Shabaab does not exercise direct control in any of Somalia's larger cities, it maintains a very effective network, the Amniyat, which is responsible for intelligence gathering, tax collection, and execution of assassinations and complex terror attacks. Al-Shabaab's periodic terror attacks have led to major loss of life and property damage, especially in Mogadishu.

Figure 5. Somalia Control: 2017 (top) and 2019 (bottom)



Source: PolGeoNow 2020

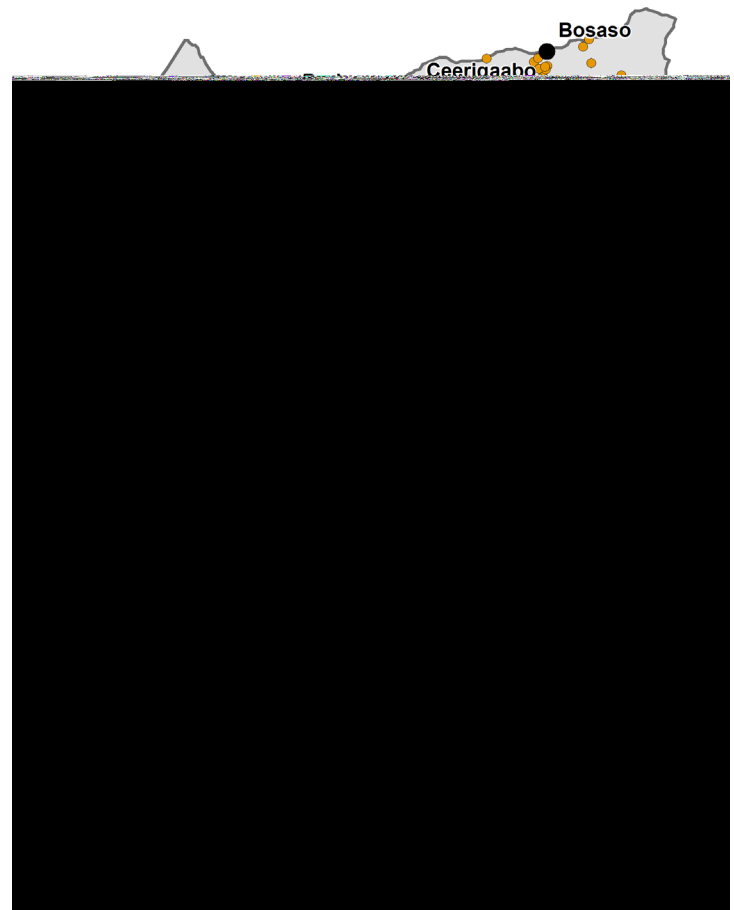
Despite the loss of territory, al-Shabaab remains resilient due to its unchanged ability to collect revenue and recruit fighters.

While al-Shabaab's ousting from strategic locations initially put a dent in the group's revenues, the group has developed a sophisticated and "relatively corruption-free" tax collection system in areas both under and outside its control, which allegedly generates around US\$20 million a year.⁵⁶ The group collects revenue from taxing road checkpoints, agriculture, buildings, and businesses, and from forced zakat (religious donations), and over the past year has also started taxing goods entering through Mogadishu's seaport, which constitutes the major source of income for the FGS. Illegal sources of revenue include piracy, kidnapping, charcoal export trade, and the smuggling of contraband sugar across the Kenyan border.⁵⁷ Somali urban dwellers have no choice but to pay taxes to al-Shabaab in what amounts to a nation-wide extortion racket.

Al-Shabaab's resilience allows it to continuously disrupt urban social and economic life, increasing pressure on the Somali security institutions and forces.

Despite an overall decline in al-Shabaab activity in 2019 compared to the previous years, al-Shabaab remains lethal and is still responsible for 38 percent of all militant Islamist group attacks in Africa.⁵⁸ Any strategy for improving urban planning and service delivery will, at least in the short to medium term, have to account for al-Shabaab's likely response.

Figure 6. Al-Shabaab Attacks Happen Largely in Cities Around Their Controlled Territory



Source: PolGeoNow 2020 and Raleigh et. al (2010).

In addition to al-Shabaab, a plethora of other militant actors pose a significant threat to stability, with more than 60 warring parties competing for subnational predominance in Somalia's territory.

Following the outbreak of the civil war in 1991, armed violence has been driven by competing territorial claims, clan affiliations, and contestations of political influence. Patterns of armed violence have changed over the past three decades – cities are experiencing less communal and political clashes, but more terror attacks. In addition, persistent use of targeted political violence – assassinations – remains a destabilizing factor in some Somali cities. While most observers attribute insecurity in Somalia to al-Shabaab, the reality is that a good portion of contemporary political violence is unrelated to al-Shabaab and can be traced to political and business rivalries.

National and subnational conflicts are often closely linked to inter-clan conflicts at the local level, both fueled by and further compounding local inter-clan rivalries.

Inter-clan conflicts are often characterized by low-level communal violence that primarily occurs in rural areas, where sub-clans that are themselves further subdivided fight over access to resources, such as grazing land, livestock, fishery, water, and critical infrastructure,⁵⁹ and for supremacy over the local cultural order. Access to natural resources often shapes power relations in and among communities on the local level, and militias associated with clans rely on predation of local communities to maintain their capacity and capabilities. Clan rivalries are also exploited by al-Shabaab to play off clans against each other,⁶⁰ and may spill over to the national level, where clan identities become increasingly politicized.⁶¹ Clan tensions often erupt into clashes in urban areas, sometimes involving Somali security sector units from opposing clans.

In this context of ongoing tension and continued existence of armed non-state actors, one of the most persistent challenges for some Somali cities is the effective provision of security as a public good.

This varies greatly from one city to another. Many Somali cities feature police forces that are populated by, and are used to advance the interests of, a dominant clan, leading to low trust of the police by other groups. Likewise, most units in the national army act essentially as clan or sub-clan militia who answer first to their clan leaders, not officers. This has a corrosive effect on public trust of the security sector and on the sector's capacity to provide security for all, not just to some. In addition, irregular payment of salaries and low morale has led to high rates of absenteeism, moonlighting, and even defections to al-Shabaab in the security sector. Residents of cities and business owners complain they are required to pay taxes for policing that is ineffective, taxes to al-Shabaab that are really a form of extortion, and then – if they have funds remaining – payment for private security. The security situation in some Somali cities results in high costs to businesses and high risks to all.



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BANAADIR



HORUMA



A dark teal background featuring a faint, stylized globe with latitude and longitude lines. A large, bold, teal-colored number '2' is centered on the page, partially overlapping the globe's lines.

2

Drivers of Urban Migration

BOX 1. DATA CHALLENGES FOR UNDERSTANDING IDP AND REFUGEE STOCKS AND FLOWS

Estimating the exact number of forcibly displaced people in Somali regions is not easy. The Protection and Return Monitoring Network (PRMN) data collected by the UNHCR⁶⁵ estimates that the cumulative number of IDPs over the 2007–2018 period is as high as 4.5 million. But PRMN data collection captures new population movements, without counting the stock of IDPs at a given time or tracking IDPs' return or integration into host communities. Thus, PRMN cannot quantify current IDP populations accurately.⁶⁶

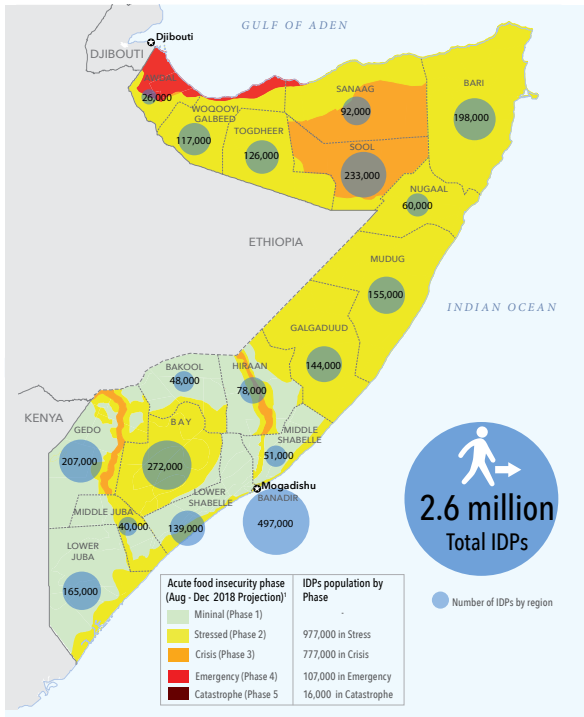
Studying the flow of refugees into Somali cities is also fraught with data gaps. The UNHCR does not publish the nationality of the migrants who cross the border into Somalia, making it impossible to distinguish Somali returnees from Kenyan or Ethiopian migrants with confidence. However, given the low number of asylum applications received by Somalia each year, and considering the voluntary repatriation program from 2014 and 2018, most studies assume that the majority of incoming migrants are Somali returnees. Since the beginning of 2014, 121,110 Somalis are thus estimated to have returned – a low figure compared to IDP flows.⁶⁷

CITIES ARE GROWING THROUGH FORCED DISPLACEMENT

Internal forced displacement is a major driver of cities' growth in Somalia. In Somalia, there is too little data to estimate natural population growth⁶² in cities (though reason to think it may be similar to the national population growth rate of 2.8 percent).⁶³ 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. The majority of returnees and refugees from neighboring countries are also thought to have settled in cities.⁶⁴

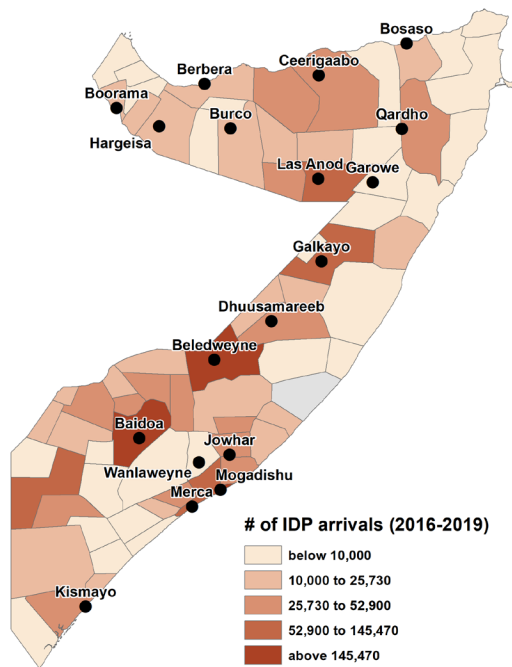
IDPs typically migrate to large urban areas, which offer a larger pool of economic opportunities, diverse amenities, and more anonymity. In 2018, Mogadishu was hosting 20 percent of Somalia's IDPs (close to 500,000 people) ; Baidoa hosted over 270,000; and Kismayo approximately 140,000 (Figure 7).⁶⁸ 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 districts hosting 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 (Figure 8). Recent flows at the district level suggest that Mogadishu attracted a third of IDPs between 2016 and 2019, Baidoa and Beletweyne districts each another 20 percent (Figure 9). Mogadishu, Baidoa and Kismayo built-up areas have also expanded faster than other cities as a result (Figure 10).

Figure 7. Number of IDPs by Region (2018) (Estimated Stock)



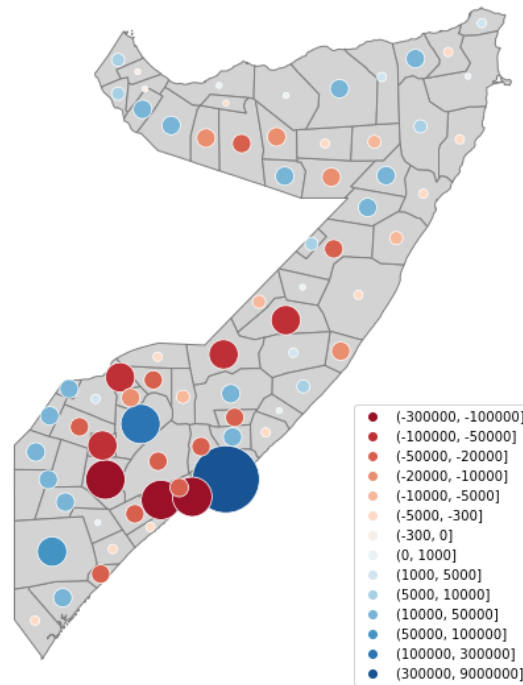
Source: UNOCHA 2018, "2019 Humanitarian Needs Overview: Somalia."

Figure 9. Number of IDP Arrivals by District (2016–2019)



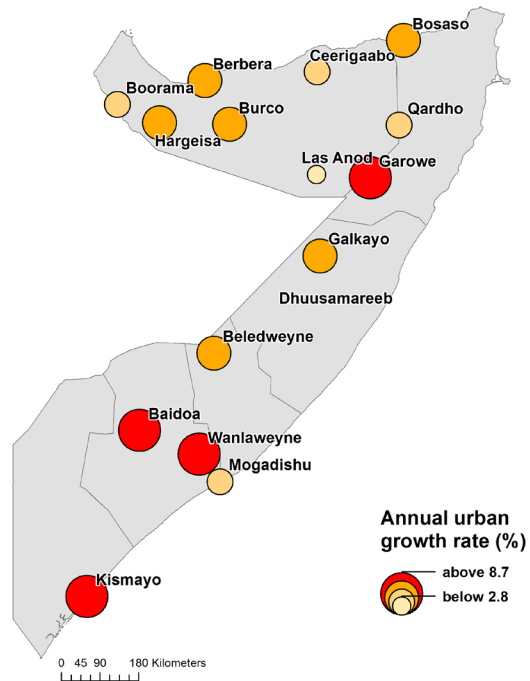
Source: PRMN.

Figure 8. Cumulative Net Migration Per District over Selected Years (2007–2018)



Source: PRMN.

Figure 10. Estimated Urban Expansion Growth Rate Per City⁶⁹

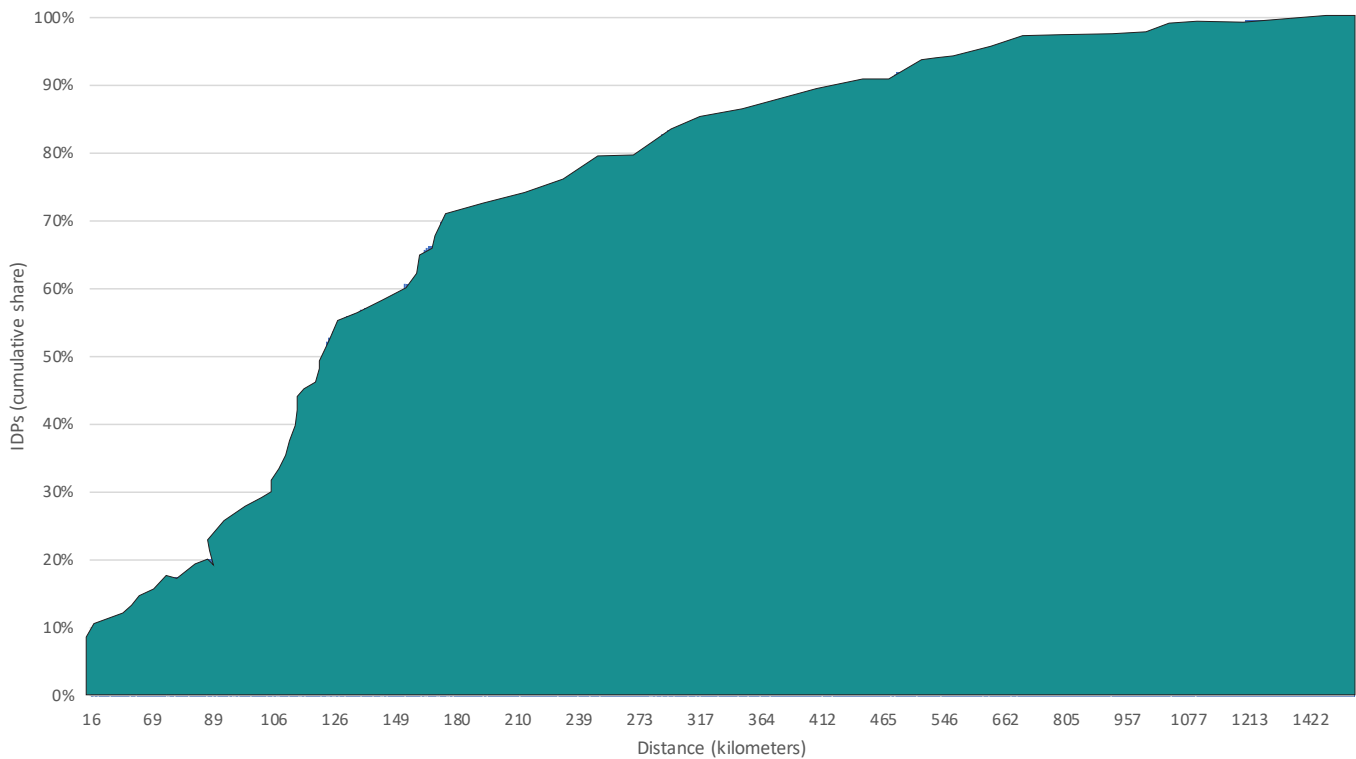


Source: Papachristodoulou et al. 2019.

IDPs also typically move to nearby cities. Analysis of various possible determinants of IDP destinations found the distance between origin and destination to be the most significant and robust factor.⁷⁰ The further apart two Somali districts are, the lower the likelihood of bilateral migration flows; the majority of the Somali IDPs travel less than 120 km (Figure 11).⁷¹ This may reflect the importance of social ties (such as kinship or clan relationships) in

determining the destination, as well as travel costs, security risks of transport, and information flows that weaken with distance. Other factors which may reduce migration flows include poverty (proxied by district-level income per capita), Ramadan, and proximity to the Kenyan, Ethiopian, or Djiboutian border; meanwhile, scarcity of infrastructure can increase it, with migrants mostly moving to areas with greater infrastructure than their origin.

Figure 11. Most IDPs Travel Less Than 120 Kilometers



Source: World Bank Staff calculations.

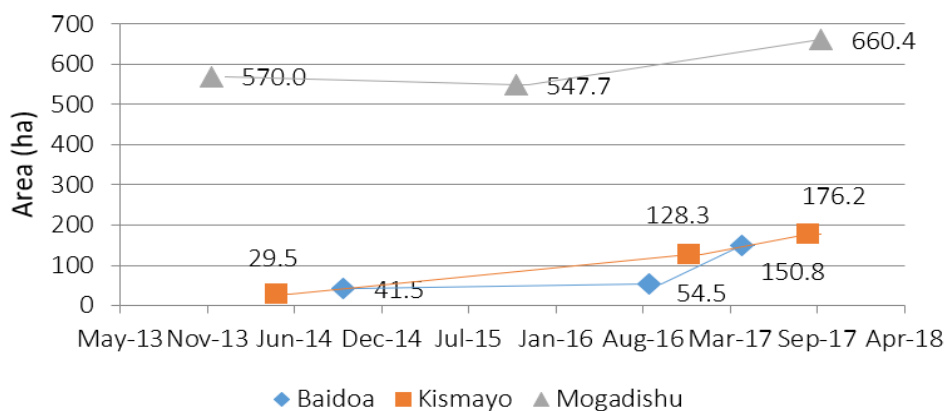
The impact of IDPs inflows on urban form has been significant and will be long-lasting.⁷² Large influxes of IDPs have had a dramatic impact on cities' urban form, particularly since the majority have little intention of leaving their new homes.⁷³ Between 2013 and 2017, the IDP-occupied area increased over seven-fold in Kismayo, and more than tripled in Baidoa (Figure 12).⁷⁴ Galkayo is thought to host more approximately 135,000 IDPs across over 70 settlements,⁷⁵ which largely accounts for

the tripling of its spatial footprint since 1985. It is the only city in the region of Mudug, and a key destination for the region's IDPs. The 2017 drought alone added 20,000 IDPs to Galkayo's population. In Baidoa, the area occupied by IDPs tripled in just eight months from September 2016 to April 2017,⁷⁶ as inadequate rainfall left 6.7 million Somalis in need of food assistance, with the greatest number of the resulting IDPs settling in Baidoa's Bay region.

Urban IDPs tend concentrate in underserved peripheral (or totally dislocated) areas. IDPs rarely integrate into the core city as they arrive. Instead, they tend to join those already living in protracted displacement or establish new settlements.⁷⁷ These settlements are often on city peripheries beyond the reach of network infrastructure, making service provision particularly difficult. For example, more than half of the 400,000 IDPs profiled in Mogadishu in 2016 lived in Daynile and Kaxda, on the city outskirts.⁷⁸ IDPs in Baidoa are predominantly on the city periphery, and Garowe’s main IDP settlements are totally dislocated from the main city. IDPs thus become part of the “uncontrolled growth of numerous dense, un-serviced temporary settlements on the urban fringes,”⁷⁹ constantly at risk of eviction or exploitation by powerful groups who control land.

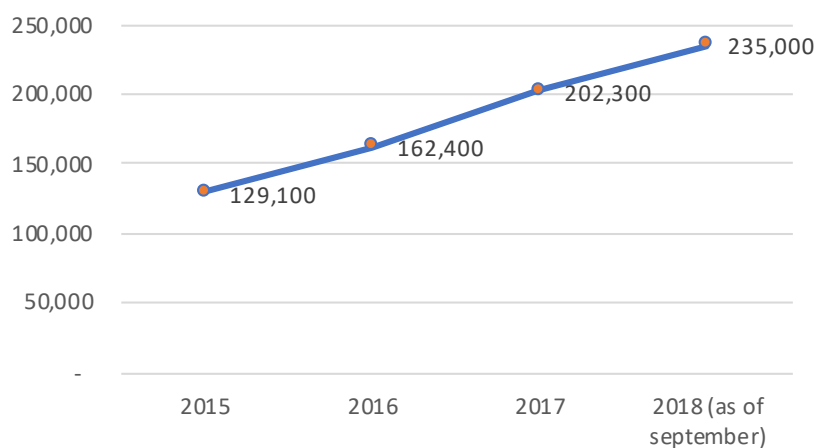
Urban IDPs are particularly vulnerable to forced evictions, which leads to their “secondary displacement”, often to more peripheral areas. Evictions may reflect government concerns around criminality and drug use, as well as private actors’ stakes in the land occupied by the IDPs.⁸⁰ In several cities, IDPs were evicted following increases in the value of land on which they settled, and because they lack formal title deeds. The number of evictions in Somali cities appears to have been increasing since 2018 (Figure 13). In 2017, nearly 150,000 new displacements took place within Mogadishu (half of these were within Kaxda district). Overall, around 32 percent of internal displacements in 2017 and early 2018 were to Mogadishu, of which around half of which took place within Mogadishu.⁸¹

Figure 12. Urban Areas Occupied by IDPs



Source: World Bank (2019) Drought Impact Needs Assessment.

Figure 13. Most IDPs Travel Less Than 120 Kilometers



Source: UNOCHA (2018), “2019 Humanitarian Needs Overview: Somalia”

Urban settlement trends in Somalia are characterized by spatial fragmentation reflecting security concerns and the lack of trust in formal institutions to protect property rights. This is manifested primarily through self-segregation based on clan membership resulting from defensive displacement. Most displacement to urban areas is protracted. Long-term residents and displaced persons segregate to areas where their clan is a majority and clans themselves grab land to secure their status. IDP settlement schemes often support this segregation. For example, an IDP settlement scheme in the newly established Barwaaqo village in Baidoa was undermined by the unwillingness of some IDPs to cross clan residential lines. In all three cities, in the historical absence of political settlements promoting peace and stability, urban migration has only reinforced existing trends in the distribution of different clans.⁸² Overcoming

security concerns through trust in government and enhancement of stability is often not feasible in the shorter-term, because bringing adequate security to fragile and conflict contexts takes time and investment. Security-related trauma takes time to heal.

Understanding the drivers of forced displacement may help anticipate future trends and for cities to be better prepared. Conflict and climatic pressures (particularly droughts and floods) are interdependent drivers of urban migration. Political conflicts and al-Shabaab actions often build on resource scarcity intensified by climatic pressures.⁸³ Migration in turn can create new competition over scarce resources like land and services in receiving locations (such as cities), fueling conflict in these locations. These interactions are illustrated in Figure 14 below.

Figure 14. Channels in the Conflict-Climate-Migration Nexus



Source: Abel et al. (2019).

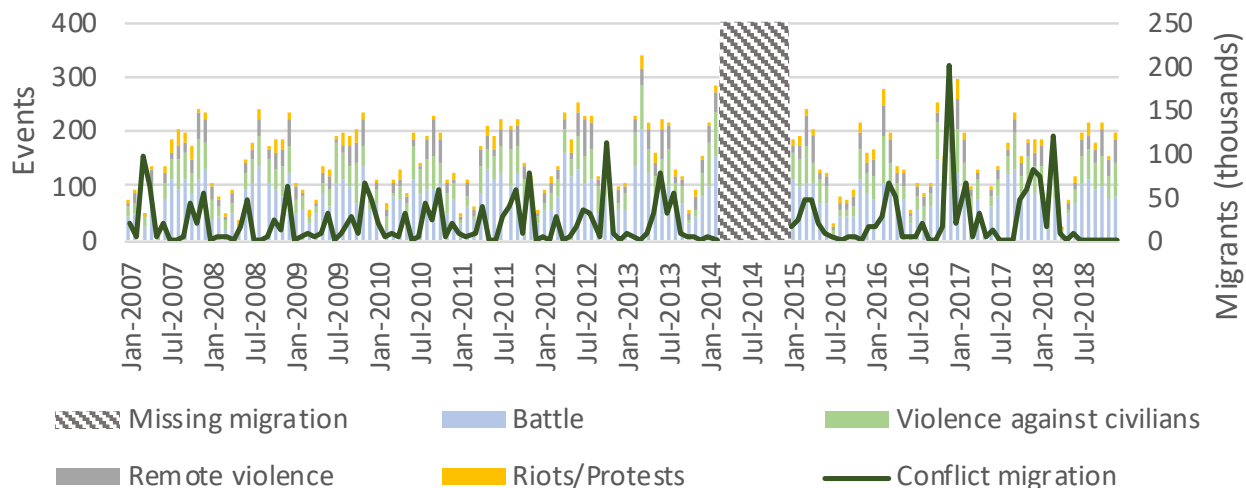
Although IDPs self-report conflict to be the primary driver of migration in most years, the exact link between conflict and displacement is not obvious. Analysis does not show violence at an IDP's place of origin to be a significant driver of migration—at least considering violent events during the month of migration or the preceding month. From 2007-2018, migration spikes (thick green line on Figure 15) do not seem to be temporally correlated with the onset of any type of violent event registered in ACLED database (histogram). Surprisingly, violent events that occurred two months prior to IDPs' departure are negatively correlated with out-migration.⁸⁴ This somewhat counterintuitive result

may reflect the relatively high number of violent events in leading cities, which are targets for al-Shabaab. It is also possible people do not migrate due to fear of violence itself, but when insecurity prevents access to pasture or fields.⁸⁵ Or, populations fleeing to cities as IDPs may have strong reasons to anticipate political violence before it actually happens. Overall, correlations between migration flows and violence at origin and destination might not be sufficient to understand the impact of conflict on migration. For example, depending on the amount of information available to households, violence along migration routes might play a more or less significant role in the migration decision.

Drought, on the other hand, emerges as an important factor pushing Somalis out of their homes. Crop conditions—proxied by NDVI,⁸⁶ a measure of the greenness of the land—are clearly correlated with forced displacement. When crops are particularly suffering from lack of water, people decide to migrate. Droughts are defined as periods of precipitation

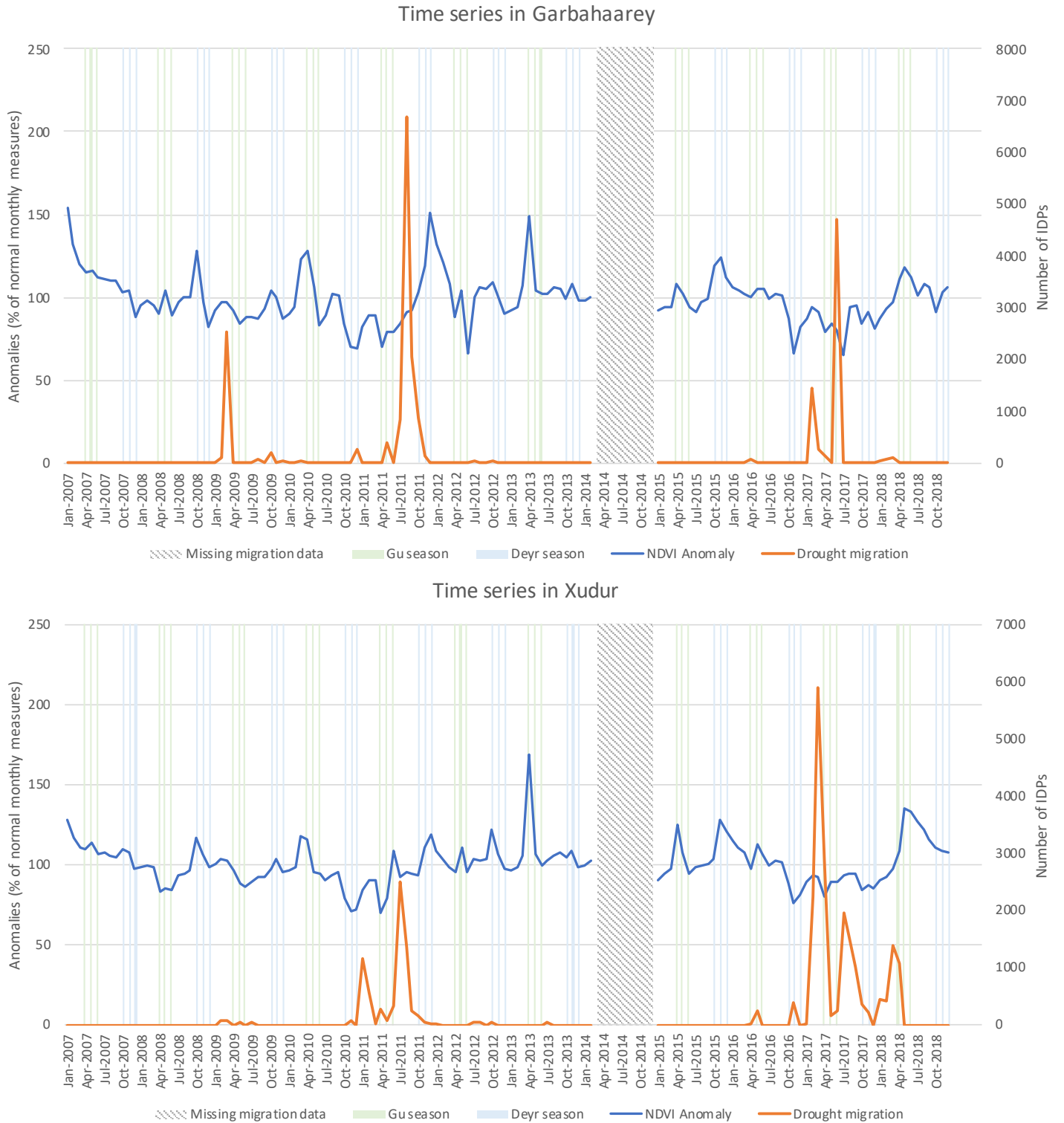
anomalies of three to five months. The significance of the result decreases with time after the drought, suggesting that the decision to migrate is made very rapidly after crops start to fail.⁸⁷ The effect is particularly strong during the Gu season, which is the most important rainy season for crops in Somalia (Figure 16).

Figure 15. Time Series of Conflict and Migration in Somalia (2007–2018)



Source: PRMN and Raleigh et. al (2010)

Figure 16. Time Series of Climate and Migration: Example of Xudur and Garbahaarey



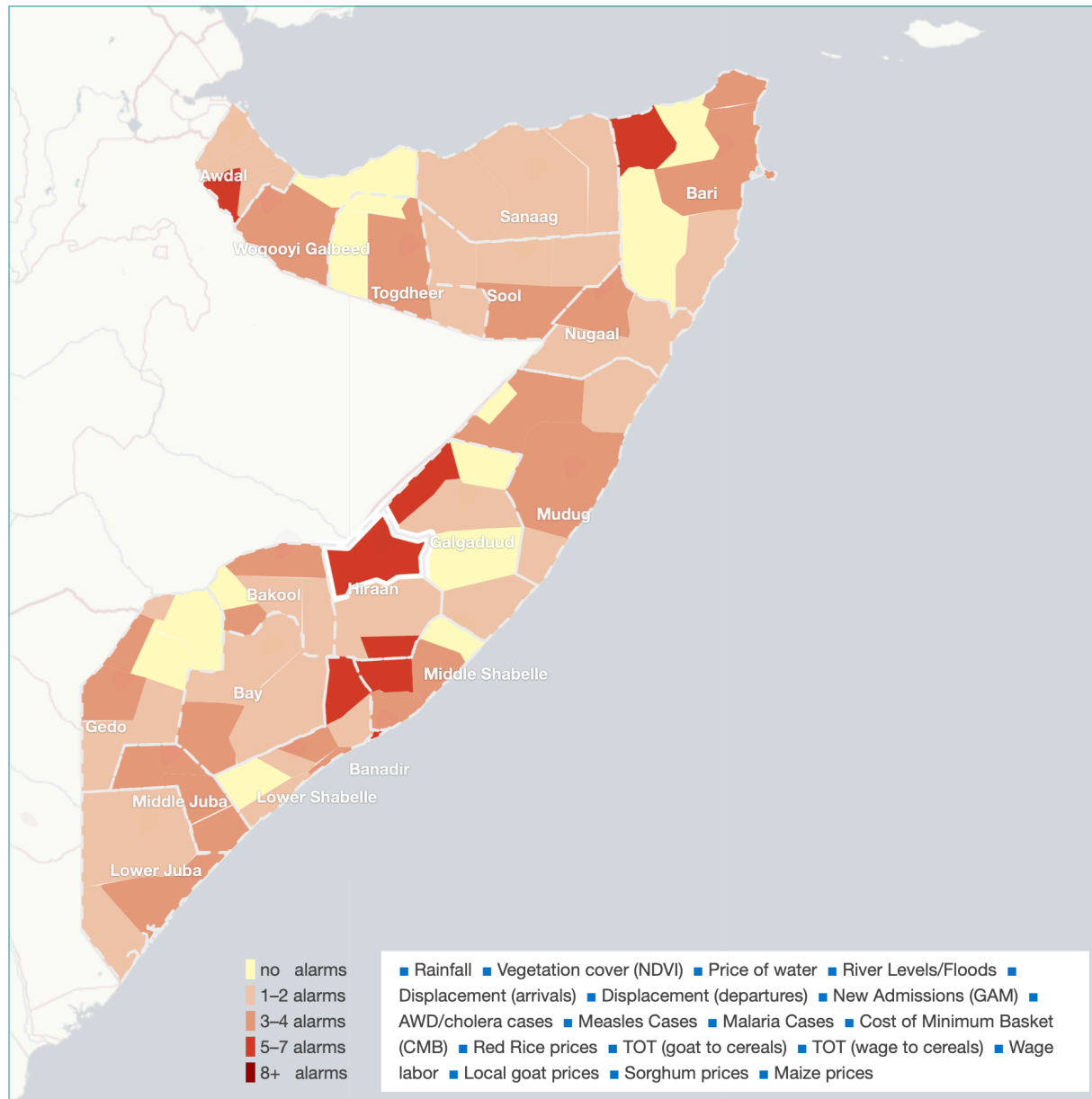
Sources: PRMN, NASA and FEWSNET



Taken together, the analysis suggests that large cities close to drought-prone regions, or regions facing other climatic hazards, are most likely to receive IDPs. This explains why during the 2016/17 drought, Mogadishu and Baidoa saw a large increase in the influx of IDPs, for example. These trends may help cities to anticipate and prepare for future IDPs. For instance,

the Food Security and Nutrition Analysis Unit (FDSNAU) provides district-level indices of market, nutrition, climate, and displacement pressures, which may be an important tool for anticipating displacement flows. Figure 17 shows the cumulative early warning indicators at the district level, which indicate that Mogadishu and Baidoa could receive even more IDPs in the near future.

Figure 17. Key Early Warning Indicators at the District Level (in December 2019)



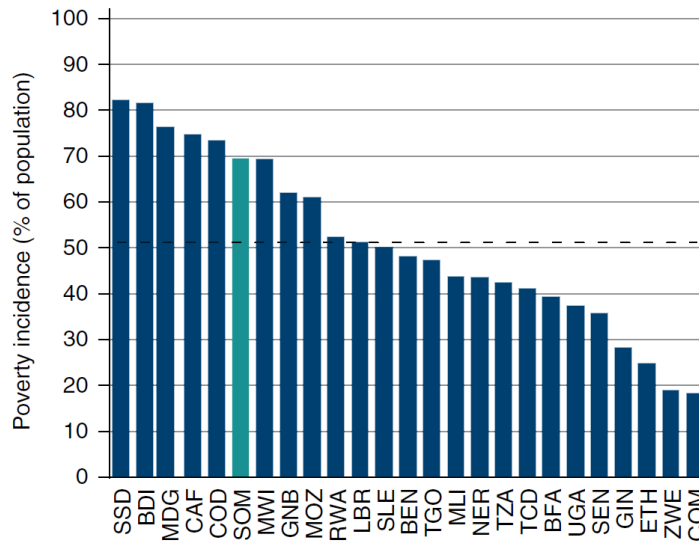
Source: FNSAU, 2018.⁸⁸

CITIES OFFER THE PROSPECT OF BETTER LIVING CONDITIONS

The possibility of escaping from poverty attracts rural residents to Somali cities. Poverty is widespread and deep in Somalia. Nearly 7 in 10 Somalis live in poverty. The estimated incidence of poverty (69 percent) is 19 percentage points above the average of low-income Sub-Saharan African countries (51 percent in 2017) (Figure 18).⁸⁹ Within Somalia, poverty is more pronounced in rural areas. The average poverty incidence across urban areas is at 64 percent,

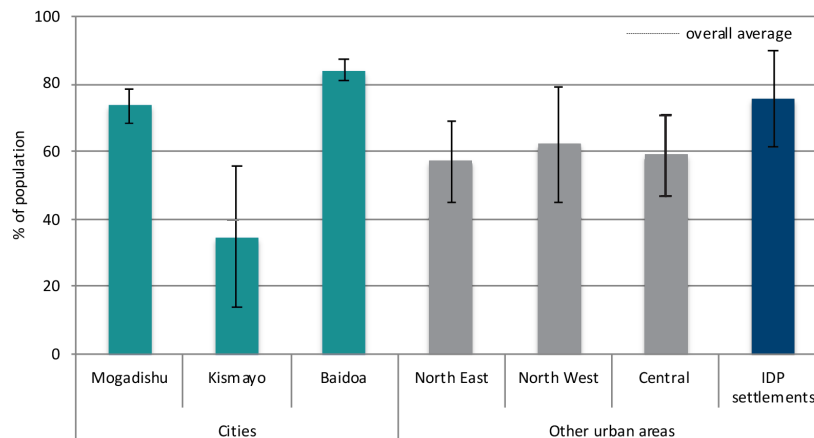
compared to 72 percent in rural areas. The urban-rural divide is the largest in Somaliland (North West region) at 15 percentage points, followed by the South West at 12 percentage points. Perhaps as a result of attracting a high number of IDPs, poverty in Mogadishu is higher than the national average and equivalent to the rural average, at 72 percent (Figure 19). Urban areas also have lower food poverty compared to rural areas: 41 percent compared to 57 percent, and a national average of 49 percent.⁹⁰ It is thus unsurprising that rural migrants are enticed to move to cities.⁹¹

Figure 18. Poverty in Somalia Among the Highest in Sub-Saharan Africa



Source: World Bank (2019a)

Figure 19. Urban vs. Rural Poverty Incidence



Source: World Bank (2019a)

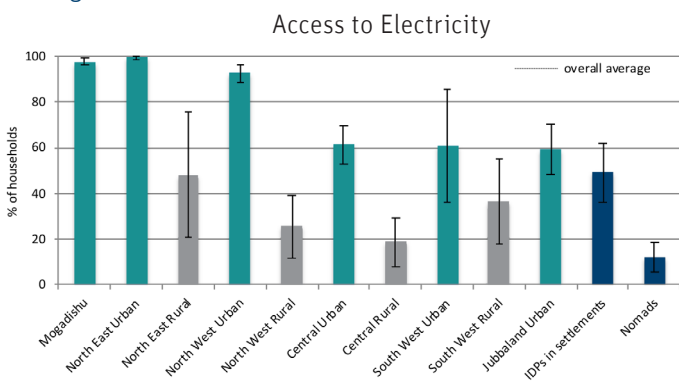
The greater availability of services in urban areas is likely another reason people migrate to cities, although cities vary significantly terms of service access.

Throughout the country, urban households have significantly better access to basic services compared to rural households. Specifically, urban households fare better in access to electricity, water, and improved sanitation than rural households. On average, 79 percent of urban households have electricity at home compared to 32 percent among rural households. Access to electricity is the highest among urban residents in Puntland (North East region, 99 percent). In rural areas, access is much lower with a minimum of 19 percent in Hirshabelle and Galmudug (Central region) and a maximum of 48 percent in rural areas in Puntland (Figure 20). The urban-rural divide in access to electricity is most severe in the Somaliland (North West region). Rural households' access to water ranges from 1 percent in Somaliland (North West) to 43 percent in South West and Puntland (North East) whereas urban households' access ranges from 45 percent in Jubbaland to 96 percent in Mogadishu.

Cities are important centers of healthcare provision and tend to offer better access to facilities, which is another attraction for migrants.

Urban households also have better access to education and health than rural households. Literacy is significantly higher among the urban households (68 percent) compared to the rural households (41 percent). On average, households with members enrolled in school in urban areas (54 percent) is significantly higher than in rural areas (32 percent). Hirshabelle, Galmudug (Central urban), and Jubbaland urban areas are the only urban areas whose primary school enrolment rates fall below the national average (Figure 21). Access to health facilities is better in urban areas as well, where on average, 80 percent of the urban residents live within a 30-minute walk to a health facility, compared to 37 percent of rural residents, with the national average sitting at 40 percent (Figure 22).

Figure 20. Urban Residents have Better Access to Services than Rural Residents



Source: World Bank (2019a)

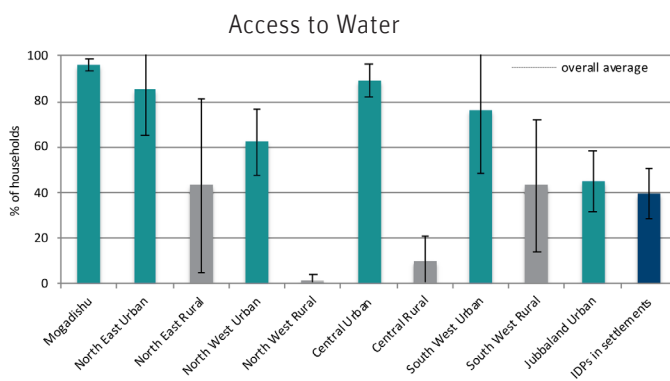
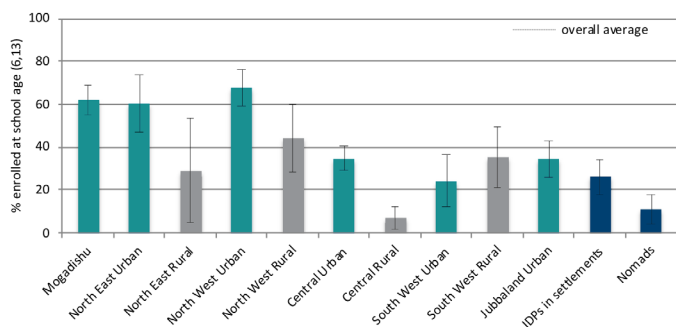
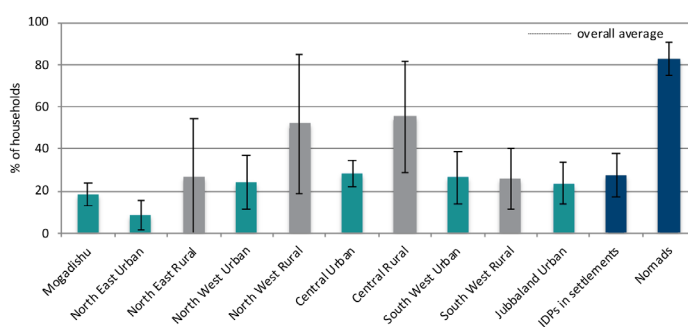


Figure 21. Primary school enrolment rate



Source: World Bank (2019a)

Figure 22. Distance to health facilities (>30 min)



Source: World Bank (2019a)

Although service delivery is, on average, better in cities than rural areas, there is significant inequality in outcomes between cities (Figure 23 to 26). This inequality can reflect many things: the varying strength of the local private sector and other non-state actors, local governance and security, and consumers' purchasing power, social structures, segregation, status (e.g. as IDPs) and so on. Access to services is highest in Mogadishu, cities in Puntland (North East urban), and

cities in Somaliland (North West urban). These areas are relatively stable and peaceful, have more established institutions, and higher aid flows. Service provision is lowest in Baidoa, Kismayo, and cities in Galmudug and Hirshabelle (Central urban), which were more recently liberated from al-Shabaab (in 2012) which still controls some surrounding rural areas, leaving their governments still nascent and with comparatively more limited access for humanitarian actors.

Figure 23. Access to Improved Sanitation (Percent of Households)

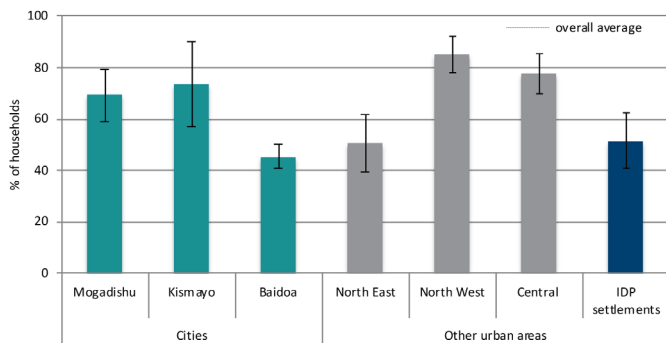


Figure 24. Access to Piped Water in the House (Percent of Households)

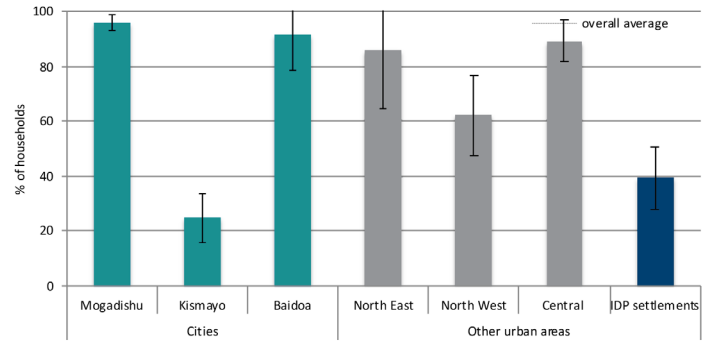


Figure 25. Access to Electricity (Percent of Households)

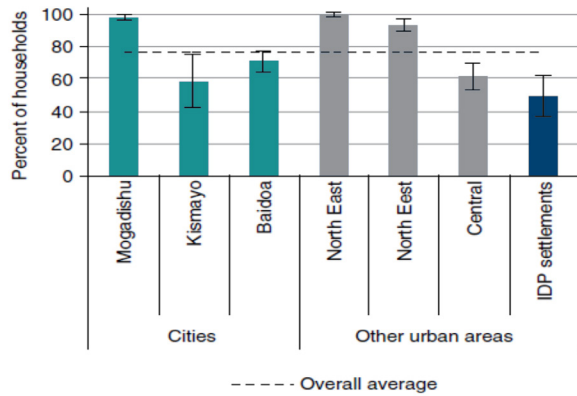
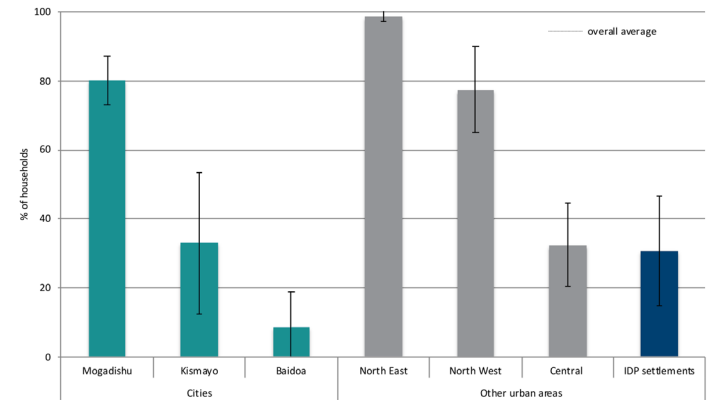


Figure 26. Access to Improved Housing (Percent of Households)



Source: World Bank 2019. Improved housing is defined as living in apartments, shared apartments, separate houses or shared houses.

Access to health facilities is better in cities but varies across cities and subpopulations.

The proportion of households living more than 30 minutes from the nearest health center is highest in Kismayo (39 percent), and lowest in North West urban areas (9 percent). However, despite the distance to health facilities, residents of Kismayo, along with other urban areas, are fairly satisfied (80-90 percent) with the quality of the health services they are receiving, even in Kismayo where proximity is low. Urban IDPs have greater proximity to health centers, which are predominantly run by the private sector, than rural households, but substantially worse access than other urban residents.

In the absence of a national grid, private diesel-powered mini grids account for most of Somalia's power supply.

Somalia's electricity consumption per capita is among the lowest in Africa, but connectivity is much higher in urban versus rural areas. Although urban electricity connection rates are high, they vary considerably across cities, and urban power supplies remain unreliable. Close to 100 percent of households in Mogadishu, Puntland, and Somaliland cities have electricity at home, whereas only 58 percent do in Kismayo and Hirshabelle and Galmudug cities. Urban IDPs are also better off in terms of access to electricity, with 49 percent in urban IDP settlements compared to 22 percent in rural settlements. Despite higher access, urban electricity faces reliability and efficiency gaps. The average urban resident has electricity for 15 hours a day, ranging from 20 hours in Mogadishu and North-West Urban to only 4 hours in Baidoa. IDPs have access for an average of 14 hours a day.²² Electricity system losses in Somalia average 25 percent, and sometimes reach 40 percent.²³

Urban water is delivered through pipe networks, point source vendors (at individual boreholes and dug wells), and truckers and carters (using human and animal drawn carts).

Piped water is available at home for 75 percent of urban residents, but only 25 percent in Kismayo. Approximately 7 out of 10 urban households (excluding IDPs) have access to improved sanitation, but just over 4 in 10 have access in Baidoa.

There is risk of exhaustion and pollution of city aquifers.

There is a risk of exhausting resources in city aquifers, as private individuals and firms create wells and boreholes in an uncoordinated manner. Improper wastewater disposal and inadequately treated water also threaten

the safety of aquifers' water. Solid waste management is virtually nonexistent across all cities, resulting in a major health and environmental hazard. Since Mogadishu does not have a central wastewater evacuation network, the majority of households dispose of their waste through septic tanks, exposing the aquifer to contamination²⁴ and outbreaks of waterborne diseases like cholera—of which Somalia recorded 110,113 cases between December 2017 and January 2020, and 51 deaths.²⁵ There is no operational sewage system for Baidoa.

Connective infrastructure is higher in cities than rural areas, but there are serious limits to urban public transport, roads, and street lighting.

²⁶ Only 46 percent of urban residents have access to all-weather roads. Access to functioning streetlights (important for urban security and mobility) ranges from 35 percent in Mogadishu to 6 percent in Puntland cities. Access to public transport is the highest in Mogadishu (86 percent), and below 60 percent in other areas. Urban internet access is just 24 percent on average.

With increasing urbanization, economic growth, and technological progress, there has been considerable innovation in the urban transport sector.

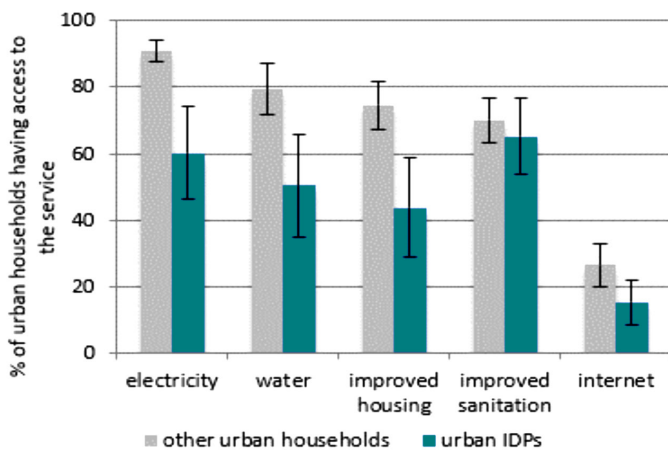
The primary means of motorized urban public transport include mini-buses, Bajaj three-wheelers, taxis, and passenger buses for overland transport.²⁷ Richer urban residents benefit from the launch of “Dhaweeye” – Somalia's ‘Uber’ – and modernization of the inter-city transport sector. Taxis have been a common transport option for richer residents and NGO workers for decades. In transport between cities, more upmarket bus companies have recently emerged – many financed by diaspora entrepreneurs – offering reserved seats, a fixed schedule, and on-board Wi-Fi.²⁸ Air traffic has likewise increased in volume and options over recent years, particularly for commercial flights to smaller towns.²⁹ For lower-income residents, mini-buses remain the most popular and affordable motorized urban transport option. In some cities, minibuses are contracted by schools, firms, or international organizations to transport their children or employees. Bajajs (like Indian “tuk-tuks”) have been one of the most substantial innovations in intra-city transport for lower-middle-class users, challenging the hegemony of the mini-buses. Bajajs, which were unknown in Somalia until relatively recently, offer individualized routes – taking customers door to door – and are able to traverse bad roads to accessing neighborhoods not served

by mini-buses. Bajaj are particularly helpful for women, to overcome the above ‘last mile’ problem of minibuses, with potentially lower safety risks than motorbike taxis (and avoiding the potential reported conservative critiques of women riding motorbikes¹⁰⁰). The Bajaj also provide a livelihood for thousands of young men. On the other hand, Bajaj are also thought to be associated with unsafe driving.¹⁰¹ Motorbike taxis (“motos” or “boda bodas”) offer more personalized routes and faster transport for a higher fare. Innovation is occurring in this sector, such as a ride-hailing app launched in Mogadishu in 2019.¹⁰²

Across all cities, the poor and new migrants like IDPs are often marginalized from quality services, though possibility of better access to services may be sufficient to attract rural-urban migration. Cities have often failed to provide basic services to the poor and new incoming populations, particularly IDPs. Within cities, urban IDPs are consistently worse-off than other urban households. They have less access to electricity,

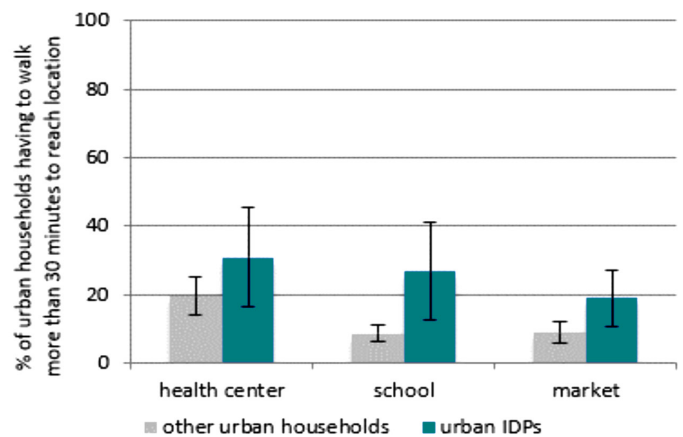
tap water, improved sanitation, improved housing, and dwelling ownership compared to non-IDP urban households (Figure 27). Moreover, urban IDPs suffer from lower enrolment, literacy, and employment rates. They also tend to live further away from primary schools and food markets (Figure 28). Thus, urban IDPs are worse off than the rest of the urban population as they have likely become deprived of their former livelihoods, assets, social networks due to displacement and they have more limited access to services. Moreover, they are at an educational disadvantage as well, which may prevent them from finding good jobs. Accordingly, without any concerted support, urban IDPs are likely to remain worse-off across many dimensions compared to other urban households.¹⁰³ Overall, while access to services may be one factor influencing peoples’ migration to cities, the weak provision for many who arrive, and additional challenges of marginalization and segregation, suggest this alone may not be sufficient to motivate migration.

Figure 27. Urban IDPs’ Access to Services



Source: World Bank (2019a)

Figure 28. Urban IDPs’ Access to Key Facilities

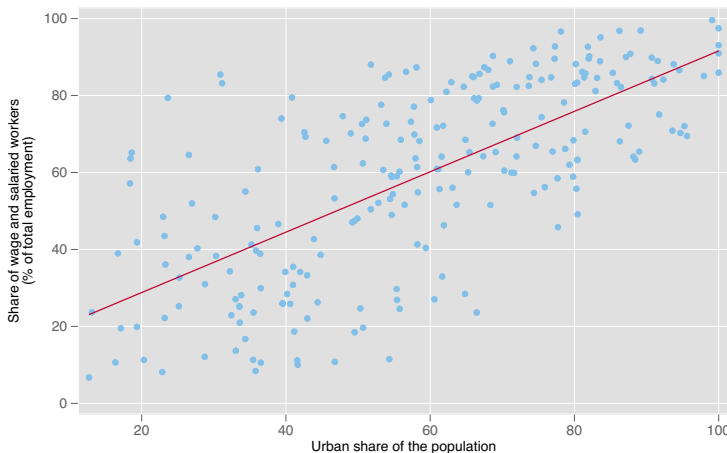


Source: World Bank (2019a)

GREATER EMPLOYMENT OPPORTUNITIES ARE AVAILABLE IN CITIES

Today, over 70 percent of Somalia’s GDP is generated in cities, which offer greater prospects of wage labor and stable incomes. Although urban employment remains precarious, it also offers several benefits: urban workers are more likely to receive wage income (Figure 29), enjoy a greater diversity of employment sectors (many of which are more remunerative than agriculture), and are less vulnerable to shocks affecting rural incomes (such as climate and conflict).

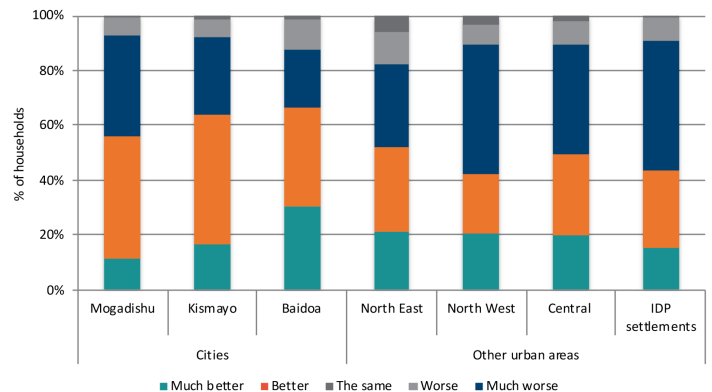
Figure 29. Urbanization Goes Hand in Hand With Job Creation



Source: WDI

Urban residents have access to a more diverse, and more remunerative, array of job opportunities. Joblessness is only marginally lower in urban areas than nationally. However, urban residents enjoy several benefits in the labor market: they are more likely to receive wage income, and work in a wider array of sectors which are overall likely to be more remunerative and reliable than rural work.¹⁰⁴ Compared to other urban dwellers, Mogadishu residents are on average more satisfied with the employment opportunities that are available to them. Urban households are also more likely to report that their employment prospects are “better” or “much better” than they were 6 months ago than rural households (Figure 30).

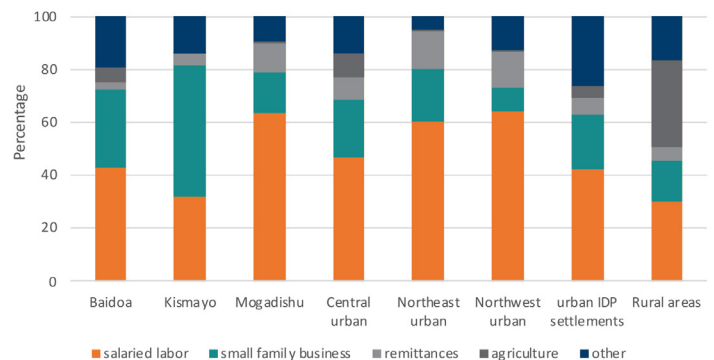
Figure 30. Employment Perceptions



Source: World Bank (2019a)

Somali cities provide a higher share of wage employment than rural areas. Since urban wage labor is not climate-dependent or seasonable, it can be less risky than agriculture or family businesses. On average, 51 percent of urban households rely on wage labor for their livelihood compared to 30 percent of rural households. Mogadishu (64 percent) has the highest proportion of households making their living on wage labor. Kismayo is an exception where only 32 percent rely on wage labor (small family business is the main income source for 50 percent of households) (Figure 31).

Figure 31. Somali Cities Provide a Higher Share of Wage Employment Than Rural Areas



Source: World Bank (2019a)

Urban economies offer a greater diversity of jobs.

Most rural workers engage in agriculture, forestry, and fishing. Urban workers benefit from a comparatively richer supply of jobs, particularly in non-tradable services – such as basic services, government, retail and wholesale trade, construction, hotels and restaurants, and storage and transport (Figure 32). Most urban youth are employed in the services sector, closely followed by professionals (teachers, engineers, and lawyers) and crafts and trade workers. Some larger markets such as Mogadishu concentrate a larger number of tradable services enterprises like transport, telecommunications, and hotels, which hold more potential for employment than non-tradable services.

Much of urban income is earned in informal business.

Subsistence, petty trading, and micro- and small-sized enterprises are the main sources of employment and income for urban residents. A significant portion of citizens working in the informal sector (24 percent in Bosaso and 41 percent in Mogadishu) were unemployed prior to securing this work,¹⁰⁵ suggesting that for many, there are few alternatives to informal jobs. Many in the informal sector are engaged in low-skilled labor and suffer from underemployment. The average employed youth worked 14 days in a month, with an average income of US\$190.¹⁰⁶

Remittances and diaspora investments are an important source of urban income and job creation.

Remittances remain, aside from development assistance, a key source of financing for Somalia’s persistent trade

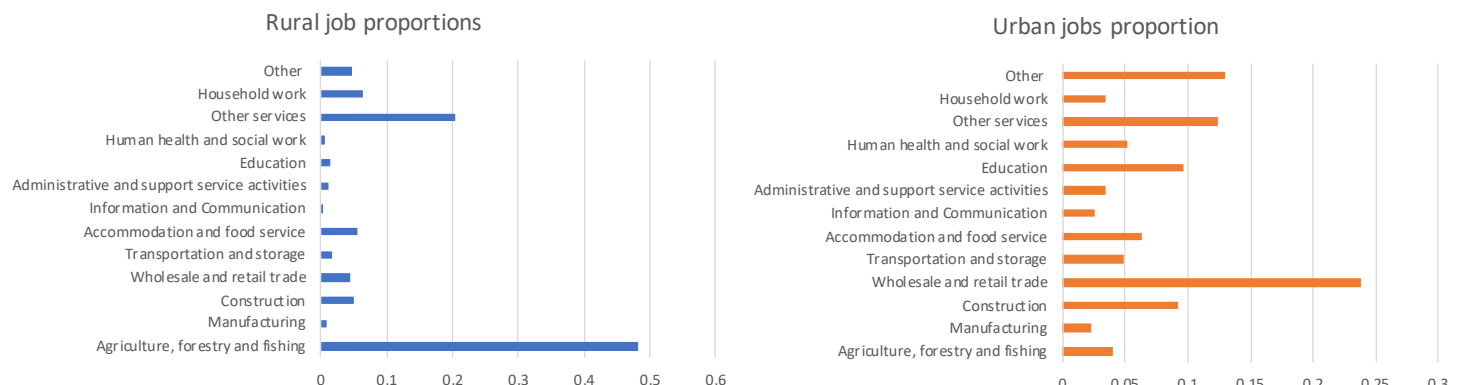
deficit. Remittances and private transfers from external sources continue to significantly outpace foreign direct investment. However, reliance on remittances is unsustainable in the long term – and the ongoing COVID-19 pandemic is projected to severely curtail the flow of remittances in the near term, hampering households’ livelihoods and firms’ access to credit. Land is a popular investment for urban remittance recipients, though these investments are endangered by prevalent land conflicts.¹⁰⁷ As security slowly improves in cities such as Mogadishu, Kismayo, and Baidoa, some Somalis are also returning from abroad, investing, and opening new businesses in the service sector and elsewhere. The property market is particularly benefiting from investments by recent returnees, supporting a real estate expansion that has now lasted for nearly two decades.¹⁰⁸

Cities are offering more sustainable opportunities than remittances and aid.

Somalia’s 3,333 km coastline is an incredible natural advantage for the country, giving rise to several port cities that may support further growth through trade. Since pre-colonial times, Somali port cities have been connected to markets in the Middle East as well as in South and Southeast Asia.¹⁰⁹ Port cities such as Berbera, Bosaso, Mogadishu, Merka, and Kismayo have been the main gateways for trade of consumer goods and livestock. Berbera, a small coastal city in Somaliland, is growing rapidly thanks to its port that connects landlocked Ethiopia with Somaliland. While Ethiopia has traditionally relied on the increasingly

Rural Job Proportions

Figure 32. Somali Cities Provide a Higher Share of Wage Employment than Rural Areas



Source: World Bank (2019a)

congested Djibouti port, Berbera port represents a potential alternative. The Somaliland government has thus contracted Dubai-based DP World to operate and expand Berbera port. Bosaso, once infamous for pirates, is establishing itself as a vital commercial hub not only for Puntland but for other regions in Somalia as well. Puntland government also recently contracted DP World to upgrade and operate Bosaso port. The FGS awarded the Turkish Albayrak Group a 20-year contract to upgrade and operate the Mogadishu port. Such business ventures, if successful, may modernize and boost Somalia's global and domestic trade, further attracting foreign investments in cities.

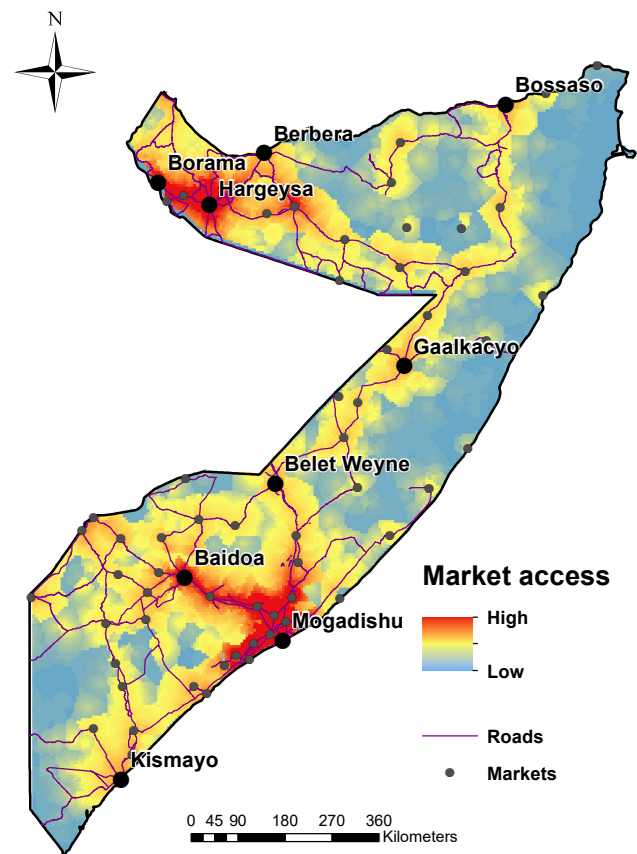
Mogadishu continues to be the main economic hub in Somalia. Approximately a third of Somalia's urban population is concentrated in the national capital.¹¹⁰ Mogadishu continues to be Somalia's main economic center despite its chronic insecurity, with strong connections to markets in Galmudug, Hirshabelle, and the South West State (Figure 33). Mogadishu hosts Somalia's largest market, the Bakara market, which is one of the largest in East Africa, and second-largest market, Suuq Bacaad in Yaqshid district. Hamarweyne is another large market, probably the capital's third biggest. There are hubs outside of Mogadishu as well. Hargeisa in Somaliland has strong connections with Djibouti, Ethiopia, and the rest of Somalia. Beledweyne is the commercial hub for Hiran region and a crucial marketplace for livestock exported via Berbera and Bosaso ports.¹¹¹ Kismayo in Jubbaland plays an important role in the regional economy and is a trading hub for the fishery, sugar, and charcoal industries, among others.

Major trade corridors connect Somalia's main cities with regional neighbors. Somalia has approximately 22,000 km of roads connecting the hinterland to the coast and different regions within the country. This network has suffered from destruction due to protracted conflict and lack of proper maintenance.¹¹² There are five major roads connecting the main ports to inland towns: two from Mogadishu, and one each from Berbera, Bosaso, and Kismayo. A 750-km highway connects major northern cities from Bosaso to Garowe to Galkayo, with the towns in the south.¹¹³ There are three main trade corridors that connect Somalia's main cities with neighboring Djibouti, Ethiopia, Kenya, and the Arab Gulf States (Figure 34). They include (a) the northern corridor between eastern

Ethiopia and Somaliland, passing through the cities of Borama, Hargeisa, and Berbera; (b) the eastern corridor connecting eastern Ethiopia with Puntland, with Garowe and Bosaso as main cities; and (c) the southern corridor connecting northeastern Kenya with southern Somalia, particularly with Kismayo.¹¹⁴ The creation of inter-city roads has been instrumental in facilitating trade and has driven urbanization.

Regional transit trade through Somalia's coastal cities to neighboring states has been a major source of urban revenue and jobs, and Somalia's "entrepot" economy holds considerable promise for urban job creation in the future. Somalia's expanding number of seaports have the potential to serve a large and fast-growing regional population in East Africa and the Horn. Land-locked Ethiopia is a country of 110 million people

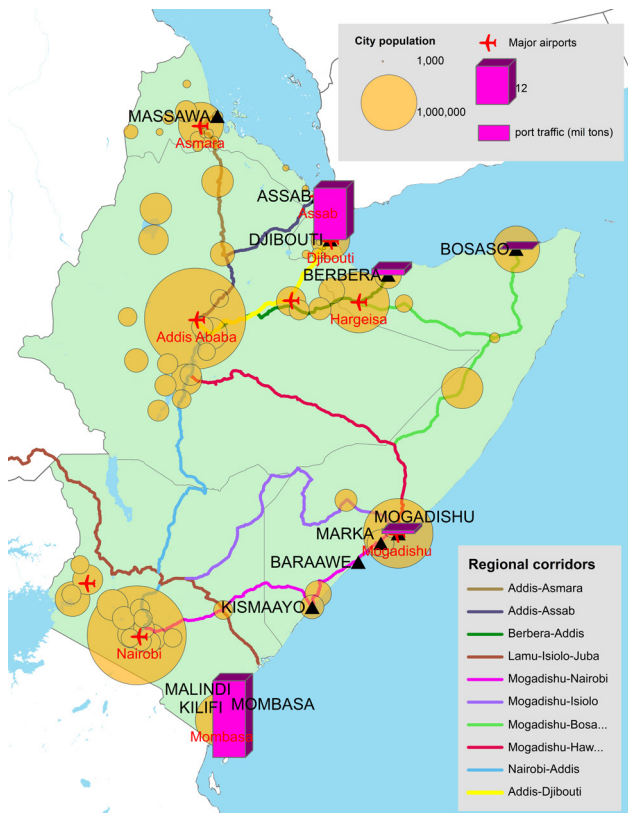
Figure 33. Regions and Cities with Highest Domestic Market Access are Concentrated in The South Around Mogadishu and North-West Around Hargeisa



Source: OSM, Papachristodoulou et. al (2019)

with both a fast-growing economy and population, while Kenya's large middle class generates high demand for a variety of consumer goods. The key to expanding Somali seaport employment and business to serve these regional markets is the strength and security of the corridors connecting them. While the corridor linking Berbera and Hargeisa to Ethiopia is secure and features passable all-weather roads, other Somali port cities like Mogadishu and Kismayo must deal with trade corridors to Ethiopia and Kenya that feature poor roads, chronic insecurity, and high "taxes" levied along the road both by al-Shabaab and clan militias. The future economic health of Somalia's largest seaport cities is in part dependent upon the viability of the trade corridors linking them to regional markets. The need to improve regional infrastructure connectivity, and reap its benefits for the region's commercial hubs, is a top priority for regional governments.¹¹⁵

Figure 34. Trade Corridors



Source: Horn of Africa Regional Economic Memorandum.

As much as cities provide significant economic opportunities, these same opportunities can also spark conflict. Major markets and trade hubs present significant revenues not only for the government but also for insurgent groups like al-Shabaab through licit and illicit taxation. Unsurprisingly, control over them has been a significant cause of conflict in the past and continues to pose a threat of destabilization. How to share revenues from ports between the local and federal government has long been a point of contention.

In addition, despite their advantages, cities are not in fact creating enough jobs for their growing populations, particularly for rural migrants and IDPs. Somalia's steady growth since 2013 remains too low to provide satisfactory jobs for the expanding labor force. Since 2013, urban economies have benefited from the end of Al-Shabaab occupation in major cities and the establishment of a federal government. The national economy grew by an average of 2.5 percent annually in 2013-2017. However, the population grew by 2.9 percent annually over the same period, resulting in negative GDP per capita growth of -0.4 percent per annum.¹¹⁶ Consequently, despite the advantages of urban employment, IDPs and other rural migrants (who tend to have lower education, skills, and personal connections required for urban livelihoods) face significant barriers to finding jobs in cities. This raises the question: why does urban migration remain so high? Unemployment and underemployment may be high, but cities offer a larger pool of opportunities overall, and services exist.¹¹⁷ The larger consumer base of cities increases the demand for non-tradable services (often informal) such as grocery sellers, construction day-labor, drivers, house staff and guards, hairdressers, and so on; many of these jobs have relatively low barriers to entry, offering chance to earn at least some income as opportunities arise. A high share of urban Somalis work at least occasionally – about 95 percent of urban men report that they worked for at least one hour in the past seven days, and 90 percent of urban Somali women and urban IDPs.¹¹⁸ The constraints the private sector faces in doing business and creating jobs are explored further in Chapter 4, in the section on “Resilience business that drive urban economies.”

NOTES

- 62 Births minus deaths per year. A city's population growth is explained by both natural population growth and net immigration.
- 63 National population 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.
- 64 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 to around one million.
- 65 UNHCR Somalia Internal Displacement. <https://unhcr.github.io/dataviz-somalia-prmn/>
- 66 For simplicity, the number of migrating IDPs that is reported in the PRMN data will be referred to as the number of IDPs in what follows and should be understood as the monthly number of IDPs.
- 67 UNCHR 2018.
- 68 UNHCR 2018.
- 69 Urban expansion is based on delineated built up using remote sensing for years with best satellite imagery available. Initial year is between 2002 and 2011; end-year from 2015 to 2019, with an average total period of 11 years.
- 70 The models used Poisson regressions. Here, this statistical tool is used to explain the variations in the number of migrants transiting monthly from one origin district to a destination district (count variable). During the exploratory phase, OLS regressions were applied. Results are similar to the Poisson model results. See appendix for more details on the data and model used.
- 71 See appendix for details on the distance computation.
- 72 See section on the Patterns of Urban Expansion for more discussion on urban form.
- 73 Sturridge, Bakewell and Hammond 2018
- 74 UN-Habitat 2017a. Baidoa Urban Profile.
- 75 PRMN and <https://www.sheltercluster.org/hub/mudug>
- 76 UN-Habitat 2017a.
- 77 OCHA 2017
- 78 UNHCR and JIPS 2016
- 79 Decorte and Ombretta 2010
- 80 NRC Eviction Report 2018
- 81 UNHCR 2017
- 82 Rift Valley Institute. 2020a. Land Administration and Governance Challenges of Rapid Urbanization and Forced Displacement in Somalia (Kismayo, Mogadishu, Baidoa). Synthesis Report
- 83 Abel, G. J., M. Brottrager, J.C. Cuaresma, & R. Muttarak. 2019. "Climate, Conflict and Forced Migration." *Global Environmental Change*, 54, 239-249.
- 84 Significant at the 90 percent confidence level.
- 85 World Bank 2019a.
- 86 NASA. 2020. "MODIS Vegetation Index - Normalized Difference Vegetation Index (NDVI)."
- 87 Although there is very tentative evidence that migration is more likely to occur following drought of at least four months rather than three. This result, however, is not significant and not robust to the definition of droughts: impact on migration behavior is opposite when considering a longer drought lasting for at least 5 months. However, this remark should not be interpreted as a lack of correlation between long droughts and migration. It is rather a sign that the relative short time frame covered by the migration data is a limitation that weakens the statistical analysis.
- 88 <https://dashboard.fsnao.org/>
- 89 World Bank 2019a. Based on 2017 data. Data from Somalia draws on satellite images. An unweighted average is used for Sub-Saharan Africa.
- 90 Ibid.
- 91 Note that IDPs tend to be slightly younger than the general population (47 per cent of national residents are below the age of 15 compared to 51 per cent of IDPs) but there does not appear to be a substantial age difference between IDPs who settle in urban areas and those that settle outside of cities.
- 92 World Bank 2019a.

- 93 Rift Valley Institute. 2018. Analysis of Key Economic Sectors in Somalia. Draft report, 1 June. Mimeo.
- 94 UN-Habitat. 2016. "Towards Mogadishu Spatial Strategic Plan" (draft).
- 95 <http://www.emro.who.int/pandemic-epidemic-diseases/cholera/outbreak-update-cholera-in-somalia-12-january-2020.html>
- 96 North East Urban comprises Nugaal, Bari and Mudug regions and includes Bossaso, Gaalkacyo, Garowe, Iskushuban, Jariiban and Qardho ; North West urban includes Woqooyi Galbeed, Awdal, Sanaag, Sool and Togdheer regions and Barbara, Borama, Burco, Ceerigabo, Gebiley, Hargeisa, Las Anod and Sheikh ; Central urban has the Hiraan, Middle Shabelle, Galgaduud regions and includes the cities of Balcad, Beledweyne. Cadaado, Dhuusamarreeb and Jowhar; South West Urban is South West Urban encompasses the Bay, Bakool and lower Shabelle regions, and include Afgoye, Ceel Barde and Wanlaweyne (in addition to Mogadishu and Baidoa) and Jubbaland urban represents the region of Gedo, lower and middle Juba, including Afmadow, Doolow and Kismaayo.
- 97 Manual carts/wheelbarrows are also used to transport goods.
- 98 A good example is Sahal Transport and Logistics in Hargeisa, see <http://govsea.tumblr.com/post/162993615604/somalilands-booming-informal-transport-sector#notes>
- 99 Most of the Somali owned airlines are headquartered in Nairobi and lease rather than own airplanes. Tickets have come down in price because of competition. Airlines pay a registration fee to federal and state governments, an annual license fee to the FGS and quarterly fees to state government, as well as a 5 USD VAT tax per passenger.
- 100 <https://www.sde.co.ke/thenairobian/article/2000213044/boda-boda-not-fit-for-somali-women-sheikh>
- 101 Hagmann 2019.
- 102 <https://qz.com/africa/1609973/somalia-motorcycle-hailing-app-go-launched-in-mogadishu/>
- 103 World Bank 2019a.
- 104 Karamba, Wendy. 2020. Improving Access to Jobs for the Poor and Vulnerable in Somalia. Washington, DC: World Bank.
- 105 Bosaso and Mogadishu Enterprise Survey, informal module. 2019. The World Bank. <http://www.enterprisesurveys.org>
- 106 IOM/Altai Consulting. 2016. "Youth, Employment and Migration in Mogadishu, Kismayo and Baidoa".
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- 108 Ahmed, I. I. and R. H. Green. 1999. "The heritage of war and state collapse in Somalia and Somaliland: local-level effects, external interventions and reconstruction." *Third World Quarterly* 20(1): 113-127.
- 109 Dua, Jatin. 2017. "From Pirate Ports to Special Economic Zones: Violence, Regulation, and Port-making in the Somali Peninsula." DIIS-GovSea Working Paper 2017: 12. www.diiis.dk.
- 110 World Urbanization Prospects 2018.
- 111 Marchal and Yusuf 2017
- 112 Papachristodoulou, N., T. Lloyd-Jones, M. Salter, J. Miettunen, E. Satterlee, Y. Omar, J. Onyango, M.G. Yusuf, and F. Redin. 2019. Development of DFID Somalia's Urbanisation Strategy and Options for Future Investment in Somalia's Cities. Delivered through the expert advisory call-down service (EACDS) Lot B: Strengthening resilience and response to crises. IPE Triple Line, Forcier. DFID, UK.
- 113 Ibid.
- 114 Hagmann, T. and F. Stepputat. 2016. "Corridors of Trade and Power: Economy and State Formation in Somali East Africa." DIIS-GOVSEA Working Paper 2016: 8.
- 115 World Bank. 2019b. "Countries Come Together to Launch Horn of Africa Initiative Communique following Side Event During the World Bank Annual Meetings." October 18.
- 116 World Bank 2019a.
- 117 Lall, S. V., J.V. Henderson, and A. J. Venables. 2017. Africa's cities: Opening doors to the world. Washington, DC: World Bank.
- 118 World Bank 2019a.





Urbanization in Somalia

LIMITED DATA COMPLICATES THE PICTURE OF URBANIZATION

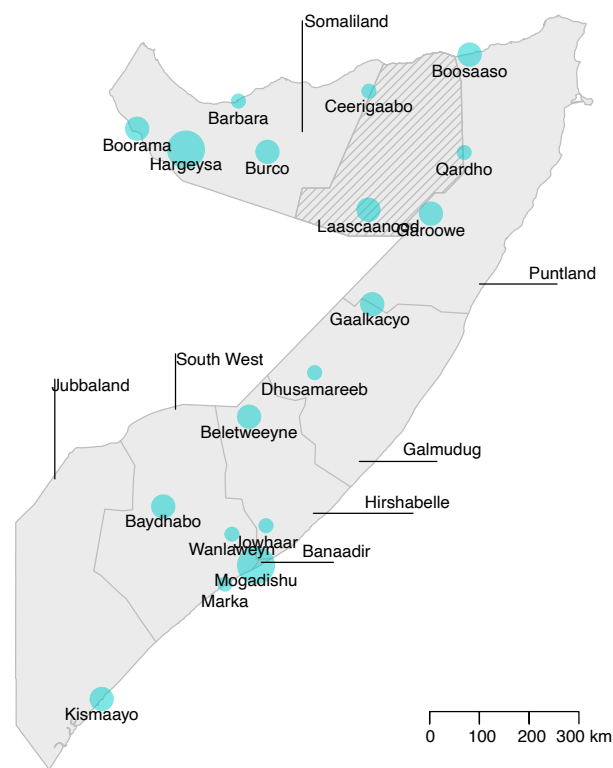
Somalia has no comprehensive and reliable population data. There were two censuses carried out prior to the civil war in 1991—one in 1975 and the other in 1985—but none since. The results of the latter census were never published due to questions over its veracity. Existing estimates for current population are the result of projections or estimations, both of which suffer from large error margins given the scale of uncertainty regarding population movements.¹¹⁹

Somalia’s definition of ‘urban’ is any settlement of at least 1,500 people. In 2014, UN agencies concurred in estimating Somalia’s urban population share at 42 percent, with a total urban population between 5,216,392 (UNFPA¹²⁰) and 5,767,236 (UNDESA, WUP). The urban population has since grown steadily between 4 and 5 percent per annum.¹²¹ The latest estimates from surveys point to 46 percent of people living in urban areas in 2016, spiking to 54 percent in 2017 when accounting for IDPs living in urban areas.¹²²

Somalia also has no city boundaries that can be used to derive urban population and compare it across time. The Provisional Constitution of the Federal Republic of Somalia adopted in 2012 provides the legal foundation for the establishment of a federal republic that consists of six FMS: Somaliland, Puntland, Galmudug, Hirshabelle, South West State, and Jubbaland. The political status of the BRA that includes the capital, Mogadishu, remains contested and undefined. The boundaries of the FMS are also disputed. The pre-2012 administrative units of 18 regions and 74 districts have now been allocated into the six FMS, though there are disputed zones to the west and south of Puntland. Today, regions are merely administrative units without governance functions. Districts represent the lowest administrative unit today, but cities that lie within districts have no legal boundaries. This makes it nearly impossible to derive urban population.

Sources differ wildly in their estimates of existing population and urban extent, compared to other countries, but bringing satellite imagery and land use together has improved confidence in population figures. The latest available population data is the UNFPA 2014 population survey. All the existing estimates for current population are the result of projections from these estimates and result in large error margins (Box 2).¹²³ Among these estimates are the ones commissioned by the Department for International Development (DFID) urbanization strategy, which relies on background work specific to Somalia. To estimate population numbers and urban extents, DFID uses satellite imagery analyses to assess cities’ physical area and land use patterns. Corresponding population density estimates rely on existing studies in Somalia and East Africa. Taken together, they lead to an estimate of population in line with the ones in UN-Habitat City Profiles (Figure 35).¹²⁴

Figure 35. Somalia’s Major Cities



Source: Population based on the estimates of Papachristodoulou et al. 2019.

Note: The selected cities are those for which there was more than population data, either referred to in the literature, background work or city-level poverty analysis. The size of the circles reflects relative size of cities. Dashed area is contested between Puntland and Somaliland.

BOX 2. POPULATION DATA REMAIN UNRELIABLE

The last published population census was conducted in 1975 in Somalia, and population displacement has rendered projections challenging. This situation is not unique to Somalia. The initiative launched by UN-Habitat in 2016, calling for a shared global definition of urban areas to allow international comparison – like the Sustainable Development Goals called for the harmonization of statistics across urban and rural areas – is therefore a welcome step.

Comparable definitions of urban area are based on a certain level of contiguity in built-up area, which can be detected based on satellite imagery and a given population density.

Currently, the tools available for built-up area detection are the Global Human Settlement (GHS) Layers (also known as the Degree of Urbanisation) at the Joint Research Center of the European Commission, Africapolis from the Sahel and West Africa Club (SWAC) of the OECD, and the World Settlement Footprint from the German Aerospace Center (DLR).

Global population estimates also rely on satellite imagery and available census data, which are distributed across a grid, based on cells' geospatial attributes such as built-up area, roads and rivers, and other spatial covariates attracting settlements. WorldPop and the Gridded Population of the World (GPW) at CIESIN pioneered these methods, which remain the most used today.

Such global datasets have their limitations, however, because they rely on remote sensing methods from imagery of varying quality, depending on year and location. Smaller built-up areas often go undetected, though estimates of population are notably more accurate there; in cities, population is often underestimated. But the growth in computing power, availability of satellite imagery, and expansion of geospatial analysis tools mean that better and more accurate models will expand and increase the capacity for enhanced planning and monitoring.

All rely on slightly different methods, but provide city population worldwide, the most recent being 2015.

- The degree of urbanization methodology relies on the GHS-POP dataset, which depicts the distribution of the population, expressed as the number of people in a 250m² pixel. Residential population estimates are taken from GPW,¹²⁵ disaggregated from census or administrative units to grid cell, and then attributed to the built-up areas.¹²⁶ The Urban Center database considers urban centers as contiguous 1-km grid cells with a density of at least 1,500 inhabitants, and a population of at least 50,000. Towns and suburbs consist of contiguous grid cells with a density of at least 300 inhabitants per km² and a population of at least 5,000.¹²⁷
- The Africapolis database identifies cities that had more than 10,000 inhabitants in 2015, and provides some historical population figures for those, going back to 1970. Africapolis also relies on satellite and aerial images to detect the built-up area and therefore the location of settlements. It then uses population from an inventory of housing and population censuses, electoral registers, and other official population sources, which have varying degrees of reliability. Administrative boundaries and subnational population figures are then used to link population data to the observed information on the built-up areas.¹²⁸
- The World Settlement Footprints represents a global binary raster dataset at 10m spatial resolution.¹²⁹ DLR builds on its WSF built-up area data, and on both GHS-POP and Africapolis as well, to derive another definition of urban area. City boundaries are defined as having at least 40 percent built-up area within a 250m² pixel. Population is then assigned from WorldPop, GHS-POP

and Africapolis, and the urban area is kept only if one of the three population layers gives a value above 10,000 and one of the other two of at least 7,500. A correction is then made when population estimates are far off the range that can be expected to be realistic (based on recent data) when an incomplete built-up area layer was used.¹³⁰

- TripleLine figures are based on the background work undertaken for the DFID urbanization strategy. The area of each city is estimated using the best quality imagery from Google Earth. Then, population for each city is based on densities based on a typology of land use identified in existing studies in Somaliland and East Africa. They are in line with the values provided by UN-Habitat City Profiles.¹³¹

Figure 36. What Defines the Boundaries of a City?

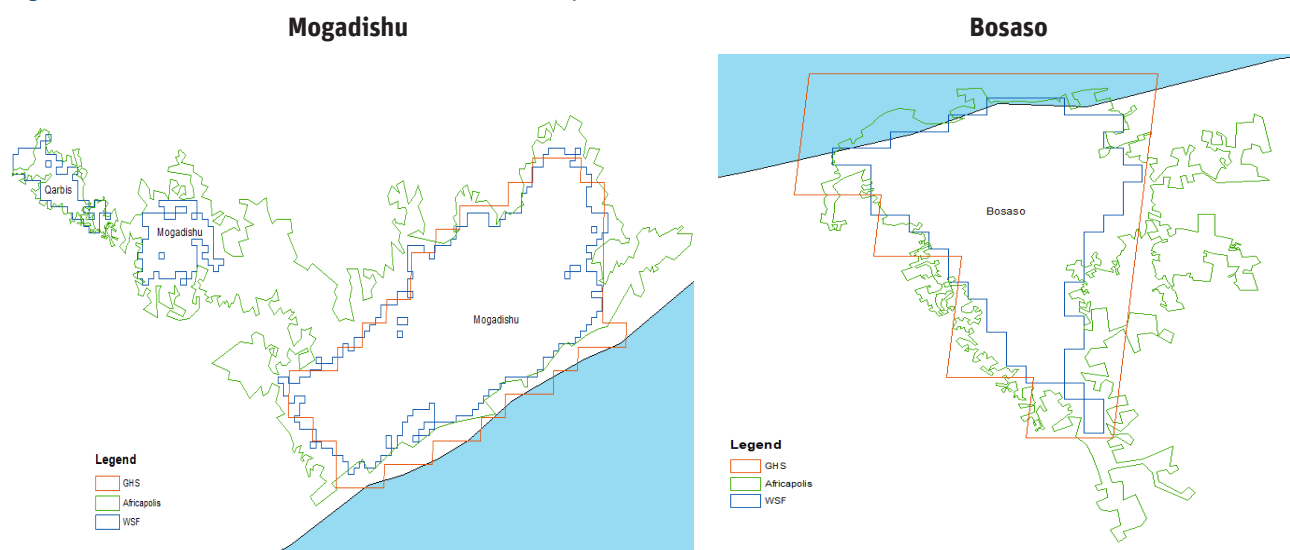


Table 1. Population and Area of Cities Vary from One Source to Another (2015)

	WSF		AFRICAPOLIS		GHS		TRIPLELINE		OTHER	IDPs (PRMN)
	area (km2)	population	area (km2)	population	area	population	area	population	population	2018
Mogadishu	80.4	2,912,487	148.9	1,712,400	98	1,503,035	116	2,100,000	1,782,796*	550,000
Hargeisa	33.1	1,677,972	58.9	706,400	45	792,311	71.4	800,000	778,960*	21,841
Bosaso	8.3	1,099,209	13.7	116,100	16	223,255	17	350,000	-	11,972
Baidoa	9.4	815,272	18.9	170,200	12	415,899	20	200,000	-	363,000
Galkayo	7.5	441,016	19.3	183,300	17	170,653	16.6	160,000	-	135,000
Beledweyne	9.8	85,987	19.6	176,800	15	100,421	13.5	135,000	-	138,000
Garowe	2.7	444,989	9.7	87,000	9	78,325	7.6	120,000	70-80,000**/ 150,000***	-
Kismayo	7.6	83,949	13.1	104,400	12	191,308	12	120,000	375,479*	107,000
Berbera	3.9	217,585	6.5	39,100	7	72,170	8.3	90,000	392,986*	13,002
Merca	2.8	527,838	3.7	33,300	22	128,180	4.3	40,000	524,271*	-
Jowhar	2.2	478,673	5.1	40,400	-	-	3.9	40,000	-	-
Dhusamareb	1.9	410,049	6.6	23,000	6	91,959	4.4	25,000	-	-

* WUP ** UN-Habitat *** Local Government

PATTERNS OF URBAN EXPANSION

Somalia's cities have expanded in different ways to accommodate growing populations. Many have developed and expanded around trade opportunities, such as ports, borders, and major highway junctions. Others have expanded rapidly as IDPs arrived from surrounding areas, or as peace was consolidated in the city. Density has been added to some urban cores through infill of vacant land or an increase in building heights, as economic prospects improve and demand for land intensifies.

Divergent trends of urban expansion can lead to divergent urban outcomes. Dense development and dense populations reduce the distances over which infrastructure and services must be extended, reducing servicing costs, improving access, and enabling scale economies in service provision. Density also facilitates productive exchanges like trade, job searches, social mixing, and the spread of ideas and information. Density facilitates scale economies and in turn, specialization, among businesses, key to raising productivity. Indeed, the density of cities is central to the tendency of urbanization to drive economic growth. More sprawling and low-density settlement patterns raise the costs of infrastructure and service provision, raise barriers to connectivity, reduce the size of markets, diminish productivity, and sometimes result in segregated pockets of persistent poverty.

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 which 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 appear to have a greater tradition and prevalence of urban grid demarcation than many neighboring countries, but this has nonetheless often been neglected, particularly during periods of rapid urban expansion and weak or nonexistent governance.

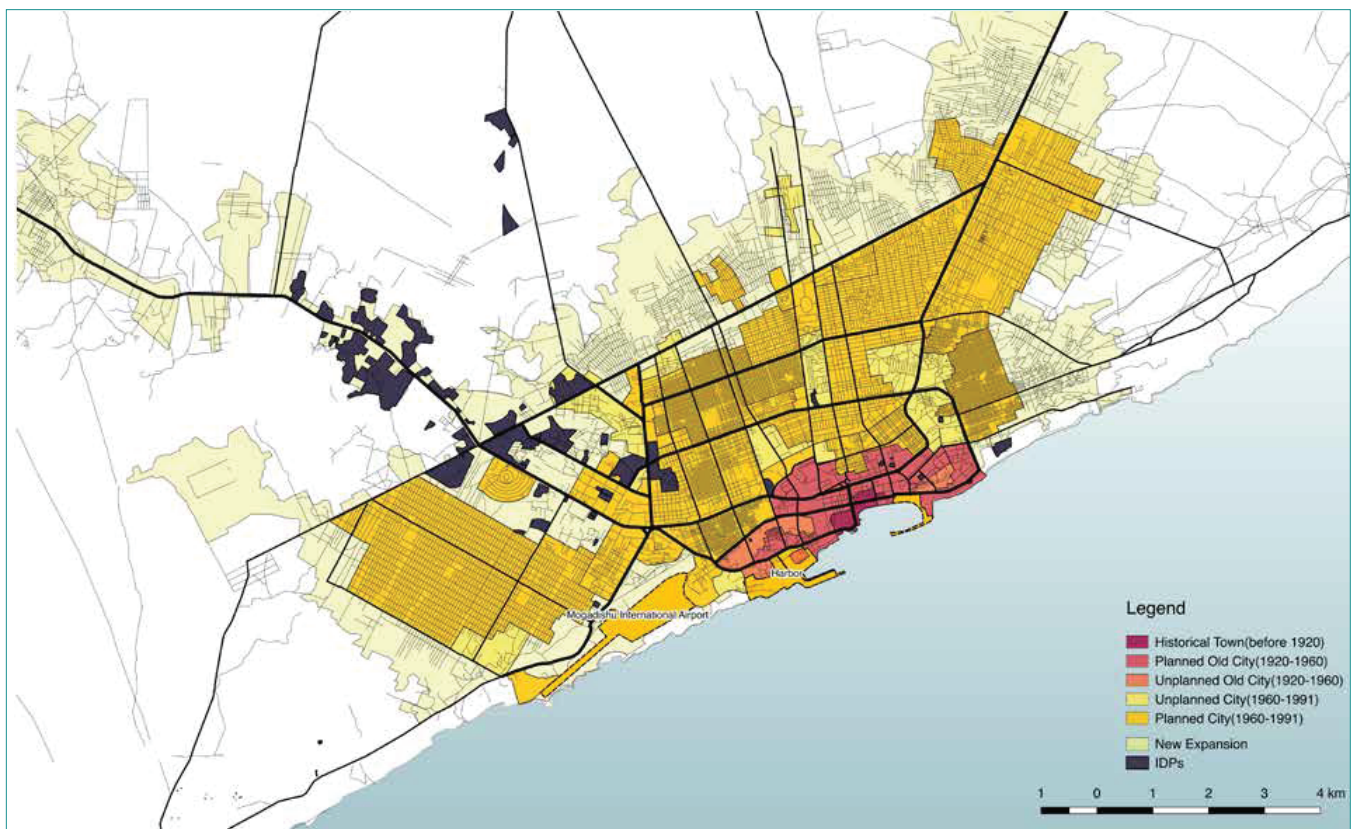
In Somalia's fragile context, urban form and density also affect social integration and equity, while social and political contestation have themselves shaped cities' development and spatial forms. Many cities are divided spatially along clan lines; Galkayo is divided down the middle between not only two rival clans, but also two competing administrations. IDPs are often segregated onto peripheral or totally dislocated land. On the one hand, this land is cheaper and often less contested. On the other hand, such choices reflect the low status and rights accorded to many IDPs and may reflect intentional segregation from city life. The result is to impede IDPs from contributing to or benefiting from city life, which raises risks of 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.

MOGADISHU: DEVELOPMENT FOLLOWS THE CITY GRID

Mogadishu historically grew and densified around its port, often following a structured grid.¹³² In the early 20th century, Mogadishu predominantly grew around its historic port (Figure 37). Its expansion during the 20th century often benefited from preemptive grid planning, which guided an efficient and accessible urban form. Mogadishu's first plans were drawn by Italian colonizers. After independence, further grid

demarcation supported orderly expansion with good access to roads and streets. UN-HABITAT notes that “the typical Mogadishu grid, with small blocks and a well-established road network, emerged during this period.” From 1978, with the end of the Ogaden war, Mogadishu experienced rapid population growth and urbanization, prompting efforts to plan the city's expansion. In 1980, the 1973 Urban Land Distribution was amended, and the Benadir Regional Administration was mandated to produce a master plan, with support from Italy, to address Mogadishu's population growth.¹³³

Figure 37. Urban Expansion of Mogadishu since 1920, with IDP settlements

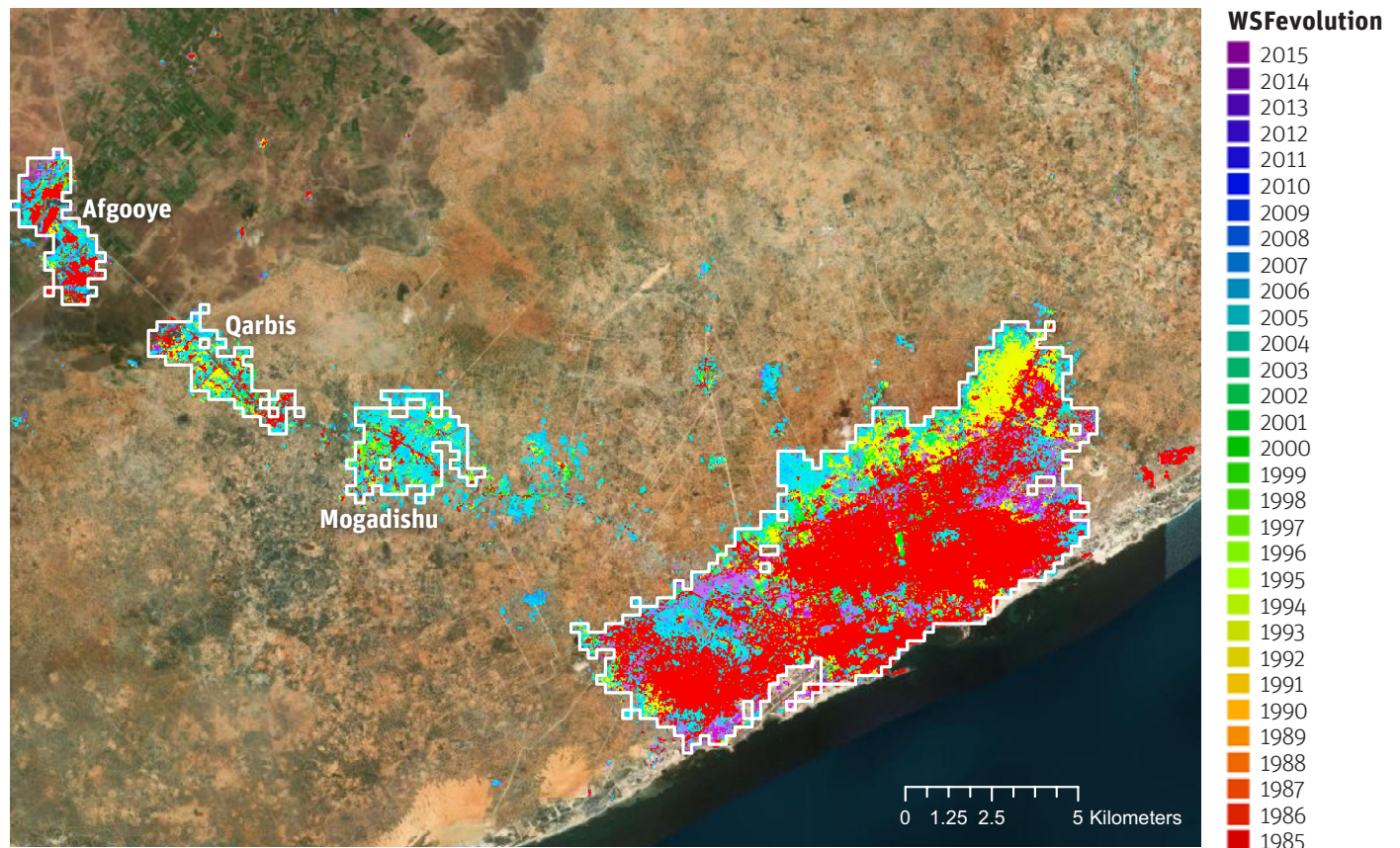


Source: UN-Habitat. 2016. Towards Mogadishu Spatial Strategic Plan.

Since the 1990s, Mogadishu has more often expanded in a sprawling manner, with IDP influxes coinciding with governance vacuums. After civil war broke out in the early 1990s, Mogadishu received large waves of incoming IDPs and migrants, but lacked further planned areas where they could settle. Indeed, the city plan developed with Italian support had previously been criticized for failing to take into consideration the likely

future expansion of the city.¹³⁴ During the years of chaos and lawlessness that followed, newcomers to Mogadishu settled in an ad hoc manner onto sprawling unplanned peripheral sites. By 2016, at least 400,000 IDPs lived in Mogadishu, 55 percent of whom lived in Daynile and Kaxda on the city outskirts.¹³⁵ The area of urban sprawl was almost 75 percent as large as its planned area.¹³⁶

Figure 38. Urban Expansion in and Around Mogadishu (1985–2015)



Source: DLR World Settlement Footprint Evolution 2015

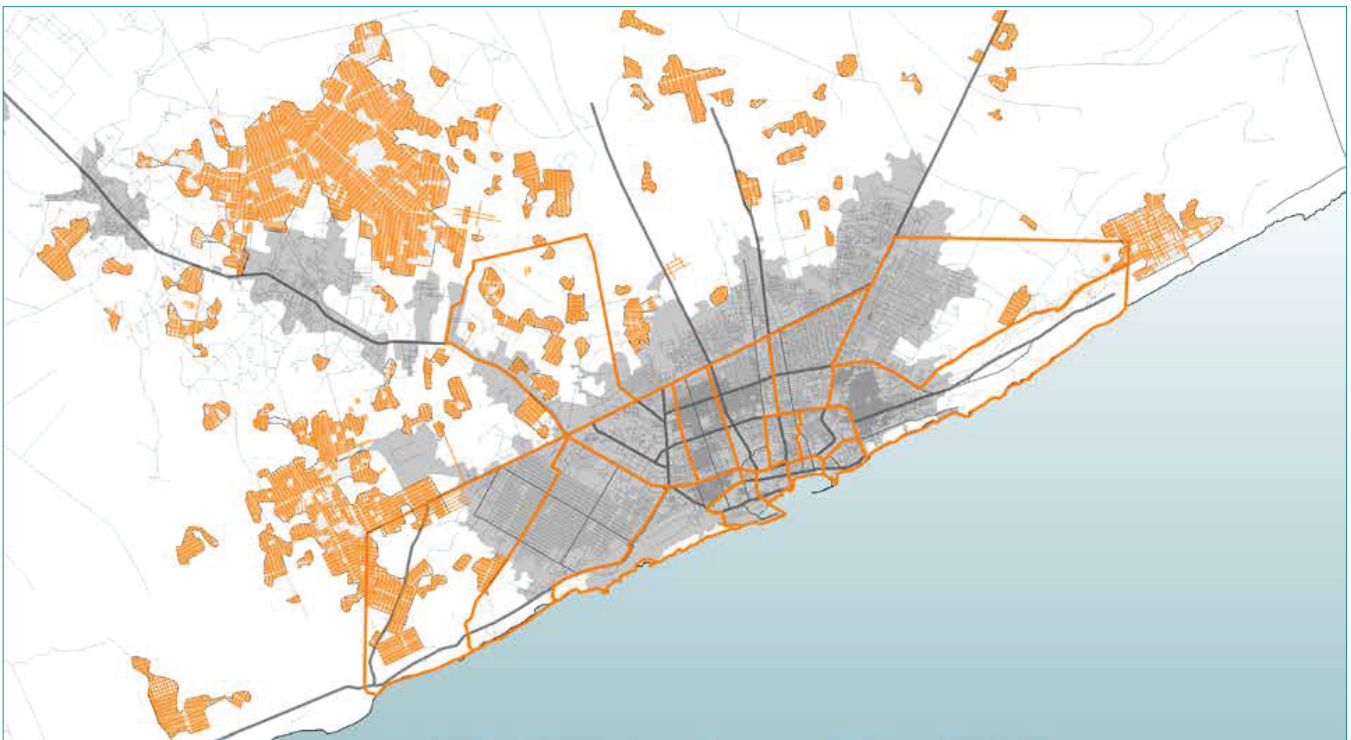
Today, large areas of unbuilt land around Mogadishu have demarcated grids. While this may guide orderly future expansion, there is at least a risk this reflects more problematic trends.

UN-Habitat observe that about 5,959 HA of new street grids have been demarcated on currently unbuilt land around Mogadishu (Figure 39). As above, such grid planning can guide urban expansion into orderly, accessible settlements, supporting productivity and well-being. But the situation also presents risks. First, it is unclear whether demarcation has been undertaken by legitimate and accepted actors and with appropriate compensation and consultation, or if it is the result of more contested or exploitative land-grabbing. In addition, although

planned areas are proximate to main roads, many are far from the core city, risking sprawl liable to dramatically drive up infrastructure servicing costs. It is also unclear if the necessary complementary measures are being coordinated, such as measures to address likely new traffic congestion along the Afgooye road (heading North West).

The case of Mogadishu highlights the important of accessibility in urban evolution – both within the city, through the grid and wider transport investments, and beyond the city, through roads, borders, and ports. It also highlights the challenges of achieving this accessibility in Somalia’s cities, where land rights and sources of wealth are contested.

Figure 39. Mogadishu’s Unbuilt Demarcated Land Could Accommodate 800,000 People (2015)



Source: UN-Habitat, 2016

BOSASO: INTERNATIONAL AND INTER-CITY CONNECTIVITY HAS SPURRED RAPID EXPANSION

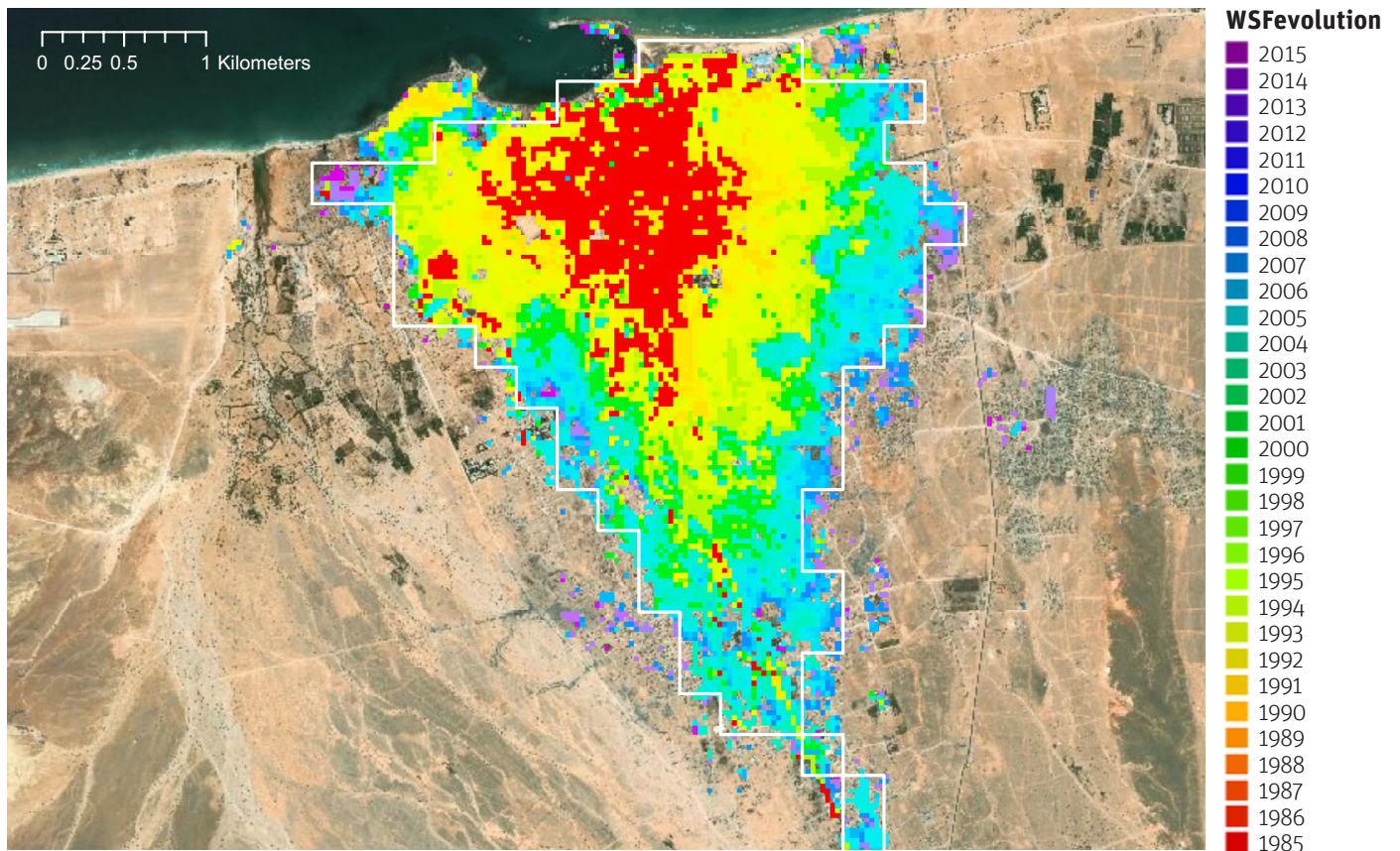
Once a small, isolated coastal town, Bosaso's population and footprint have expanded rapidly since 1990. The city has exploded in size from about 20,000 in the 1980s to nearly a half a million today. Part of this expansion is linked to completion of its port and highway around 1990. Until then, Bosaso had been historically considered by many Somali as gaariwaa – isolated and inaccessible.¹³⁸ The seaport and highway allowed it to play a role as a new commercial hub. Bosaso's rapid growth is also linked to the Somali civil war. Hundreds of thousands of Somalis affiliated with the Darood/Majerteen clan, whose regional home is in northeast Somalia, had to flee Mogadishu for safety in 1991, and made new homes in Bosaso and other mid-size towns in what later became Puntland. They constituted a large new market for consumer goods traded through the seaport and brought private sector experience to the region. In addition, chronic warfare and unsafe roads in southern Somalia blocked much of the country from access to the Mogadishu seaport, which had in the past been the main site of import-export activity. Bosaso's seaport, and the north-south highway linking Bosaso to Beledweyne and southern Somalia, exploded with commercial traffic as a result.¹³⁹ Today, Bosaso continues to serve as a regional hub for trade with Saudi Arabia, UAE, Oman, and Yemen. Livestock from inland areas are the main exports from Bosaso port. Although Garowe is Puntland's administrative capital, Bosaso is today Puntland's economic and trade capital, and Bosaso port alone accounts for 40 per cent of Puntland's state revenue.¹⁴⁰

Political impasses at the city level have at times produced paralysis, but not significant political violence. Throughout the 1990s, local political rivalries prevented the city from establishing a viable, effective, or stable local administration.¹⁴¹ The establishment of the autonomous Puntland State in 1998 brought relative stability to Bosaso for three years, allowing the formation of a regional and local administration. Political crisis took hold again from 2001 until 2003. Since 2003, Bosaso's local administration has been consolidating and evolving. A 2005 law (Law No.7 of the District Councils) paved the way for the formation of local councils and the election of Bosaso's first mayor; so far, four rounds of local council nominations have taken place in Bosaso.

Political instability at the regional level has threatened Bosaso's role as a regional seaport, but the private sector has successfully navigated periods of communal clashes, militia roadblocks, green lines, and al-Shabaab road attacks. Bosaso's fate depends heavily on the flow of commerce up and down the north-south highway that links it to central and southern Somalia. That valuable stretch of highway has been the site of periodic instability, but business interests on all sides have too much at stake to allow commerce to be blocked for long.

Observing the expansion of Bosaso's urban footprint and population since 1985 gives more perspective on the impact of connectivity and security on the city's development. In 1991, the population of Bosaso was estimated to be between 15,000 and 25,000 people.¹⁴² By 2009, Bosaso's population was estimated by UN-Habitat to be over twenty times that at 495,000, of whom 45,000 are IDPs. In 2014, Bosaso's population was estimated to be 471,483 people plus 49,000 IDPs.¹⁴³ Observing the expansion of Bosaso's footprint over time suggests many residents arrived between 1990 and 1995, despite Bosaso's tumultuous political situation in these years; this mirrors trends across many Somali cities, where even greater insecurity and poverty in rural areas tilted the balance in favor of urban migration. A wave of expansion is also evident from 2004–2006, which may have been encouraged by improvements in political stability (Figure 40). This explosive growth was accompanied by almost no new major road construction or urban planning, making Bosaso one of the most congested and haphazard Somalia cities.

Figure 40. Expansion of Bosaso's Urban Footprint (1985–2015)

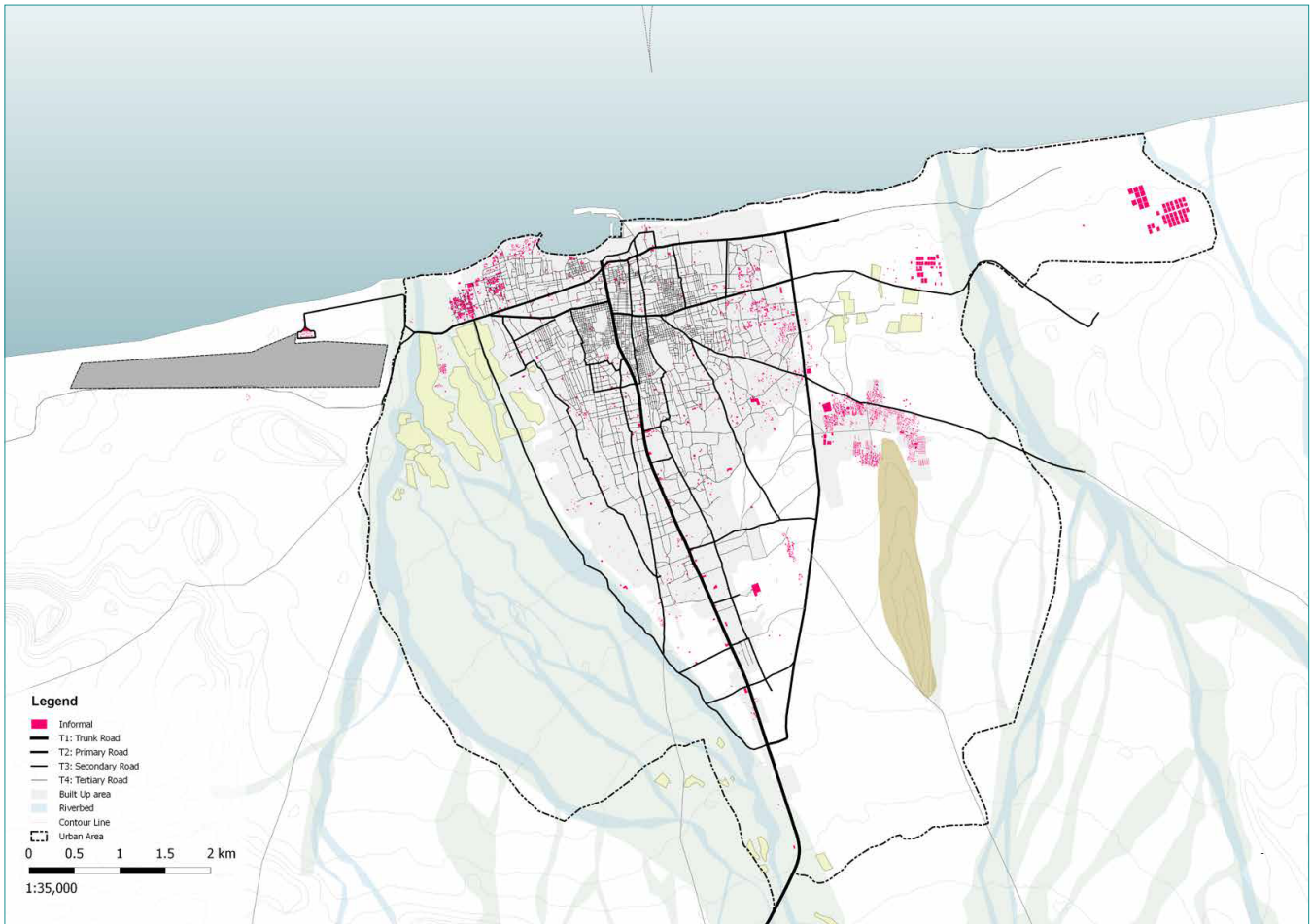


Source: DLR World Settlement Footprint Evolution 2015

While some IDPs live among other marginalized groups on Bosaso's periphery, many are in dislocated settlements. Bosaso's east side hosts 36 of Bosaso's 38 IDPs settlements, most of whose residents were evicted from the west side of the city. Due to the availability of cheap, small, land plots, these neighbourhoods have become places where other poor people and minorities settle;¹⁴⁴ overall, these settlements are more integrated

with city life and benefits.¹⁴⁵ By contrast, several formal IDP settlements have been established in more dislocated areas, which may suggest a trend towards greater segregation of incoming migrants (IDPs) from the city (Figure 41). IDPs from the southern parts of Somalia are among the most marginalized communities in Bosaso.

Figure 41. Location of IDPs in Bosaso, 2016



Source: UN Habitat, 2016

Bosaso highlights the potential of Somali cities to create income opportunities for growing populations within cities, and to be engines of growth for the country. Bosaso has performed these functions, supported by relative peace and political stability, plus

strong connectivity to international markets and the interior. However, it also highlights a worrying pattern in which new migrants (IDPs) are excluded from the benefits of the city, in particular through their increasingly segregated location.

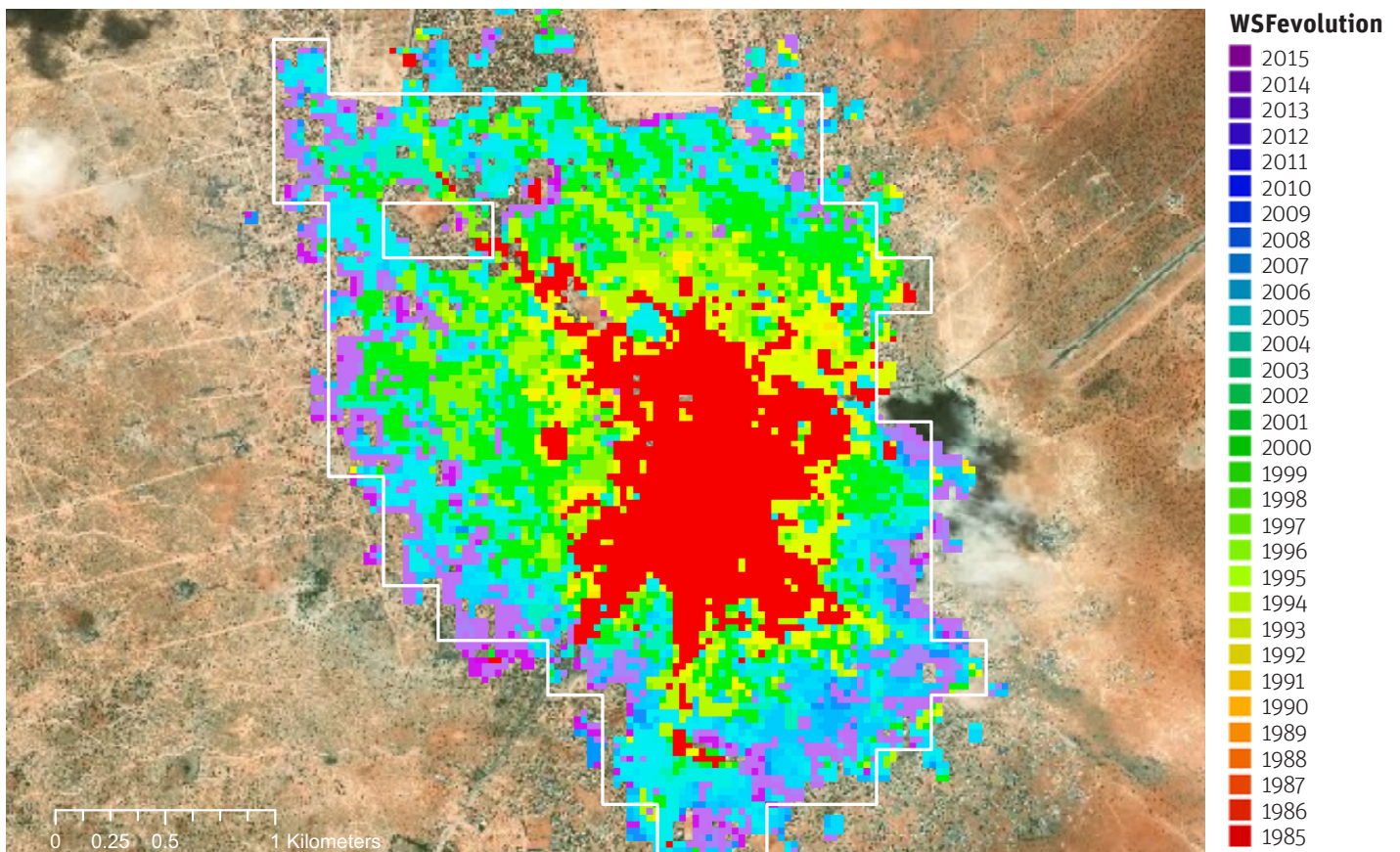
GALKAYO: REGIONAL TRADE ALSO DEPENDS ON INTER-CITY CONNECTIVITY

Despite being inland, Galkayo is an important regional hub for trade and business between southern and central Somalia, the Somali region of Ethiopia, and the Gulf of Aden via Bosaso port. Galkayo is surrounded by pastoral land. Despite lying 670k South of Bosaso, its traders are an important source of live animal exports passing through Bosaso port (Puntland). Galkayo also trades food and non-food commodities imported via Bosaso to other parts of Somalia. Some Galkayo residents

are even part of fishing associations linked to Bosaso, particularly for lobster and shark-fins, though this has been in decline following the 2004 tsunami.¹⁴⁶

Like Bosaso, Galkayo has undergone rapid expansion since the early 1990s. Galkayo is the only city in the region of Mudug, and its spatial footprint more than tripled since 1985 (Figure 42). Galkayo's expansion has been particularly driven by IDP influxes, with IDPs constituting a high share of the population. A lower share of Galkayo's expansion took place in the early 1990s than in many other cities, possibly reflecting the active conflict between rival clans that reemerged within the city from 1991 – 1993.

Figure 42. Expansion of Galkayo's Urban Footprint (1985–2015)



Source: DLR World Settlement Footprint Evolution 2015

Galkayo today is spatially divided between two historically rival clan-groups and administrations.

As an important trading town on the edge of multiple clan territories, Galkayo had been a meeting point and site of conflict between two rival clans for decades. A historic peace agreement in 1993 established that each would control its respective territories (broadly dividing the city between North and South), resulting in a period of relative peace. Puntland has largely, since its establishment in 1998, ruled the city’s North, with opposing clans ruling the South. However, Somalia’s federalisation process intensified competition, with groups lobbying for a new Galmudug State in the region, which would take some or all of Galkayo. In 2015, the Galmudug Interim Administration (GIA) was established and began to govern south Galkayo. In 2016, Puntland attempted to claim territory at the border between the administrations, with fighting resulting in the displacement of over 65,000 people. Today the GIA governs south Galkayo,¹⁴⁷ and Puntland governs north Galkayo, with clan populations largely divided along the same lines. The main business area is in the center of the city, at the meeting point of the two administrations.

The Puntland administration controls the critical trade route north, including Bosaso port. Despite this political divide, commercial traffic moves across the Green Line in the city and is important to businesses and consumers on both sides of the divide.

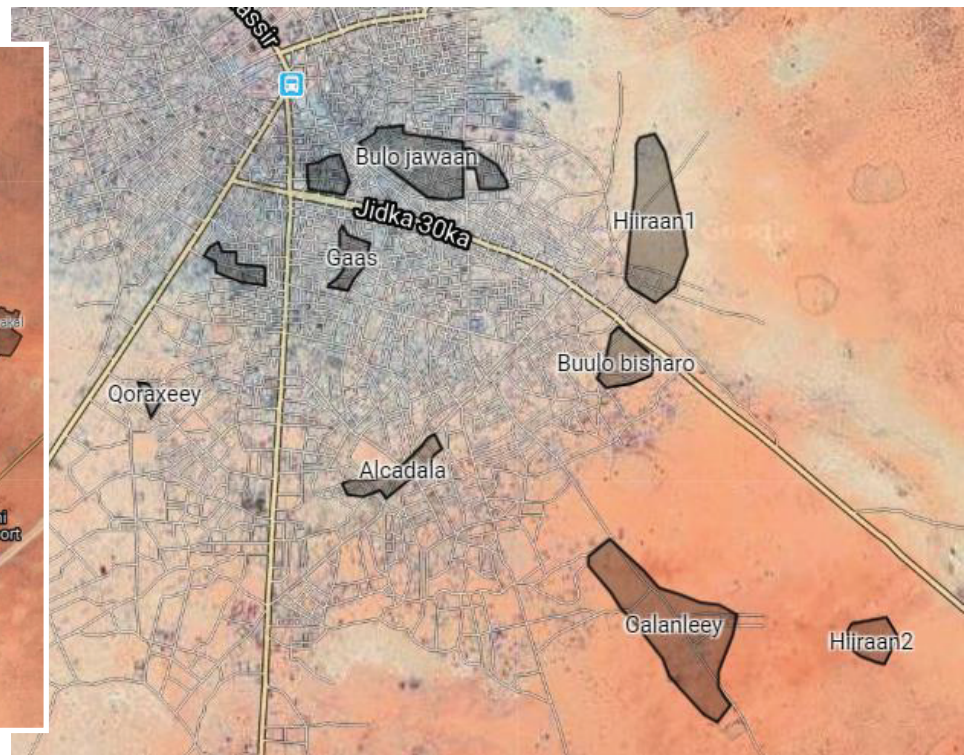
A very large share of Galkayo’s population are classified as IDPs; despite their historic role in Galkayo’s urban development, new arrivals are increasingly settled far from the main city.

Approximately 135,000 of Galkayo’s residents are classified as IDPs, and live across over 70 settlements.¹⁴⁸ This population is large compared to Galkayo’s total population, which is estimated at between 160,000 and 460,000 (Table 1). Some IDP settlements are on the city periphery,¹⁴⁹ whereas others are dislocated by several kilometers (Figure 43 and 44). When the 2017 drought led 20,000 to migrate to Galkayo, new dislocated settlements were established to host these 3km West and 16km East of the city. Even in more central areas, evictions are very common in IDP settlements, often caused by attempts to claim land for the government or reactions to disputed ownership.¹⁵⁰

Figure 43. IDP Settlements in North Galkayo, April 2014



Figure 44. IDP Settlements in South Galkayo, August 2014



Source: Shelter Cluster

KISMAYO: SECURITY HAS BROUGHT URBAN RENEWAL, AND “SECOND STAGE” CHALLENGES

After years of stagnation, Kismayo’s population has recently been growing rapidly, thanks to its relative stability since 2012. The Jubbaland administration heads security measures in the city, with substantial support from the SNA and AMISOM forces. These parties have restored public order and stability, raising the city’s attractiveness to people in less secure locations in the region, as well as to the diaspora. There are high levels of rural-urban migration to Kismayo, due to prospects for employment and better living standards in the city, security threats from al-Shabaab in rural areas, and prolonged rural drought and famine. Kismayo has also received an influx of Somalis from the diaspora, as well as Somali refugees returning from Kenya and other parts of the region.

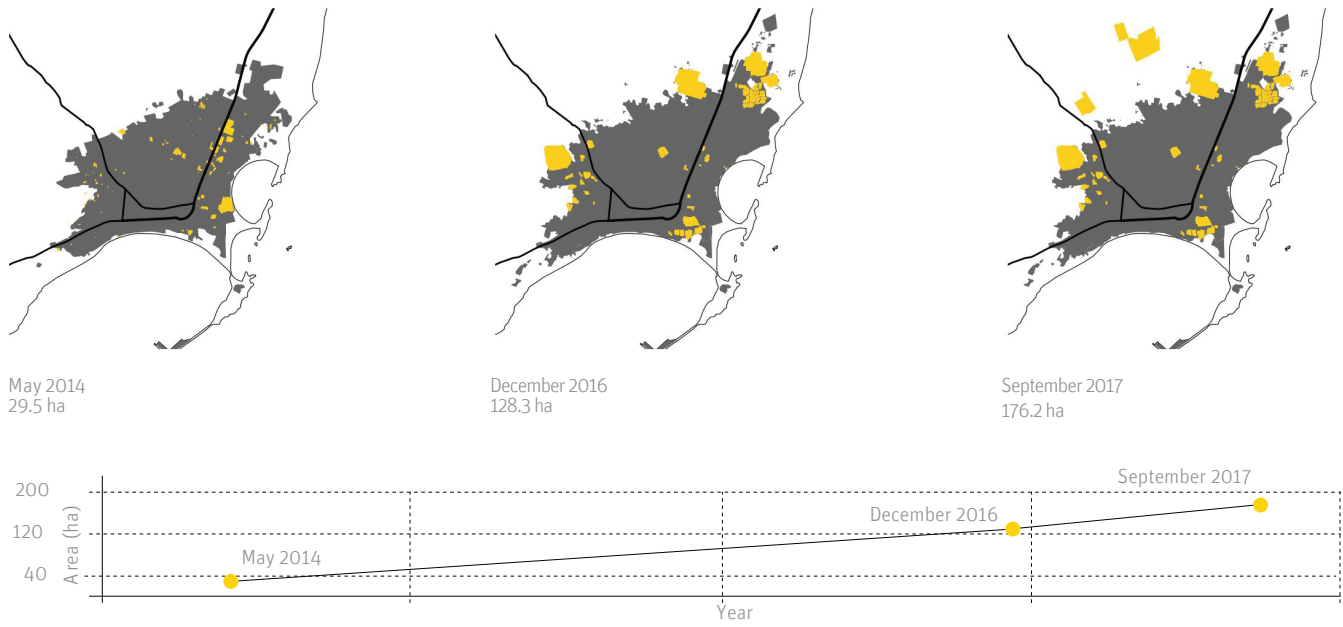
Kismayo’s economic vitality and growth is constrained by the fact that it is cut off from most of its hinterland. At present, the pastoral and riverine interior north and west of Kismayo is controlled by al-Shabaab. Al-Shabaab does allow the flow of certain goods through its territory. Charcoal is harvested in the pastoral interior and trucked to Kismayo for export, and sugar is imported through Kismayo and trucked to the lucrative Kenyan market. Al-Shabaab taxes both heavily. Other movements of goods and people are much more restricted, especially trade up the fertile Jubba valley, which ought to be and in the past was part of a trade corridor to Kismayo. Even before al-Shabaab came to control Kismayo’s hinterland, the city had been almost constantly cut off from the interior since 1991, due to intense clan rivalries and inability to share the city. This is one of a number of factors constricting growth and development in the city.

Outside of Mogadishu, no other city in Somalia has been as contested as Kismayo. All Somali cities are home to local debates about which clans are indigenous and which are newcomers, as well as which clans are most numerous. These debates are part of local competition for positions of power, contracts, and local employment. But in most other cities, these debates are restrained, and local elite compacts have been forged to allow for some degree of coexistence. That has not been the case for Kismayo. Several large clans have forceful claims to the city and have generally failed to reach a durable peace and co-existence there since 1991. The result has been years of chronic tensions and sporadic armed clashes, resulting in one or more clans being either evicted from the city or forced to accept a local victor’s peace. The current period of stability since 2012 has been the exception to the rule.

With the onset of relative peace, the diaspora has invested heavily in land, but poor and marginalized communities have often been dispossessed. As noted by the Jubbaland Minister for Public Works and Housing, “Kismayo’s stability has attracted many investors from abroad or from the regional refugee camps.”¹⁵¹ Some members of the diaspora are returning to reclaim their former land plots, while others are making new investments. However, rising prices and commodification have entrenched the city’s division between the rich and the poor, who today live in segregated settlements.¹⁵² The value of registered land increased nearly ten-fold, from about USD 3,500 for a plot of 20m x 20m in 2010, to USD 30,000 in 2018. The city also has distinct settlement areas for IDPs and poor returnees, notably in the Mid-nimo and Via Afmadow areas.

Since 2014, IDPs have increasingly been located in peripheral or dislocated settlements. Until 2014, almost all IDPs were settled in the core city, amid other urban residents. However, by 2016, several large new settlements had been established on the city periphery, and by 2017 two more dislocated settlements had also been added (Figure 45). This in part reflects the large increase in the number of new arrivals to the city, and the competition over central land that might accommodate them.

Figure 45. Location of IDP Settlements in Kismayo, 2014, 2016 and 2017



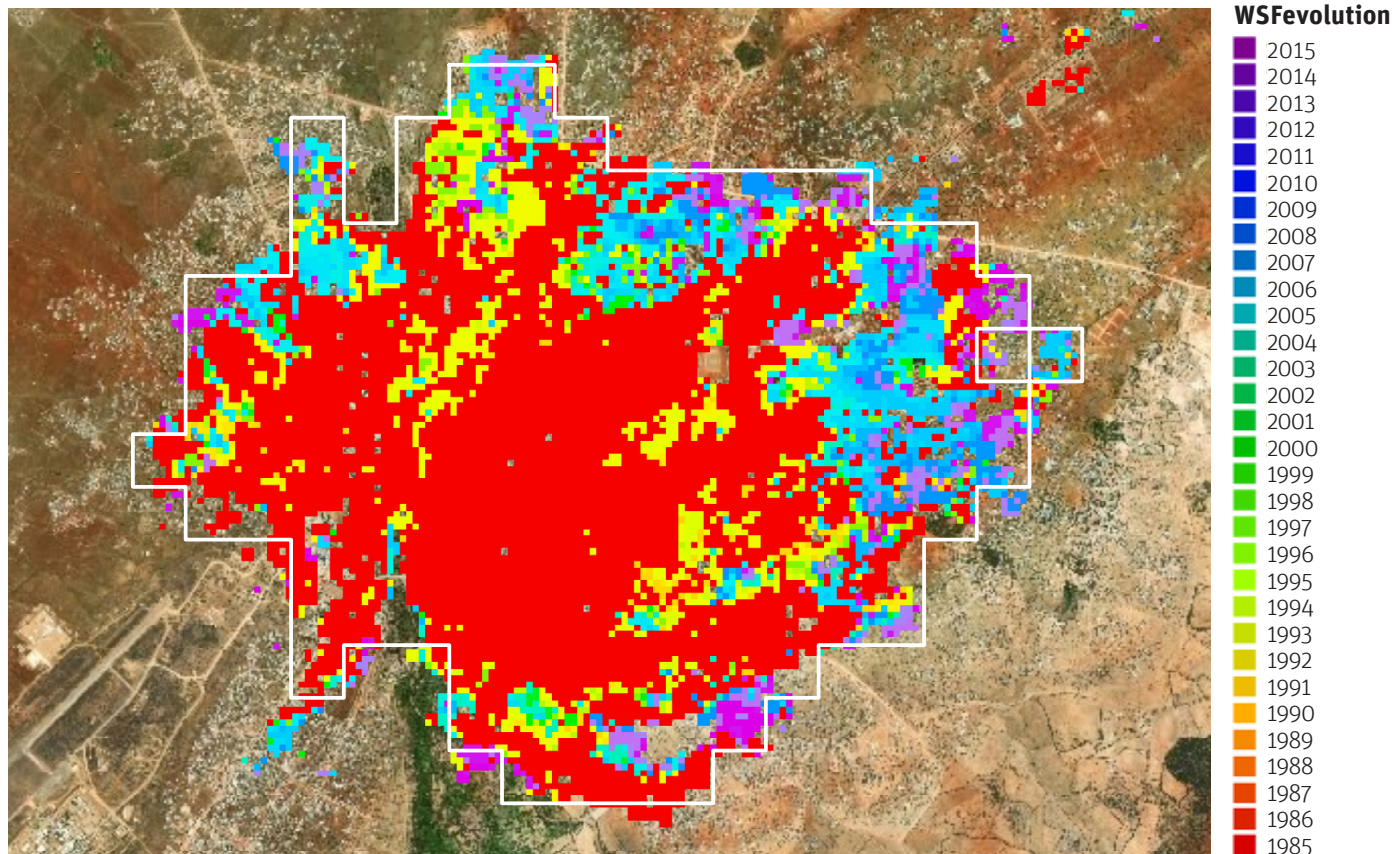
Source: UN Habitat (2017)

BAIDOA: IDPS HAVE SHAPED THE CITY

Land ownership patterns in Baidoa may be categorized into three layers. The first consists of a more cosmopolitan area in the central business district. The

second layer comprises more residential neighbourhoods distinguished by clan lineages. The third layer consists of informal settlements inhabited by IDPs, which are overwhelmingly peripheral and also often organized along clan lines (Figure 46).

Figure 46. Expansion of Baidoa's Urban Footprint (1985–2015)

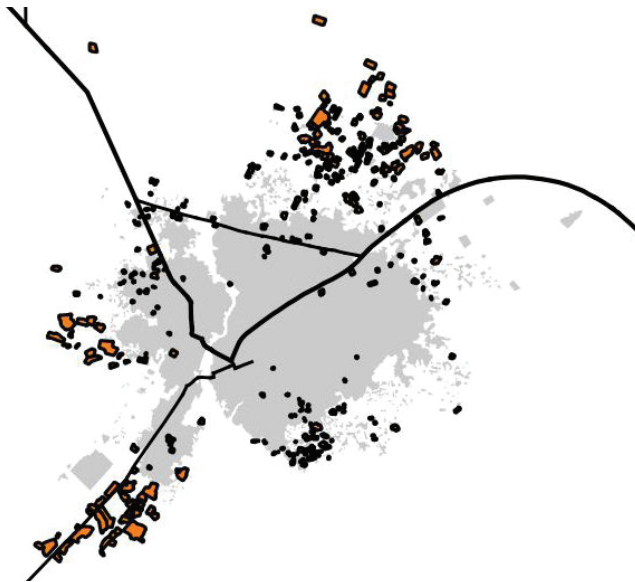


Source: DLR World Settlement Footprint Evolution 2015.

Baidoa has been a hub for hundreds of thousands of IDPs displaced by drought. The Bay and Bakool regions experienced famine and mass starvation in 1992, resulting in the death of an estimated 500,000 people. In search of food and care, many fled to cities like Baidoa, Mogadishu, Dadaab, and Dollo-Ado. In 2011, famine in the Bay and Bakool region led to huge population displacements to Dollow and Dollow Ado at the Somali-Ethiopian border. A further famine in 2017 left 6.7 million Somalis in need of food assistance (2017) and provoked an influx of

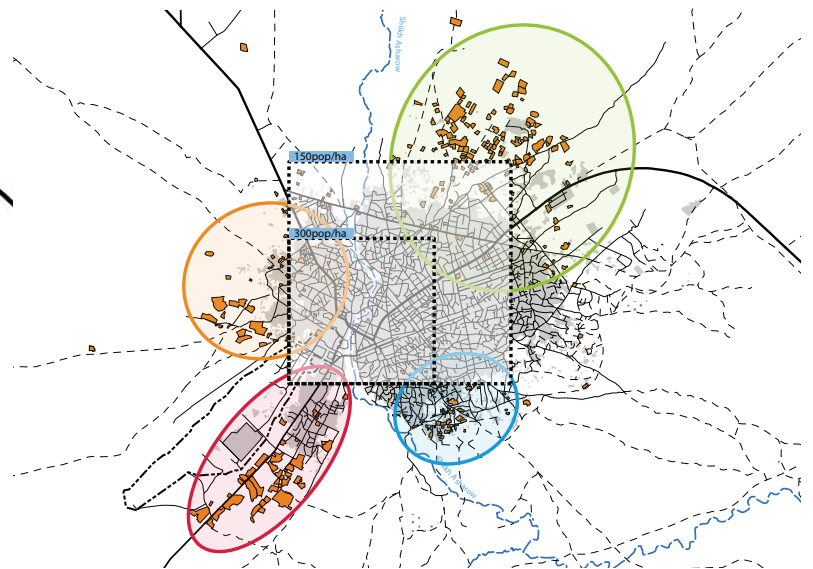
over 142,000 displaced persons to Baidoa.¹⁵³ The area occupied by IDPs in Baidoa tripled in just eight months from September 2016 to April 2017 (Figure 47 and 48).¹⁵⁴ As in other cities, IDPs settled on the urban periphery, on land owned by private landowners, resulting in regular forced evictions,¹⁵⁵ particularly as land values climb and the city expands. By contrast, the urban poor on the periphery often voluntarily sell their land for profit. Baidoa municipality more recently allocated one square km to IDPs to mitigate their constant threat of eviction.¹⁵⁶

Figure 47. IDP Settlements Located on the Periphery of Baidoa



Source: UN-Habitat (2017) Baidoa Urban Profile.

Figure 48. Estimated Additional Area Needed to Accommodate the Current IDP and Returnee Population in Baidoa



Source: UN-Habitat (2017) Baidoa Urban Profile.

GAROWE: IDPS ARE SEGREGATED FROM URBAN OPPORTUNITIES

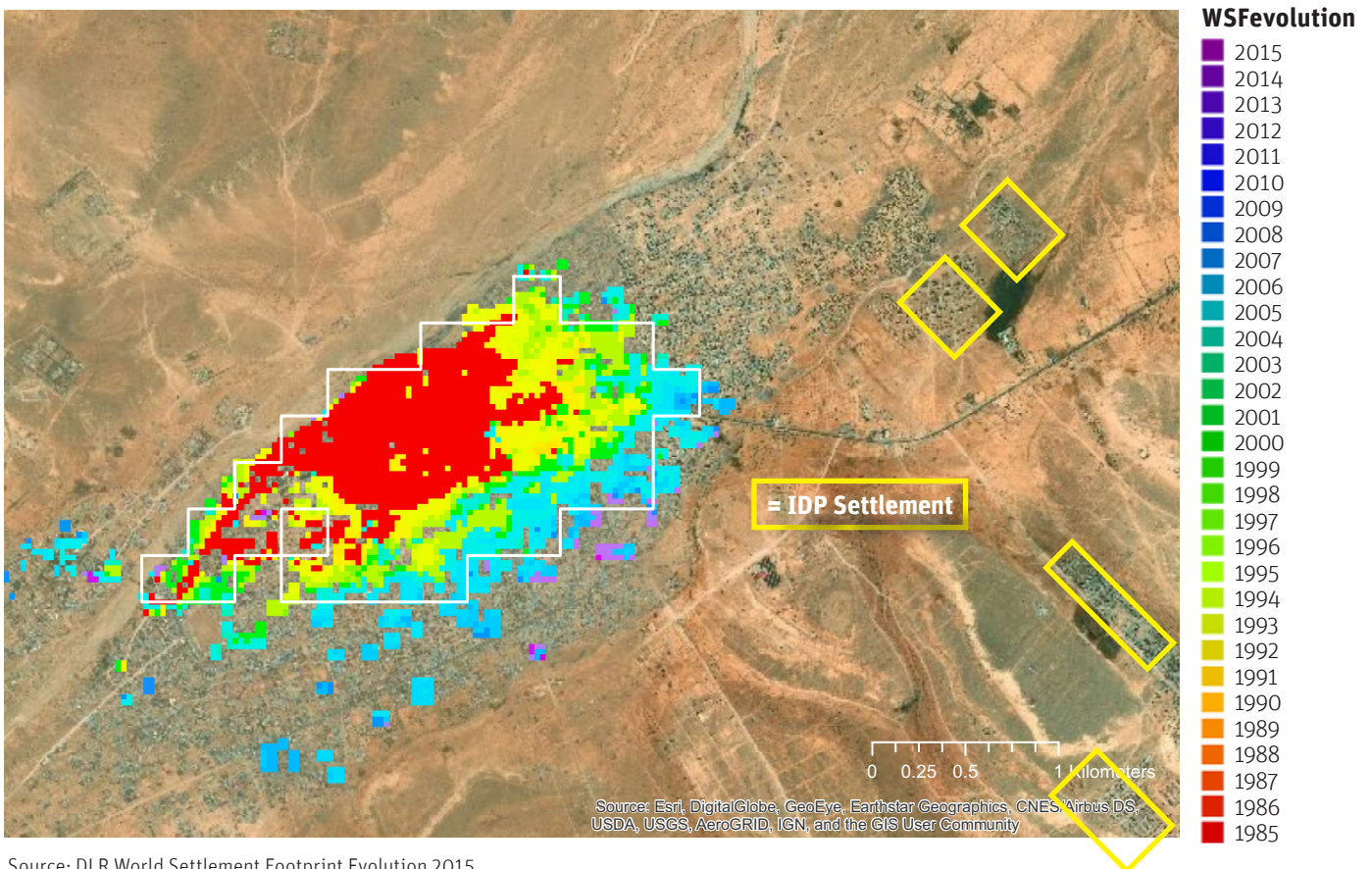
IDP settlements in Garowe are totally dislocated from the city. IDPs have been relocated from various locations within the city to its periphery in the Southwest of the city, in dedicated settlements supported by international aid (Figure 49). While the greater support to these settlements represents a significant improvement compared to improvised camps, their relocation to peripheral areas exacerbates segregation and poverty.

In Somalia's fragile context, patterns of expansion have varied based on the spatial difference opportunities and challenges seen across the territory.

Somali cities are highly heterogeneous. For example, Hargeisa is the second largest city (with 706,000 to 1.7 million people, depending on data sources), the economy of which has flourished thanks to relative security and higher administrative capacity, which complement its

relatively stable climatic conditions for agriculture, and easy access to Berbera port. By contrast, Kismayo is far smaller, with 83,000-375,000 people (depending on estimates), and enjoys its own port and location on important trade routes; however, these assets have also been spoils of intense conflict, while violence and climatic hazards in the surrounding region have led to large influxes of IDPs. Mogadishu has starkly different conditions again: as the seat of the federal government and many aid agencies, with a distinct governance structure (via the regional administration rather than a district government), and the largest population by far (between 1.7 million and 2.6 million people, depending on estimates), which make it a key target for terrorist and other violent attacks. History has shaped cities' size, density, access to markets, access to productive infrastructure, exposure to external shocks (such as insecurity and natural hazards), administrative capacity, and other factors. Such heterogeneity of challenges and opportunities calls for different interventions.

Figure 49. Expansion of Garowe's Urban Footprint (1985–2015)



DEVELOPING A TYPOLOGY OF CITIES TO STRUCTURE INTERVENTIONS

To better grasp cities' varied characteristics and design targeted interventions, this study develops a typology of cities. The typology uses proxy indicators from available data that represent opportunities and constraints, namely access to markets, poverty, violence or adverse natural events nearby, and IDPs influxes and rapid expansion (Figure 50). Adverse natural events are proxied by price

volatility, as floods and droughts affect the food supply chain, and therefore generate spikes in food prices.^{157, 158, 159} Using prices allows researchers to control for the differentiated impact of disasters depending on levels of market access, as price variations are less important in well-connected urban centers than in remote areas.¹⁶⁰ As such, price volatility captures the real direct impact of disasters on urban households. Furthermore, the literature also highlights the impact of this link on the resurgence of conflict.¹⁶¹ The index ranks cities in terms of their vulnerability (Figure 51).

BOX 3. TYPOLOGY OF CITIES

- **Access to market** is a measure of how accessible any given city is to all other cities of more than 10,000 inhabitants, based on travel times and city size.¹⁶² Because better market access increases economic opportunities and is therefore positive, we take the inverse of this dimension, with higher values indicating lower access.
- **Poverty** was only representative for three cities in the Wave 2 of the Somalia High Frequency Survey (SHFS). The other 13 were computed based on the combination of the SHFS, remote-sensing, and geospatial data (building on the methodology used for other countries¹⁶³; details can be found in the Appendix).¹⁶⁴
- **Climate and agricultural risks are captured by price volatility**, which was computed by taking the yearly average of standard deviation of the monthly prices for red sorghum (of the more commonly consumed cereals in the country, along with maize and rice) collected at the city level by the Somalia Food Security and Nutrition Analysis Unit (FSNAU) from 2011 to 2018. Price volatility increases as floods and droughts affect the food supply chain, and therefore generate spikes in food prices.^{165, 166, 167} Using prices also allows us to control for the differentiated impact of disasters depending on levels of market access, as price variations are matter less in well-connected urban centers than in remote areas. Furthermore, the literature also highlights the impact of this link on the resurgence of conflict.¹⁶⁹
- **Violence in and around the city** is an aggregate of the violent incidents per km² for the period 2010 – 2020 recorded in the Armed Conflict Location & Event Data (ACLED) database.¹⁷⁰ For each city, all events linked to Al-Shabaab which happened within 30 km of the city center were considered. Considering that violent events concentrate in larger cities, and in order to control for cities' size, violence incidence per km² was then calculated by dividing the estimate by the built-up extent of each city.
- **Forced displacement: Number of IDP arrivals per km²** between 2016 and 2019 are reported by UNHCR's Protection and Return Monitoring Network (PRMN). PRMN is a UNHCR-led platform that monitors forced displacements (including returns) of population in Somalia. The data is captured by partner staff interviewing displaced persons, primarily at points of arrival, or by interviewing key informants at IDP settlements, transit centers and other strategic locations. This data is collected at the districts level across Somalia. Data on returnees was obtained at city level for Kismayo, Baidoa, and Mogadishu, based on UNHCR 2018 reports. Since IDPs concentrate in urban areas, to control for cities' size, IDPs per km² was obtained by dividing the estimate by the built-up extent of each city.

• **Rapid urban expansion:** Compound annual growth rates come from Papachristodoulou et al. 2019. This source of built-up area is deemed the best available proxy since it was produced for Somalia specifically, and it delineated built-up area using raw satellite imagery for years with best satellite imagery available.¹⁷¹ Although city size is a positive factor, due to agglomeration benefits, very rapid expansion makes it challenging for service and infrastructure provision and land use planning to keep up, and can intensify competition over contested land and other resources.

The final typology is based on a composite index which adds the above individual dimension z-score with equal weights and rescales the resulting index from 0 to 100, with 100 being the city with the best outcomes and 0 being most constrained.

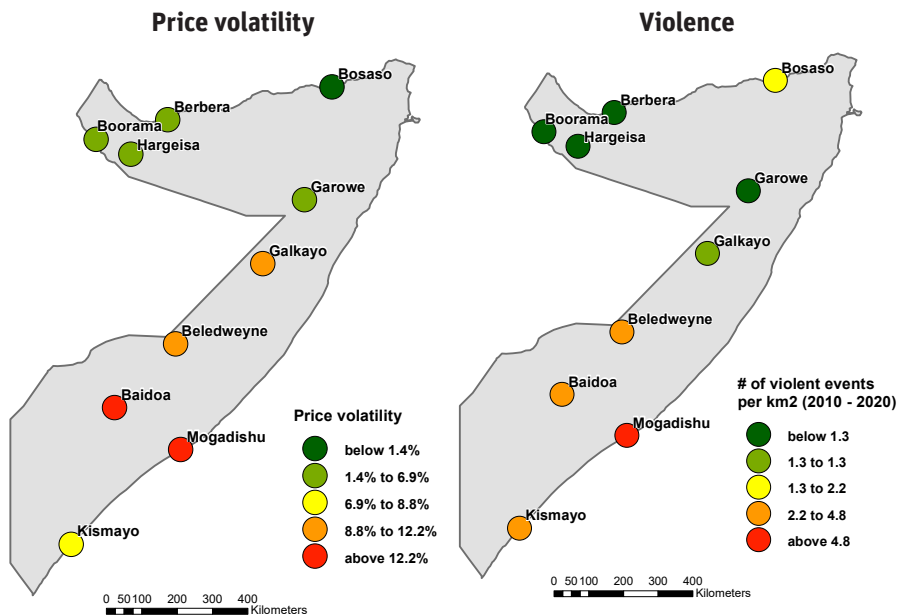
Cities in Somaliland emerge as most endowed under our index. Hargeisa, Borama, and Berbera face the fewest constraints, although Hargeisa and Berbera have poverty rates above the median (Figure 52). Berbera also has lower market access due to its smaller population size, which drives its score upwards. It is closely followed by Galkayo, which faces several challenges at a relatively low scale, which when compounded make it more vulnerable.

Most cities in the South-central part of the country, from Galmudug to Jubbaland, have faced more severe challenges. Price volatility was the highest in the South West State and Puntland compared to other states. As such, in many cities of those states, average yearly price volatility was above 21 percent during the 2011-2018 period. Cities in South West and Jubbaland are surrounded by AS-controlled territory and have been affected by violence. In particular, Beledweyne and Baidoa are the most constrained cities as they also host a relatively large number of IDPs and their poverty rates are higher (Baidoa is the poorest city). Garowe is a small but fast-expanding city. Mogadishu's

vulnerability drivers are not dissimilar. Price volatility, violent attacks, and poverty are the main determinants of its poor score, for which high market access does not compensate. Kismayo follows, sitting in the middle of the distribution, and looks quite different as it was affected by every vulnerability driver (especially violent attacks and urban expansion), to a slightly larger extent than Galkayo. Bosaso joins Baidoa among the top 3 poorest cities but its location advantages (far from violence and climate shocks) and market size make poverty the only dimension that is above the median.

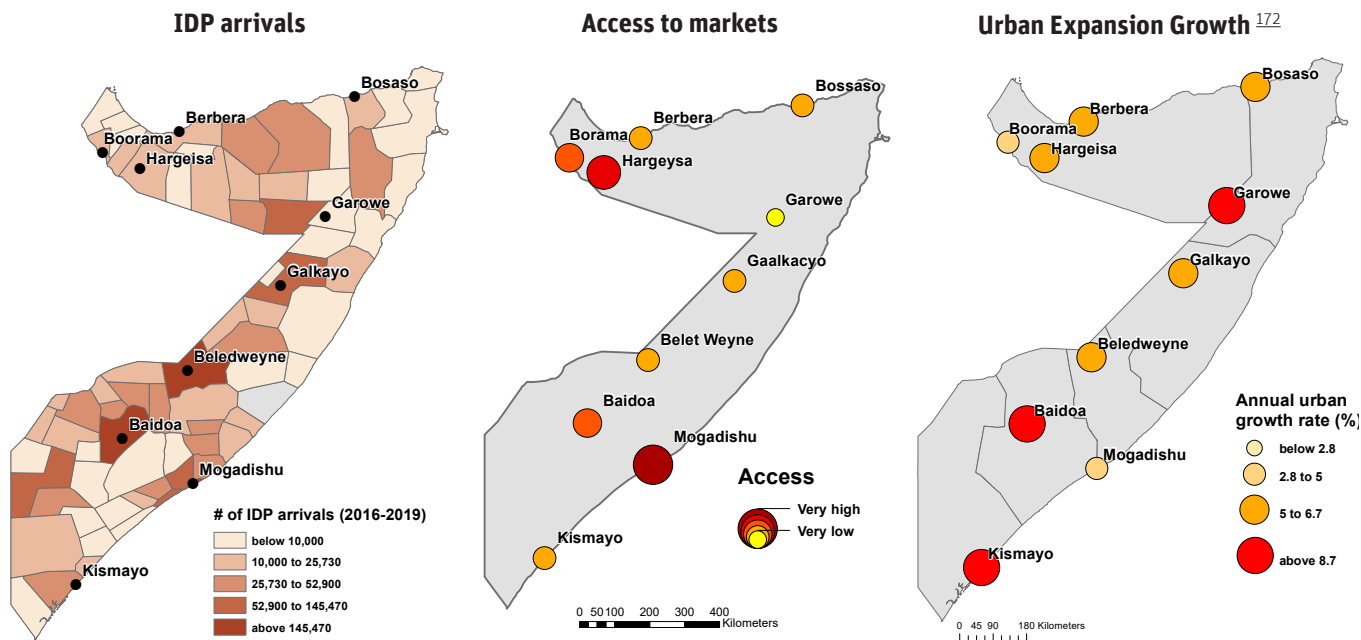
These results are not surprising and serve as a reminder that despite southern Somalia's many relative advantages – irrigable river valleys, higher rainfall, multiple seaports, and proximity to the most lucrative regional market, Kenya – its cities face greater challenges than those in the more arid north. Much of this can be attributed to the legacy of war, displacement, and contested communal claims that impacted southern Somalia much more than the north. It reinforces the observation that the areas of greatest potential in urban Somalia are also the areas of greatest risk.

Figure 50. Somali Cities Face Different Sources of Vulnerability



Source: FSNAU

Source: ACLED



Source: PRMN.

Source: Authors' calculation based on OSM.

Source: Papachristodoulou et al. 2019.

Figure 51. Vulnerability Index for Each City

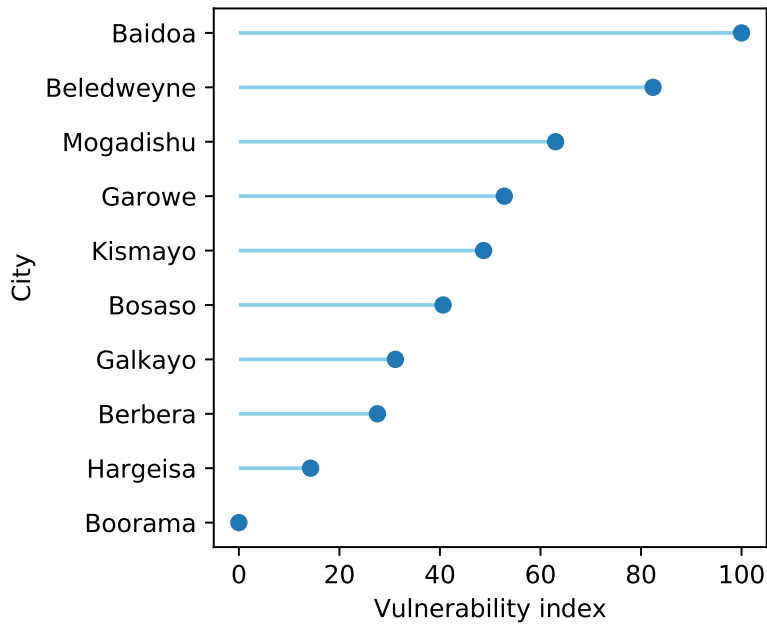
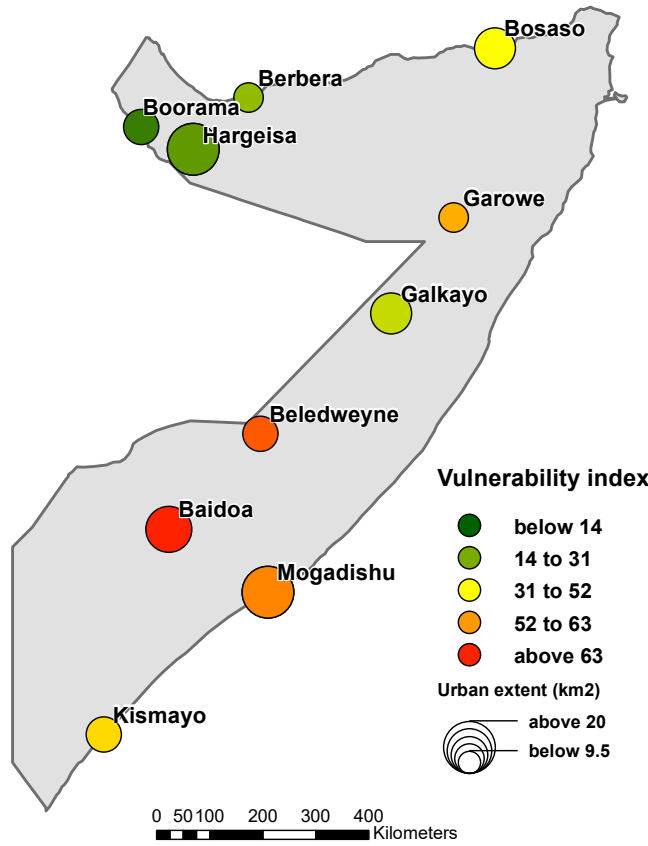


Figure 52. Factors Driving Vulnerability for Each City

Note: Cities are displayed from most to least vulnerable on the VI. All dimensions were rescaled from 0 to 100.



NOTES

- 119 UNOCHA 2018; World Bank 2019a.
- 120 UNFPA's survey identified urban areas based on maps and satellite images and delineated towns from primary sampling units or clearly demarcated town blocks, which coincided with a known administrative subdivision or part of a town where possible.
- 121 UNFPA and UNDESA respectively.
- 122 World Bank 2019a.
- 123 Given recurrent population displacements urban and other populations are notoriously difficult to quantify in the Somali context. Local officials have a tendency to inflate population figures for political and humanitarian gain.
- 124 Papachristodoulou et. al. 2019.
- 125 GPWv4.10
- 126 Schiavina, M., S. Freire, and K. MacManus. 2019. GHS-POP R2019A - GHS population grid multitemporal (1975-1990-2000-2015). European Commission, Joint Research Centre (JRC). [Dataset]
- 127 More details can be found here <https://ghsl.jrc.ec.europa.eu/degurbaDefinitions.php>.
- 128 More details can be found here <https://www.africapolis.org/home>.
- 129 Marconcini, M., A. Metz-Marconcini, S. Üreyen, D. Palacios-Lopez, W. Hanke, F. Bachofer, J. Zeidler, T. Esch, N. Gorelick, A. Kakarla, E. Strano. 2019. Outlining Where Humans Live – The World Settlements Footprint 2015. [Dataset]
- 130 German Aerospace Agency (DLR). 2020. Satellite Monitoring Service of Urbanization in Africa Interim Report [dataset]. DLR built-up detection tends to be higher than GHSL's.
- 131 Papachristodoulou et. al. 2019.
- 132 This analysis relies on the WSF evolution data from the German Aerospace Agency (DLR) because, despite its limitations, the data provides a picture of cities expansion that is comparable across cities and time.
- 133 Rift Valley Institute and Heritage Institute for Policy Studies. 2017. "Land Matters in Mogadishu: Settlement, ownership and displacement in a contested city."
- 134 PADCO/US Agency for International Development USAID, 1985
- 135 UNHCR and JIPS 2016
- 136 UN-Habitat. 2016a. Towards Mogadishu Spatial Strategic Plan.
- 137 German Aerospace Agency (DLR). 2020. Satellite Monitoring Service of Urbanization in Africa Interim Report [dataset].
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- 139 Menkhaus, Ken. 1999. "Hiran Region." Nairobi: UNDOS.
- 140 Government of Puntland. 2018. "Budget of the year 2018." Somali version, Puntland: Ministry of Finance.
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- 142 UN-Habitat. 2009. "Bosaso: First Step towards Strategic Planning." Nairobi: United Nations Human Settlements Programme (UN-Habitat): 8
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Somali Cities:
Where Hybrid Governance Rules

Somali cities have proven surprisingly resilient and adaptable despite decades of conflict, thanks in part to the rise of hybrid governance arrangements.

Somali people have not been passive victims in the absence of an effective state. They have actively forged informal systems of governance to provide basic security, rule of law, and small services through neighborhood watch groups, women's market associations,¹⁷³ and, more recently, through voluntary groups or social enterprises, especially among young people. Services in Somalia are almost exclusively provided by the private sector. Traditional authorities such as clan elders provide an important safety net for their members by paying compensation in the event of a death or illness of a member and play a critical role in negotiating resource sharing or dispute resolution between different clans. Sharia courts have been the main way to settle land disputes. These authorities have also helped contain potential threats including al-Shabaab though with mixed results. Local governments' capacity varies widely across the country. Where they have managed to maintain security and establish constructive relationships with non-state actors, they have proven to be quite effective. In places where such relationships have not developed, cities offer a mosaic of competing authorities battling over political and economic power, and the balance of that power is constantly being negotiated.¹⁷⁴ Despite the apparent fragility of some of these relationships, the clans' abilities to coexist and form "hybrid" or coordinate governance systems are a large part of why Somali cities have persevered, and in some cases, thrived.

Many of these informal systems of governance reflect a strong desire for effective security and governance.¹⁷⁵ After all, urban space is the most valuable territory in Somalia, as it produces highly valued property and markets and houses a concentration of political leadership, businesses, and civic groups. This also means that urban spaces are the most insecure, since militant groups target them as their main prize.¹⁷⁶ All stakeholders – except for militant groups – have vested interests in protecting the security and governance of cities to protect the multi-faceted benefits cities can bring.

This desire, however, does not necessarily reflect an enthusiasm for strengthening the formal state authority, and in some cases, key local actors actively resist state-building efforts.

Multiple actors can and have either passively or actively resisted state-strengthening in Somalia. These include political cartels profiteering from kleptocracy in government, businesses seeking to avoid the regulation or breakup of cartels and monopolies, businesses profiting from provision of services normally provided by the state, lineages and social groups which have appropriated resources and power through force and intimidation,¹⁷⁷ or al-Shabaab, which actively tries to undermine the legitimacy of the nascent state. After the long absence of state, informal institutions that have emerged and established some degree of authority can view state revival as a threat.

But cities require sophisticated systems of authority to deal with complex problems that no single entity can handle alone. The key developmental challenge, then, is to build an environment where both state and non-state actors become jointly capable of providing increasingly complex urban governance and services for all, at scale.

This amounts to working incrementally with both formal and informal institutions and letting the existing systems that work (albeit imperfectly) be the basis on which a more expansive, inclusive, and equitable system can be developed and formalized. This requires that a wide range of formal and informal rules and systems be cultivated to have greater coherence, complementarity, credibility, and capacity.

URBAN GOVERNANCE: A CONTESTED FIELD

HYBRID GOVERNANCE AND SECURITY ARRANGEMENTS CHARACTERIZE CITIES

Urban public safety and security depend on the nature and sustainability of the political settlement in the region or at the micro-level of the town or the city.

Such political settlements have been organized around both formal and informal power relations and interests that have included the use or absence of violence contingent on the degree of consolidation. The most sustained political settlement in the Somali territory to date is in Somaliland, which has been relatively stable for 25 years, resulting in a rapid economic recovery of the main urban centers. While there has been armed conflict, such as on the periphery with Puntland, as well as crime and violence, the political settlement, stand-down of militias, and command and control on the means of violence has been maintained.¹⁷⁸

Where political settlements have been fractured and weak, violence has continued in the pursuit of personal political or economic interests, resulting in dysfunctional governance at the city level.

For years, the main sea and airport in Mogadishu were not used due to contested claims by different clan militia for their use and rent extraction; the small El Maan port further north and small airstrips outside the city were used.¹⁷⁹ Cities have been split into ‘green lines’ between major clan groupings, such as between North and South Galkayo. A major impediment to urban development has been the mosaic of checkpoints established to support local clan militias.

Contested governance arrangements have been compounded by the insurgency that continues to impinge the urban space, particularly Mogadishu.

Governmental road closures, security checks, and periodic lockdowns are common in all cities, but particularly in Mogadishu, where militant attacks are a part of daily life. While these serve to mark the government’s physical presence and “control” in urban spaces, they result in traffic jams, reduced movement, and reduced business activities. In Mogadishu, senior government personnel often travel with protection and in breach of traffic rules, and limit movements to

particular neighborhoods, hotels, and gathering places deemed safe, avoiding popular but volatile places such as Bakhara market. Most urban residents cannot afford the safest transport options, or avoid busy hotspots like marketplaces, so face considerable risks moving around the city. Entire neighborhoods can suffer reduced accessibility as the government shuts down routes to quell al-Shabaab insurgencies and protect itself from attacks.¹⁸⁰

Overland transport between cities is limited by al-Shabaab taxation. Roadblocks are a major source of income for the insurgents.¹⁸¹ Al-Shabaab charges a 200 USD vehicle registration fee, a route use fee of 50 USD, plus other irregular charges collected with the help of the EVCplus electronic payment system.¹⁸² Charges paid by overland operators can be staggering. For example, on the Baidoa-Mogadishu route al-Shabaab taxes a heavy load truck (carrying 450 sacks) at 1,300 USD¹⁸³ and in Kismayo, al-Shabaab charges trucks transporting sugar to Kenya 1,050 USD each.¹⁸⁴ Because al-Shabaab controls checkpoints in remote roads, al-Shabaab is able to tax all trucks including those transporting humanitarian aid.¹⁸⁵ Operators who cannot afford such taxations are excluded from conducting inter-city trades, inhibiting competition and increasing the price of goods that flow between cities. Movement of people is significantly curtailed due to security threats.

Somali authorities’ security check points also hinder inter-city movement.

In Puntland, more than 20 checkpoints have been erected between Bosaso and Garowe. They are manned by Puntland security forces and district officials who check drivers and interrogate travelers both for security purposes and to curb human trafficking, but reports of bribery are also common. Likewise in Mogadishu, many checkpoints, permanent and temporary, are manned by police forces who ask for ID cards and, at times, bribes. Kismayo’s main arterial road, with its thriving charcoal and sugar trade, is reported to be among the roads with the highest number of incidents of illegal checkpoints country-wide.¹⁸⁶ The Hiran regional administration collects some 300,000 USD per month at checkpoints in Beledweyne.¹⁸⁷ Ironically, al-Shabaab’s system of transport taxation is sometimes seen as more uniform and standardized than that of the government. At al-

Shabaab roadblocks, operators pay their fee once, receive a receipt in return and are then covered for the remainder of their journey whereas operators are asked to pay varying levels of fees at each government checkpoint along the route.¹⁸⁸

Unresolved clan conflict can also limit urban mobility. For instance, in Beledweyne, some public transport drivers do not dare to drive in particular neighborhoods due to fears that their vehicle might be stolen as part of an outstanding diya (blood compensation payment) involving their clan family.¹⁸⁹ Similarly, vehicles driving from one city to another might sometimes be hijacked as part of an ongoing clan feud. Spatial segregation along clan lines limits opportunities for interaction, which has caused a decline in the cosmopolitan and intercultural nature of Somali cities that characterized them in the past.¹⁹⁰ Because provision of public services is in many locations dependent on clan divisions, residents residing in the “wrong” neighborhood suffer lower access to fundamental services such as clean water and sanitation.

The ‘internationalized’ nature¹⁹¹ of the Somali conflict has had a fundamental impact on the urban space; this conflict is evolving further as African Union peacekeepers give way to Somali security institutions. Since 9/11 Somalia has been a priority country for international partners undertaking both development and counter-terrorist activities. These have largely been based out of cities, particularly Mogadishu. Since 2007, the African Union peacekeeping force, AMISOM, has been deployed (with 22,000 peacekeepers, at its height) as a counter to the al-Shabaab insurgency. AMISOM started from Mogadishu and then increased its platform in major urban centers, such as Baidoa and Kismayo (see above). These cities have been essential hubs for logistics and supplies, international access, and security for a large international presence.

As the federal “project” of Somalia has progressed, there has been an increasing expectation that Somali security institutions will take over from AMISOM. According to a security pact in 2017, the FGS and FMS agreed to a national security architecture comprising some 18,000 personnel in the Somali National Army and a federal and state police Of 32,000. The AU

mission is to gradually draw down and exit by the end of 2021, though the process may be more gradual. Whatever the timetable, this will lead to a handover of protective responsibilities for key urban installations to the Somali security sector. That handover, whenever it occurs, will constitute a pivotal moment for Somalia’s major cities, which since 2011 have been beyond the reach of al-Shabaab’s direct control.

Somali security institutions face many challenges, both political and technical, but their impact on cities’ development will remain critical. As relations between some federal states and the FGS have become fraught, fundamental aspects of the political settlement, such as the sharing of revenues and payment of the security apparatus, have become flashpoints.¹⁹² Security forces are in some parts of the country seen more as predators than providers.¹⁹³ The police, eventually expected to take over and keep law and order in liberated territories, exhibit significant deficits. The 2018 Police Operational Readiness Assessment found that the police are poorly equipped and trained and lack professional leadership.¹⁹⁴ The capacity of state-level police forces varies, with Puntland having an established police force, while Hirshabelle needs to create its force anew. The country still has a long way to go before security is provided by the security sector as a public good. Until then, Somali communities and households will continue to look to other sources of security.¹⁹⁵

DE JURE AND DE FACTO MODES OF URBAN GOVERNANCE ARE AT ODDS

De jure, district governments have the principal responsibility for governance and service delivery in urban areas. Through the provisional Constitution of FGS, Charters, and FMS Local Governance Laws, districts have an extensive role in governance and public service delivery. Hirshabelle State’s law on local government (Law No. 004, 2018 – Article 22; see below), for example, is typical in assigning districts a long list of functions, encompassing virtually all service delivery sectors (health, education, transport, urban, agriculture, etc.) and a wide range of regulatory functions (registration, business regulation, etc.). The situation is similar in Puntland. The extent of responsibilities reflects standard functional assignments in many developing countries.

BOX 4. WHO DOES THE LAW SAY IS RESPONSIBLE FOR SERVICE DELIVERY IN SOMALIA?

In policy, governance of service delivery in Somalia is characterized by significant variation between municipalities and a general trend towards increasing the role of state actors. Annex A highlights the relevant pieces of legislation and policy that have a bearing on governance arrangements as they relate to service delivery in Somalia. Political realities are such that both the federal government and polities have committed themselves to a policy of decentralization and federalization. In terms of broad trends, the role spelled out for state actors (municipalities, police, courts) in policy with regard to urban governance has increased since the collapse of the Somali state in 1991. Over the past decade, new state institutions have arisen in tandem with the creation of federal member states. At city level many of these new institutions – city municipalities and district administrations – remain weak, though there are exceptions in some of the bigger cities. There are ongoing efforts to strengthen local governance, including locally elected city councils as part of the Wadajir Framework, although Hagmann et al (2018) caution that “many Somalis see it primarily as a donor driven project”.

The law allows for considerable variation in the governance of cities across the region, particularly with regard to the representativeness of administrations. In most of Somalia, the administrations are appointed by regional or federal member states’ officials and not elected locally. In most interim administrations in central and southern Somalia district councils have not been established – or were established only recently – none of them through popular vote. As a result, federal member states (or interim administrations) continue to hold considerable administrative and financial sway over cities. Federal Member State presidents, for example, have the ability to appoint and dismiss both regional and district administrators. Mogadishu is even less locally representative and operates in something of a “political limbo,” with its administration effectively appointed directly by the federal government.¹⁹⁶

Cities in Somaliland and Puntland are more decentralized, and are ruled by councils who elect the mayor. In Puntland no local elections have taken place and local councils are formed not through popular vote but appointed by clan elders. In Somaliland however, the local council elections of 2002 and 2012 gave the Somaliland electorate the opportunity to vote for their respective councils in 23 districts.¹⁹⁷ Councils then elected the mayors and the deputy mayors. Mayors in the elected Somaliland municipalities enjoy considerable power and are central figures in governing these cities and towns. But Somaliland’s existing legal framework is not well-aligned, which leads to mandate confusion and tension between the regions, local councils, and mayors.¹⁹⁸

In summary, governance policy in Somalia is evolving, fragmented, and, as the sector case studies will demonstrate, not always well-aligned with realities on the ground.

BOX 5. CITY ADMINISTRATIONS CAUGHT IN A BIND

“In spite of important variation and some exceptions, city administrations in the Somali territories appear caught in a vicious cycle: ...they do not produce much in terms of public goods and services apart from taxing citizens and companies... As a result, local residents are hesitant to pay taxes to local administrations, because they are not obtaining meaningful services in return. This in turn undermines local government’s ability to provide the very services that produce trust and goodwill among the citizenry.”²⁰¹

Source: Hagmann (2019).

De facto, districts “do” far less than they do on paper.

District governments are involved in licensing, registration, and taxation, exert regulatory oversight in some sectors, and occasionally enter into public-private partnerships (PPPs), but are marginal in the production of actual public services. Most ostensibly local government functions are directly provided by the private sector.¹⁹⁹ Water and electricity, for example, are largely produced and distributed by private sector operators, with local governments playing a very limited role in direct service production. Social services, such as health and education, are officially district functions, but are also largely provided by either the private sector, the not-for-profit humanitarian sector, or by FMS governments – and not by districts. District-provided public transport is nonexistent. In Garowe (Puntland) and Mogadishu (BRA), local governments (often with active and significant support from external agencies, such as the World Bank) are relatively active in the road infrastructure sector and in managing solid waste (often through outsourced arrangements with the private sector or community-level groups). District governments also undertake some regulatory functions. Of these, perhaps the most important is the management of vital/civil records, such as registration of birth certificates and death certificates, although this remains under-studied. In addition, many public services (e.g. water supply) provided by the private sector are subject to a degree of district regulatory oversight. However, regulation of services requires robust institutional and legal frameworks, and a degree of technical capacity. Few (if any) districts operate under such conditions.

The limited reach of district administrations is not necessarily a problem, as long as elected officials and local authorities concur that the appropriate model of service delivery in Somalia should be, at least as an interim measure, a “third party service delivery model” in which government outsources many—even most—service delivery roles to civic or private sector actors.²⁰⁰

As noted earlier in this report, many variations of third party governance models exist in other countries. These models can arise for different reasons—local governments may lack the delivery capacity; they may see outsourcing delivery as more efficient and/or effective; or they have neither the capacity to deliver services, nor the financial means to outsource them, but can still play a regulatory role to ensure that the private sector or charities are delivering services inclusively and equitably. Most if not all of Somalia’s local administrations fall into this latter category, at least temporarily. But rather than viewing this as an impasse for service delivery, it can be seen as an invitation to harness the concept of third-party government in a way that best fits the realities of Somalia’s diverse urban settings.

Spatial/physical and strategic planning is notionally a district function.

There are indications that some local governments have been involved in this process: In Mogadishu, for example, the BRA has been active in the process of strategic and spatial planning (with substantial support from UN-Habitat); in Kismayo and Baidoa, recent institutional assessments²⁰² indicate that district governments have participated in the development of urban master plans, even though the Public Works Ministries of their respective FMS appear to have taken the lead on this. When it comes to security and conflict-related issues, district/local governments appear to have very limited involvement.

Somali cities' governance is undertaken by a multitude of diverse actors, playing overlapping roles, making it both complex and highly fragmented.

Cities are home to a number of institutions ranging from formal state authorities to clan elders, businesspeople, civic groups, nonstate armed actors, and religious authorities. Given that a multiplicity of groups shares the same geographic space, these authorities' roles are more fragmented in cities than in rural areas.²⁰³ Nevertheless, their complex political economy means that governing Somali cities exhibits a number of challenging characteristics:

- (i) legal pluralism, meaning state (district, municipal, federal state), customary (elders, clan leaders) and religious (sheikhs, sharia courts) actors and norms co-govern, at times working together, at times against each other, providing quasi-judicial as well as mediating services and negotiation roles to manage disputes;²⁰⁴
- (ii) multiple service providers (neighborhood, communal, state, public and private actors) offering households and neighborhoods a range of services, including power, water, education, and health care, usually for a fee, complicating any distinctions between “private” and “public”;
- (iii) various armed actors – whether police, army, clan militias, private security forces, street gangs or al-Shabaab – who provide varying degrees of protection and security for constituencies or clients while creating insecurity for others;
- (iv) powerful inter-group dynamics that can be both cooperative and conflictual, which manifest themselves in the form of kinship (or clan) mobilization, and which constitute the societal context in which Somalia's hybrid governance arrangements play out.²⁰⁵

BOX 6. LOCAL GOVERNMENT AND SECURITY

“Federal and state executives dominate decision-making related to urban security and protection. For instance, the Puntland president has wide ranging constitutional powers and influence on security and justice matters. Multiple forces provide security in Bosaso, but none of them are commanded by the city administration or Bari region. While the police and police commissioner report to the Mayor, the remaining security forces report directly to the Puntland government. Somalia's Ministry of Internal Security coordinates security efforts in Mogadishu including the work of the police. The BRA consists of 17 districts, which are divided into “divisions”, “villages” and “neighborhoods” with a corresponding security structure. The Beledweyne Mayor does not play a big role in security provision and the police stationed in the city effectively come under the supervision of the Hirshabelle state police commander. Despite the multiplicity of security forces across Somalia, with the exception of the police, most armed forces are not specifically trained or mandated to maintain public order in cities. Instead, the plurality of armed forces reflects the competing security interests of different sponsors (Somali and foreign) as well as chains of command. Most importantly from a city-level viewpoint is the fact that city administrations have – with the exception of some police forces – very little say in directing security forces. Security thus largely remains an executive prerogative dominated by national (Somaliland, Puntland, FGS) or state level officials.”

Source: Hagmann (2019).

Clan leadership and identity cannot be ignored in developing urban governance strategies. Most urban districts, from Kismayo to Mogadishu to Hargeisa, are treated locally as the domains of their most numerically and politically dominant sub-clans. Others may live and do business there, but the dominant clans of these districts invoke the right to govern and enjoy most of whatever “rents” accrue from control of the district, such as local taxes, jobs, and contracts. District governments typically turn to clan elders to mobilize resources, such as money or manpower; to settle disputes and crimes using customary law; help develop new customary law to govern relations between established and newcomer clans; to monitor and report on suspicious behavior; and to seek consensus-building on any major decisions. And most importantly, clan elders are used to try to negotiate with or help manage potential threats including al-Shabaab (with varying results). Civic groups, professional groups, and clan elders also tend to work together particularly in the area of resource allocation (jobs, services, and contracts) and in outreach to any local communities. But the involvement of clan leaders in resource allocation raises a difficult dilemma: While allocation along (the more powerful) clan and sub-clan lines can ensure some degree of fairness (at least some clans get an agreed share) and mitigates possible conflict over resources, it institutionalizes clannism and works against the transparent, merit-based, and equitable allocation of resources that serve more marginalized groups and that both Somali government and the international community seek to promote.²⁰⁶

Hybrid governance in urban Somalia is, as elsewhere, “patchy.” Some governance roles and services are covered relatively well, but others, for a variety of reasons, are left unattended. One of the most easily visible public goods that neither the private, the public, nor the non-profit sector has responded to is solid waste collection and disposal. Another more worrisome gap, and one which is a core responsibility of the state, is protection of basic rights, whether of women, children, laborers, IDPs, or weak minority groups.²⁰⁷

In the absence of government provision, the private sector and humanitarian agencies have stepped in to fill much of the service delivery space. For now, their effectiveness is considerable, and harder for more nascent government institutions to match. The private sector has, naturally, occupied those parts of the public domain (water supply, power, health, transport, etc.) that are most suitable to self-financing through fees (rather than through fiscal subsidies). This has resulted in inequitable access to services where only those that can afford more expensive services have access. International agencies have also played a significant role in providing services such as primary education, water, and health care. A lot of humanitarian assistance has focused on the plight of IDPs. While such assistance has filled in major gaps, they are expensive and lack sustainability. Reliance on international aid agencies to fund and manage core social services carries risks, as those programs can be suspended due to security or budgetary constraints. Many public goods, such as roads, tend to be unprofitable and therefore unattractive for the private sector to take on. Such public goods need to be financed through taxes or inter-governmental fiscal transfer, requiring greater financial resources and administrative capacity from the district governments.

“Hybrid governance” could be a temporary, transitional phase, or a longer-term model for Somalis to consider. Somali cities have pervasive customary institutions that enjoy broad legitimacy and weak state authority that is perceived as extractive. In such circumstances, state authorities do not replace informal systems of governance, but rather, enter into negotiated relationships with non-state authorities.²⁰⁸ These partnerships provide core functions of public security, conflict management, and service delivery. While such relationships can be messy, if they can be leveraged for a mutually beneficial situation, this can serve as the most pragmatic form of governance. There is then a question of whether such “hybrid” governance should be treated as a transitional measure whereby the relative importance of non-state actors decreases as state capacity is fully developed, or whether it should be adopted as a long-term governance strategy where customary authorities are formalized to complement modern formal government, along the lines of the House of Elders known as Guurti in Somaliland.

FORMAL URBAN GOVERNANCE STRUCTURES ARE AMBIGUOUS

Somalia's current legal and constitutional landscape is defined by a patchwork of ambiguous, unresolved, and contradictory laws and stipulations, compounding the difficulty of developing effective urban governance. If Somalia is to achieve sustainable hybrid governance between formal and informal governance structures, it will first need to develop coherence and complementarity within the formal government itself.

The Provisional Constitution of the Federal Republic of Somalia (2012) stipulates that Somalia adopt a federal system where power is shared between the FGS, the FMS, and the local governments. The six FMS include: Somaliland, Puntland, Hirshabelle, Galmudug, Jubbaland, and South West. The former administrative units of 18 regions and 74 districts prior to 2012 have now been allocated into the six FMS, though the boundary between Somaliland and Puntland is contested, and some regions are overlapping Puntland and Galmudug. Districts represent the lowest administrative unit, and District Commissioners oversee the executive branch.

The political status of the capital, Mogadishu, remains contested. Mogadishu contains 17 districts, which together comprise the BRA. The BRA is administered by a governor (who is often simultaneously referred to as the Mayor of Mogadishu), appointed by the President of the FGS along with the 17 District Commissioners. The BRA (and thus Mogadishu) is effectively a directly administered federal territory. Clans dominant in the Benadir region have pushed for a clan-based Benadir FMS with Mogadishu as its capital, but the federal government has so far resisted this move.

The FGS is responsible for "nation-wide" functions which include foreign policy, defense, monetary policy, and citizenship/immigration.²¹⁰ These are the kinds of functions that are typically reserved – on an exclusive basis - for federal governments (as opposed to subnational governments) in most federal systems. In keeping with its provisional status, the 2012 Constitution specifies that the formal allocation of other powers between the FGS and the FMS is to be negotiated by the two levels of government – and, indeed, there has been some progress in defining the respective responsibilities of the FGS and FMS, particularly with respect to security and the education sector.²¹¹

FMS enjoy constitutional parity with the federal government. FMS have their own constitutions (or charters), possess wide-ranging powers and responsibilities, and enjoy a high degree of autonomy. FMS are responsible for the majority of frontline infrastructure and service delivery functions. Each FMS has its own head of state (president), government, and line ministries. The state presidents are now being directly elected by their constituents while the state-level ministers and district commissioners are appointed by the state president. In some FMS (such as Puntland), FMS ministries appear to be relatively well-structured and resourced, while in the more nascent states such as Hirshabelle or Galmudug, FMS ministries are much less developed. Regions that used to be primary sub-national administrative units before 2012 are now mere administrative units without any governance responsibilities. Some Regional Governors continue to exert influence, however, based on their clan lineage or political affiliations and some compete for power against the FMS President.

Districts are the principal tier of local governance within FMS. The provisional Constitution (2012) of the Federal Republic of Somalia provides tacit recognition of local governments (districts) in Article 48, bolstered by the subsequent 2015 Wadajir Framework and a 2018 FGS law. The Constitution leave it up to FMS provide for local government in their own Constitutions (or Charters) and enact their own specific legislation on local government.²¹² For example, Puntland's Constitution (2009) explicitly provides for local government and commits to a decentralized system of governance. Jubbaland's Charter (2013) stipulates that the FMS Government is responsible for local government but makes no further explicit provisions. The Wadajir framework further commits FMS to establish district governments.²¹³ The Framework makes it clear that district governments are expected to be representative bodies, enabling local communities to self-govern to a degree, and hold their local governments to account. The FGS provided further guidance for FMS's creation of local governments through a federal organic law in 2018. However, except for Somaliland and Puntland,

which have elected district commissioners and district councils, no other southern states have managed to hold local elections. District Commissioners, who head the district government, are therefore interim district commissioners who are appointed by FMS presidents. As a result, District Commissioners remain loyal to FMS presidents, and FMS continue to hold considerable administrative and financial sway over cities.

In a given region, there are between 3 and 17 districts – though estimates of the number of districts in each region appear to vary depending on the source of information (Table 2). Information on the number of districts in each FMS is also made more uncertain and confusing by territorial conflicts between FMS, and between Puntland and Somaliland. Although demographic data is also subject to inaccuracies, on average districts have a population of 100,000 to 150,000 (though with several outliers).

Cities in Somalia have no legal status or boundaries; in urban areas, “district” and “city” or “neighborhood” are considered synonymous. The institutional framework (either from the national or FMS level) makes no distinction between urban and rural districts. There are no formal “municipalities” or “cities” that are clearly demarcated. Urban areas that are commonly

considered as “cities” or “towns” are subsumed into broader districts, the boundaries of which have yet to be formally defined. Cities or towns have no mayors but are instead governed by the District Commissioners of their respective districts.

FMS Local Governance Laws provide the legal framework for the structure, powers/responsibilities, and functions of the district government. The longest established of these is Puntland’s law, first enacted in 2003 and currently undergoing revision. As the pioneer, Puntland’s Local Government Law provides other FMS with a general template that can be adapted to specific contexts. South West State and Jubbaland adopted their Local Government Laws in 2017, while Hirshabelle and Galmudug did so in 2018. FMS Local Governance Laws follow a standard structure, spelling out the ways in which local governments are to be managed (elected councils, executives), their responsibilities and powers, how they are to manage their finances (including revenue provisions), and their relationship to the State government. They typically provide for a district council and a district executive, headed by a mayor or chief executive (and his/her deputies), elected by and accountable to the district council. FMS laws also describe district government functions and specify

Table 2. State Structure in Somalia

Nation-State	Federal Republic of Somalia						
Sphere of government	Federal	Federal Member States					
Government	FGS	Jubbaland		South West	Galmudug	Puntland	Somaliland
Regional administrations	Benadir Regional Administration (BRA)	Gedo Lower Jubba Middle Jubba	Hiran Middle Shabelle	Bay Bakool Lower Shabelle	Mudug* Galgaduud	Sanaag* Sool* Bari Nugal	Togdheer* Awdal Woqooyi Galbeed
Local governments	17 district governments	13	7	16	5 - 10	9 - 14	7 - 11

* = contested (assigned to the region covering the largest area) ²¹⁴

(however briefly) revenue and expenditure management procedures and responsibilities. Overall, these organic laws are in line with standard international practice, albeit considerably less precise and detailed.

In reality, however, Federal and State-level ministries often have mandates that overlap with those of districts, undermining possible complementarity between different tiers of government. The division of labor among the different levels of government is yet to be clearly determined. Particularly in insecure areas where al-Shabaab controls the rural areas, government control is limited to cities and their peripheries. This is the case for Mogadishu, Kismayo, Baidoa, and many other cities in southern Somalia where the government's reach rarely goes beyond major urban centers. This poses a significant challenge because the remits of the federal, state, and district governments overlap within cities, resulting in contestation over political and economic authority. State level ministries often wind up involved in municipal functions and city governance primarily due to the lack of alternative responsible parties. With most of the state's authority limited to cities, urban areas present an opportunity for ministries to expand their control over local issues.²¹⁵ But here, the contestation is even more severe, since cities are where the majority of the revenues are generated.

LOCAL GOVERNMENTS LACK LEGITIMACY ²¹⁶

District government enjoys limited political authority and autonomy particularly in southern Somalia. Emergent legal frameworks mandate “bottom-up” accountability of district councils and mayors through electoral representation. Districts are led by District Commissioners (also informally referred to as “mayors”) who by law should be elected by their respective district councils. District councils, in turn, are to be elected by local residents. Some FMS laws specify that council members are elected through clan-based electoral colleges, rather than universal suffrage. Few districts outside of Somaliland and Puntland have locally elected ²¹⁷ councils to represent local people and/or their customary groupings.²¹⁸ These elected councils then elect the mayors and the deputy mayors. Mayors elected in cities and towns enjoy considerable power and are central figures in local

governance. Elsewhere, particularly in southern Somalia, districts are “interim administrations,” led by interim District Commissioners appointed by the FMS presidents. Districts are “upwardly” accountable to their respective FMS, since they risk being removed if interim district commissioners step out of line. These arrangements can limit the extent to which district governments see themselves as accountable “downwards” to local citizens, and make it hard to earn legitimacy in the public eye.

Part of the reason for the lack of legitimacy is that local governments have meager financial resources to deliver on their mandates, yet are quick to collect taxes. Similarly to most developing countries, Somali local governments' financial resources are usually raised either through own-source revenues (collected directly by state or local governments), or transfers from the federal or state levels. Only in large (and relatively well-off) urban areas do local governments manage to mobilize substantial own source revenues (OSRs). A comparison with neighboring post-devolution Kenya is instructive: Kenya's own source revenues account for only 9-12 percent of county finances, with most counties relying on inter-governmental fiscal transfers to finance their spending. Even in Nairobi (the most urbanized county and largest city), own-source revenues account for a little under half of total revenues, with just over 50 percent coming from transfers.²¹⁹

In post-1991 Somalia, central or upper tier governments were unable to raise substantial national revenues, and emergent local governments filled the gap with OSRs. Nevertheless, per capita OSRs are small. More recently, the FGS and FMS have gradually established and asserted themselves, including taking over revenues that were previously collected by districts. Central transfers are low and usually ad hoc. Local governments spend most of their limited revenues on recurrent expenditure, and little on capital investment.

REVENUES

FMS Local Governance Laws provide the legal basis for district revenues. The table below summarizes what is provided for in Puntland and Hirshabelle with respect to district revenues.

BOX 7. DISTRICT GOVERNMENT REVENUES IN PUNTLAND AND HIRSHABELLE

Puntland Law No. 7 (Art. 35)

The Revenue of the Local Council consists of:

- Taxes and duties in Annex (A)* of this Law and anything else that is permitted for it by other laws and government regulations.
- Profits from its business ventures
- Other revenues from economic sources it created or services rendered to the public.
- Local and International Loans, if approved for them.
- Donation/grants from the Central Government, overseas, and the public.

** ANNEX (A) describes 18 types of taxes that can be levied by LGs, including property-type taxes, taxes on businesses and economic activities, service fees/charges, etc.*

Hirshabelle Law No. 4 (Art. 49)

The revenue of the local government consist of:

- Taxes and duties below*
- The profits generated by local government business in accordance with the state and federal laws.
- Revenue generated from resources owned by the local government or service rendered by the local government.
- Revenue generated from penalties of breaching this law or other local government regulations.
- Grants from the federal government or the regional state, the local government local and international organization or any other part authorized by this law.

** Spells out a variety of taxes similar to those provided for in Puntland – property taxes, taxes on businesses and economic activities, service fees and charges.*

FMS Governance Laws prescribe a revenue structure and revenue assignments for local government broadly consistent with international practice.

How this revenue structure plays out in practice, however, is difficult to gauge due to scant and inaccurate data. However, a recent (2016) ODI/UNJPLG study of local government finance in Puntland provides some sense of the structure of revenues for a very limited number of districts. Based on the data, Puntland districts seem to rely on several main sources of revenue.

- Own source revenues: These account for 15 percent to 60 percent of total revenues and encompass a range of locally collected taxes and fees. The most important OSRs are related to livestock exports, market fees, and business licenses.
- Customs: Port customs revenues were shared between the State Government and districts. After 2015, the revenue-sharing arrangement was phased out.
- Local Development Fund: Transfers are made to participating districts by the UN Joint Program for Local Governance (JPLG), intended to finance local investment/infrastructure projects.
- Fiscal Transfers: This refers to ad hoc transfers made to Garowe by the Puntland State government.

Overall, districts revenues are small and vary considerably from one district to another.

Annual OSRs per capita vary from a low of about US\$0.3 in Eyl to a high of US\$0.96 in Garowe.²²⁰ In some districts, land and transport often generate the most local revenues, due to the relative ease of identifying land and vehicles to tax.²²¹ In other districts, most OSRs appear to flow from “economic” taxes (e.g., business licenses or market fees). Property tax, which is usually a major source of income for local governments, is collected but does not feature prominently.²²² Unsurprisingly, there is great variation in the level of revenues between districts. As elsewhere, larger and more urban districts tend to have higher per capita revenues, reflecting greater economic activity and thus a larger tax base. Total annual revenues (including all shared revenues and transfers) vary from US\$2-6 per capita among Puntland’s districts.²²³ Even in Mogadishu, which would be expected to have the highest per capita revenues, total per capita annual revenues are estimated at around US\$6.²²⁴ These are small amounts by any standard.²²⁵

There is a trend towards increased centralization of revenues, which may need to be matched by strengthened intergovernmental fiscal transfers.

As the FGS and some FMS get better established, they are asserting control over revenues previously allocated to

local governments. This is observed, for instance, in the case of customs duties collected at seaports: Customs revenues from Bosaso port, for example, are now collected by Puntland FMS, rather than Bosaso district, as was once the case. Whether and how these lost revenues will be replaced is not known – but it seems likely that inter-governmental finances may evolve to incorporate a system of regular transfers to districts. Transfers from the FMS government and shared revenues are currently only ad hoc. In Puntland, for example, it seems that the FMS Government does not provide formula-based transfers to all its constituent districts.

FMS raise substantial OSRs from taxes and fees on private transport, with some revenues also going to districts. Revenue streams include customs duties on imported vehicles, registration fees, fees for number plates and driving licenses, annual vehicle tax, road taxes, and roadblocks. The rising number of vehicles in Somali cities, including the explosion of Bajaj tricycles, has translated into more FMS income. In 2018, Puntland’s government raised US\$4.5 million from the transport sector. The Somaliland government imposes a daily tax on Bajaj, plus two annual vehicle taxes and a vehicle import tax. In Kismayo, the Jubbaland administration collects an annual US\$150 road tax and US\$80 vehicle fee from drivers, and charges US\$200 for number plates and US\$120 for a logbook. In Mogadishu, the Benadir Regional Administration police collects road taxes in collaboration with the Ministry of Finance. Bajaj and Nissan minibuses pay license and vehicles fees to traffic police, plus US\$15 per month to tax collection police. In Beledweyne the Mayor’s (district) office collects taxes from Bajaj vehicles (Table 3). Bosaso district also collects transport fees, though in 2018 it only collected US\$6,500 from the transport sector. In Puntland, both FMS security forces and district officials collect revenues from more than 20 checkpoints between Bosaso and Garowe. The Hiran regional administration collects approximately US\$300,000 per month at checkpoints in Beledweyne.²²⁶

Water companies must pay taxes and license fees to FMS governments. All FMS administrations impose taxes and/or licensing fees on water companies. In Jubbaland, water companies are taxed by the FMS on a monthly basis. In Baidoa, the Water Ministry of South

Table 3. Taxes Paid by Vehicle Operators

Route	Taxing agent and amount (USD)
Beledweyne–Mogadishu	Beledweyne road block: 400 Galjael road block: 150 Al-Shabaab: 1,025 Banadir (Mogadishu) Administration: 480 Total: 2,055
Beledweyne to Bosaso (Puntland)	Hiran Administration: 400 Matabaan (Ahlu-Sunna Wal-Jamaa): 180 Galmudug Administration: 400 Puntland: 80 Total: 1,060
Bosaso (Puntland) to Beledweyne	Bosaso: 300 Galmudug: 400 Ahlu-Sunna Wal-Jamaa: 280 Beledweyne: 400 Total: 1,380

Note: The table shows taxes paid to state and non-state actors by 35-ton vehicle operators from Beledweyne (based on an interview with the Hiran Transport Association).

West State charges a US\$500 fee for a water operator license. In Borama, Shaba water company (a monopoly) pays 5 percent VAT to the Somaliland government, and also transfers 3 percent of its income to Borama municipality. In Mogadishu, the Benadir Regional Administration (BRA) taxes water providers US\$1 per meter of water pipe installed, and US\$1,000 per new well. Often water companies pay government soldiers to dig land for new pipes, paying US\$1.8 per meter.

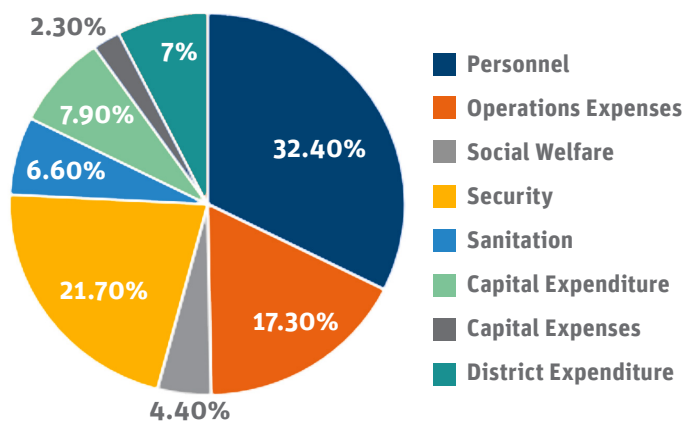
EXPENDITURES

Revenues collected in cities are rarely re-invested in local services and infrastructure – instead they are often redirected to rents and the security sector or held by higher-level governments. Accountability mechanisms for control and use of fees collected at road checkpoints – a tax known in some parts of Somalia as “municipio” – are variable and generally poor. Despite the large sums raised by road and vehicle fees and taxes, roads remain in disrepair and any maintenance that is carried out is done by non-state actors. Frequently, the fees are simply pocketed by security forces or paramilitary clan militias controlled the checkpoints, and by their superiors. Some places do have systems for earmarking those revenues. Revenue collected at vehicle checkpoints in Beledweyne, for

example, is mostly used to fuel police and military vehicles, and allocated to prison services and the National Intelligence and Security Agency. In Baidoa, road tolls and road taxes collected at the highway are deposited in an account managed by the South West state presidency and Ministry of Finance. Hirshabelle's state administration collects most of the revenue from the four checkpoints in the city for its own use.²²⁷

In Puntland, local government spending on recurrent costs accounts for about three quarters of all expenditures. Capital spending accounts for around 20 percent of total expenditure – and much of this is financed through LDF allocations from the JPLG. Payroll spending accounts for around 30 percent of all expenditure, while spending on goods and services accounts for about 40 percent of all expenditure. The profile of local government staff suggests that a significant share of operating costs are related to spending on security and solid waste management. Although BRA/Mogadishu is not a district, its spending is very similar to that of Puntland's districts, as can be seen from Figure 53.

Figure 53. BRA/Mogadishu Expenditure (2015)



Source: Crown Agents (2016).

DISTRICT GOVERNMENTS' CAPACITY IS LIMITED

FMS ministries are generally more technically capable and better resourced than district governments, but still require technical assistance. In South West State for example, the Ministry of Public Works is perceived as the key authority in charge of policy development regarding infrastructure and urban planning. In terms of land management, the Ministry of Public Works led the drafting of the State Land Law, although it is unclear

what implications its application may bring, given the conflicting views on the roles state and district governments should play in land management.²²⁸ When certain issues are split across different ministries, the political capital of a specific minister often determines which ministry takes the lead.²²⁹ Consequently, FMS ministries are often perceived as the natural choice to lead on city management issues. While their capacity is stronger relative to the district governments, there is still a lot of room to help boost their capacity in developing policies and strengthening their ability to coordinate with the district governments.

District governments face significant challenges in terms of their administrative capacity.

There are few technical staff (such as engineers) on the district government payroll. Especially in smaller cities such as Kismayo and Baidoa, most staff appear to be non-technical, often employed in clerical, security, and manual labor tasks.²³⁰ Salary levels are low, making it difficult to compete with the FMS governments. For example, in Baidoa, the district government has around 110 staff members, but the World Bank-financed project's five Project Implementation Unit staff are the only full-time staff. The remaining "organic" staff are per-diem workers who rely on per diems of around US\$6 a day. The largest cohort of staff are the 35 members who work at the Finance and Administration Department, particularly in the revenue collection division.²³¹ Furthermore, there is a high turnover of staff which is influenced by clan-based competition and politics: As soon as a district commissioner is replaced, the entire cadre of senior staff is also replaced. Even in Mogadishu, the mayor changes almost on a yearly basis along with senior leadership due to political power struggle, undermining capacity building, continuity, and institutional memory.²³² This hinders local governments from strengthening capacity and actively providing services to the public. In the absence of systematic information, the box below provides some picture of the status quo within district governments (Box 8).

BOX 8. LOCAL GOVERNMENT HUMAN RESOURCE CHALLENGES

Baidoa and Beledweyne

Baidoa's local government employs few technical staff, and the staff it does employ are underpaid and not very active. Beledweyne's Mayor is assisted by chairpersons representing the main neighborhoods and has some 12 employees working by his side. Most of them pursue clerical duties and lack specialized knowledge on land management or other public goods. Frequent hiring and firing driven by competition over government appointments among clan lineages adds to institutional fragility in Beledweyne.

Source: Hagmann (2019).

Mogadishu

The city government [BRA/Mogadishu] employs about 350 staff across eight departments. About 90 work as cleaners and 100 as city police. However, few have strong technical qualifications: five engineers, three planners, and five accounting graduates on its staff or working as de facto staff members supported by donor programs (IOM, UN-Habitat, JPLG). The city government is considering restructuring its staff and reducing the number of unqualified workers by offering incentive packages for them to resign voluntarily.

Source: World Bank (2013)

Garowe

The district (often referred to as a "municipality") employs about 140 staff in total. The HRM system in Garowe is characterized by:

- **Massive deficits:** HRM systems are almost non-existent. Only a small number of staff members (32) had staff files at the start of the project. The civil service reform group was working on this but the process is still ongoing. Formal job descriptions do not exist; nor do systematic performance assessments. Staff lists are not consistent with staffing information held by departments.
- **Inadequate staff quality:** The level of formal qualifications held by staff is rather low, and many members of staff working directly under the heads of department have a qualification below BA level. Staff training is rare and no systematic HRD program is in place. If training is available, it is mainly used by department heads.
- **Extremely low salaries:** Salaries in Garowe Municipality are extremely low. The head of department's salary is under US\$90 per month; the salaries of administrative staff are far lower. Attracting qualified staff is effectively impossible.

Source: Crown Agents (2016)

PUBLIC SERVICES ARE NOT VERY PUBLIC

THE PRIVATE SECTOR HAS FILLED THE GAP, WITH MIXED RESULTS

In light of state weakness, non-state actors have come to exert considerable influence over the provision and regulation of public services. In practice, the fastest growing sectors of the Somali urban economy in recent years have been in private security, education, and health.²³³ And as our case studies illustrate (and Table 4 provides summary examples), non-state actors have substantial influence over the way services are delivered and regulated.

Donors have also filled service delivery gaps in major cities. During the famine in 2011-12, much of the available humanitarian assistance was concentrated in Mogadishu (notwithstanding huge volumes of aid diversion by corrupt officials).²³⁵ By contrast, humanitarian actors had very limited access to al-Shabaab areas.²³⁶ During the 2017 near-famine, vast amounts of aid resources transferred to Somalia ended up in cities. Displaced people in Mogadishu were able to rely on a diversified strategy of daily labor, petty trading, and humanitarian aid. Cities like Hargeisa, Garowe, Baidoa, and Kismayo have also become centers for international aid agencies. Furthermore, past aid strategies (not unique to Somalia) have involved investing in “islands of peace” or “building blocks,” which tended to focus on encouraging development in

cities and urban centers. However, these programs often run in parallel to government systems, which brings some potential drawbacks. Under humanitarian assistance targeted at IDPs, for example, accountability for funds and results run to the international agencies rather than to governments or communities. Such programs can also deprive governments of opportunities to build vital capacity. For such programs, an exit strategy to hand back the functions to the state is ultimately needed.

WEAK REGULATIONS DRIVE INADEQUATE SERVICE DELIVERY

High barriers to entry and a lack of competition reduce incentives for established providers to reduce prices or invest in quality. With the exception of Borama and Beledweyne, most cities’ piped water markets operate as a local oligopoly, wherein the market is shared by a small number of historically dominant producers or sellers, each of which enjoys a monopoly over their respective area of the city. Water competition is most pronounced in Beledweyne, where water supply is the least consolidated and proximity to the river facilitates growth of providers. In Mogadishu, there is strong competition for provision of bottled water (with lower barriers to entry or requirement for territorial control), with over 30 companies fighting for market share, whereas boreholes and piped water have been consolidated under an oligopoly. The growth of

Table 4. Non-State Actors’ Role in Service Delivery

Category of non-state actor	Manner of influence	Examples of influence
Neighborhood associations.	Self-organize to provide community-funded services	Associations undertake road construction, repairing water pipes, and organizing private water, electricity, health and education.
Titled and untitled traditional leaders of various clan lineages	Local dispute resolution and influence over public policy decisions, such as the appointment of officials	Land disputes are often adjudicated by elder committees. The courts are overwhelmed with cases of land disputes, leading to lengthy delays. Many urban residents thus pursue customary adjudication or sharia courts operated by Al-Shabaab.
Al-Shabaab	Several “governance” functions in towns and hinterlands, including land dispute resolution, market regulation, and basic welfare	As a guerrilla group that ‘mobilizes political, ideological, military and terrorist means,’ ²³⁴ AS is involved in forms of service provision, taxation, and enforcement of its own concept of law and order in territory under its control.

Source: Adapted from (Hagmann et al. 2018, 35).

private mini-grid energy services providers (all local entrepreneurs) has been accompanied by an increase in mergers and joint ventures, as well as increased integration of renewable energy into their generation mix as costs for these technologies have come down. Urban electricity prices have fallen somewhat with the entry of large conglomerates such as Hormuud, but overall remain some of the most expensive in the world.²³⁸ Despite an increase in production and distribution of electricity, the annual consumption of electricity per capita remains among the lowest in Africa, and customers pay a high rate of 0.5-1.25 cents/kWh compared to 0.15 cents/kWh in Kenya and 0.6 cents/kWh in Ethiopia.²³⁹

Inadequate regulation and quality certification have allowed firms of lower quality to enter certain markets, to the detriment of buyer confidence.²⁴⁰

There is a lack of public sector guidance or regulation to help consumers identify quality and safe services. The combination of low education levels and few choices leaves many consumers poorly equipped to demand adequate provision. Somali government institutions are not directly involved in water supply, except in Hargeisa. Common private actors in the water sector include network operators, point source vendors (at individual boreholes and dug wells), and truckers and carters (using human- and animal-drawn carts). As a result, prices are high and water pipes do not reach peripheries. In Mogadishu, the proliferation of untreated shallow wells by private individuals, combined with inadequate urban wastewater treatment, led to regular cholera outbreaks up to the early 2000s—although since then, wells have been consolidated under three large firms, improving coordination and water quality. Somaliland’s health sector is seen as one of the most advanced, but a survey nonetheless found that 18 percent of all pharmacies did not have a single staffer (or owner) with a health qualification, although sale of antibiotics and injections was nearly universal, and the concept of prescription enforcement was relatively minimal.

When it comes to water, either prices are high or quality is low, which drives inequality by blocking the poor from affordable quality services. For example, water companies charge clients either by the cubic meter or, more commonly, on a monthly basis.²⁴¹ There are significant price and quality differentials between piped water and non-piped water (such as barrels or

jerrycans sold at water kiosks or distributed by donkey carts). This means that the poorer households who live outside of main water pipeline grids can end up paying 4 to 6 times as much as richer households connected to the main grid for the same amount of water. Also living in urban peripheries, IDPs walk farther than other urban dwellers do to reach health centers, schools, and markets.²⁴² These longer travel times are also made on poorly maintained roads which lack street lighting, making travel more difficult and more insecure.

Nascent service regulation is emerging at the FMS level, but is hurt by coordination and implementation issues.

The absence of regulation has led to lack of coordination. For example, water supply is driven by international NGOs and by private companies, with limited central coordination. As there are no laws, water companies often enter into informal agreements with the municipal government, and in some cases pay extortion fees to al-Shabaab in the form of annual zakat payments and occasional demands, on top of the state-administered license fees, all of which drives prices up. The transport sector is facing similar challenges, with different road taxes levied within and across cities.

Attempts at regulating these sectors are hampered by implementation issues such as fragmented assignments of responsibilities and low budget and staffing capacity.

In Kismayo, water companies register through the Ministry of Planning and International Cooperation and obtain licenses from the Jubbaland Chamber of Commerce. A 2018 Bill created a national Water Management Authority and stated that water providers cannot disconnect consumers who fail to pay. The Jubbaland State is responsible for developing transport policies, and recently introduced compulsory licenses and number plates; licenses have been issued since August 2018, though implementation effectiveness in other areas is not clear. In Puntland, the Puntland State Agency for Water, Energy, and Natural Resources (PSAWEN) was created to oversee and regulate the water and energy sectors, reporting directly to the office of the president. However, PSAWEN has no staff with adequate technical expertise, and has failed to penalize actors who transgressed.²⁴³

The prevalence of unregulated private providers exacerbates the lack of data to inform policy.

Because the investments will have a greater impact if constraints are addressed in a coordinated way across complementary sectors, in sequence or at the same time, it is crucial to know which actors are providing what services—and where. But there is little to no data or mapping regarding, for example, private health providers' services, specialist care infrastructure and equipment, human resources and competency, prices, locations, and so on. Health Management Information Systems (HMISs) are operational in some areas, but are not currently used for planning at either the FMS or district level; furthermore, with minor exceptions, the private sector has not submitted information to the HMIS, despite being the leading healthcare provider.²⁴⁴ Another sector which would benefit from more regulation is transport. As the modes of transport have increased to satisfy a wide variety of needs and sprawling urban areas, investment in adequate road infrastructure and public space (sidewalks, separate lanes, streetlights, etc.) will be necessary to improve mobility for all.

Unreliable data about consumers in turn impedes planning. Populations are often in flux – due to nomadic lifestyles, rural-urban migration, and displacement within cities – making it challenging to assess or forecast demand. Furthermore, most people in cities live in informal settlements where their presence is not formally registered. Data regarding incomes and expenditure is scarce, and there has never been a comprehensive study of willingness to pay for basic services, or access to supplementary finance through remittances, clan networks, and so on.

SOCIAL CONTRACTS CAN COMPLEMENT PRIVATE SECTOR DYNAMICS TO IMPROVE EQUITY

Poor consumers' low purchasing power reduces incentives for the private sector to meet their needs, creating market failures, but some firms voluntarily subsidize them. Somali private service providers today balance profit-seeking with other obligations to the wider community, and so, for a variety of reasons – some altruistic, some tactical – have helped protect access to some services for the poor. For example, most private pharmacies offer a combination of discounts and credit to mitigate clients' inability to pay. All water companies provide water at reduced prices for

poor and old people, IDPs, mosques, and other public institutions.²⁴⁵ For instance, Bosaso's Gumco company provides 40 percent discounted water to hospitals, schools, IDPs and government offices.²⁴⁶ In Mogadishu, a cross-clan profit-sharing arrangement in the water sector earmarks 5 percent of profits to be donated to places of public interest, such as mosques and schools. That said, sectors such as water and electricity require complex networked infrastructure, and without any state subsidy, the private sector is unwilling or unable to expand the network to peri-urban areas where most of the poor and the vulnerable reside.

Clan structures can also serve as a safety net and bulwark of stability.

In Somali culture, family and clan support are an integral part of the health care system for both patients and providers. Clan members and relatives (including diaspora members) pool funds to cover treatment costs when patients or their families cannot afford to pay. Elders and respected members from the clan fundraise to collect such contributions (known as Qaadhaan). Nonfinancial support is also offered by the clan. Patients who have to travel to get health care usually stay with relatives or, for those without family members in the area, sub-clan or clan members. In Mogadishu the owners of the private boreholes are mainly from the dominant clans in that area, and water provision is closely aligned with physical control of parts of the city. Thus, the eastern, western, and central parts of the city are each supplied by different companies. But cross-clan shareholding arrangements allow firms to court customers from different clans, and have lent a kind of stability to this system by minimizing competition among companies held by different clans.

In the absence of formal financing, the private sector has found alternative means of expanding service provision.

Given the unavailability of traditional project finance, coupled with local Islamic financial practices, Somalia has developed its own capital-raising mechanisms for infrastructure projects which are evolving as projects grow in size and scale. Companies have successfully raised significant sums from diaspora populations in the U.S. and beyond for energy projects. For example, in Mogadishu, private investments from Somalis abroad, along with external aid, have supported much of the construction of infrastructure and expansion of water networks, to the benefit of the population overall.

INEQUITABLE SERVICE DELIVERY RISKS UNDERMINING CREDIBILITY

Government can build legitimacy and credibility by being an effective part of this existing service delivery system, complementing – rather than replacing – non-state actors.

Extending decent services to a population can strengthen trust and buy-in, in turn developing legitimacy and credibility. In urban Somalia, services are often extended – and trust thus developed – within more narrowly-prescribed groups, while several disadvantaged populations are often excluded from these ‘social contracts’ (including the poor, IDPs, and minority clans). The historic inequality of access to basic services – and the state’s lack of involvement in the services that are accessible – has prevented the state from building the kind of public credibility it needs to either collect taxes or maintain social stability.

The private sector has little incentive to extend network infrastructure to the periphery where the poorest live, deepening inequality.

Distance raises costs, especially given the high level of system losses and leakage; poor consumers have less ability to pay; consumers density on the periphery is also often lower due to more sprawling settlements; for services like mini-buses, poor road quality can impede access; and land is often settled informally or in hazardous or contested areas, with high risks of relocation through evictions or hazards (meaning more permanent infrastructure may be abandoned), posing security risks for encroaching service providers. Furthermore, a company owned by a particular clan group may be inclined to expand infrastructure, but unable to do so into territory controlled by a different clan, or where landowners or al-Shabaab affiliates oppose the expansion (as observed in Baidoa).²⁴⁷

Access to services is segregated along income levels, and the poor often pay more than the better-off.

Somalia is generally water-scarce, and water expenses can be a significant – and unpredictable – burden for urban households. For instance, in Baidoa expenses for water are reportedly second only to food.²⁴⁸ Piped water typically does not reach city peripheries where poorer communities live, meaning the most vulnerable communities rely on the most expensive off-grid sources, which can cost 4 to 6 times as much per unit of water. These include shallow wells, water

kiosks, water trucks, or – where roads and access are particularly bad – donkey carts. IDPs and other poor Somalis on the urban periphery typically pay the most per unit consumed, since grids are rarely extended to these areas. Aid organizations often provide free water for informal and IDP settlements in cities like Baidoa, but the provision is seldom sufficient, and there are indications that allocations may go disproportionately to IDPs from more dominant clans.²⁴⁹ This is not a sustainable solution, as IDP settlements become permanent parts of the urban fabric.

Level of access to services varies depending on clan lineage, too.

During and after the civil war, members of a given clan group tended to live together in a particular area of the city, for mutual protection. After government infrastructure and services collapsed, these communities created their own services. For example, after the devastation of power infrastructure in the civil war, private providers emerged servicing their own neighborhoods or clan areas. In Mogadishu’s water sector, the Northern, Central, and Southern parts of the city are each supplied by different water companies, owned by different sub-groups from the Hawiye clan lineage: the Murusade (*Xamer Water Development*) in the North, the Habar Gedir (*Banaadir Water Development Co.*) in the Centre, and the Abgaal (*Somali Water Development Union*) in the South.²⁵⁰ This is also seen in Kismayo, where Caafi is owned by members of the Ogaaden clan family while the new company Juba Water is Majerteen-owned. The relationship of clans to local service providers likely raises consumer trust, payment morale, and protection of infrastructure among members of the same clan. If one comes from a relatively wealthy clan, one enjoys reliable, affordable service provision; on the other hand, for those who come from smaller, less powerful clans, those same services could be beyond their reach.

In some areas, such as Beledweyne, water companies have developed cross-clan ownership structures to address these inter-clan tensions.

Cross-clan mergers can reduce clan-based tensions, help firms avoid charges of favoritism, manage competition between providers, and improve companies’ power to resist regulation.²⁵¹ Even in Mogadishu, the water companies noted above operate a cross-clan shareholding arrangement to improve security and stability. In Beledweyne, in

response to the regularity of hijackings inside and between the city and other nearby destinations, private transporters in the city formed the Hiran Transporters Association, which endeavors to ensure uninterrupted travel by virtue of its cross-clan nature. It is not clear how effective these are. In general, the electricity sector is less fragmented than the water sector, with a narrower range of suppliers, and considerable mergers among mini-grid providers.

SERVICES ARE COMPROMISED BY CAPACITY AND BUDGET CONSTRAINTS

Non-state actors like owners' associations and community groups have attempted to take on infrastructure maintenance, but seldom have the skills or resources necessary for adequate rehabilitation. For example, roads in Beledweyne city are in a state of disrepair, and any maintenance that is carried out is done by non-state actors, such as the Hiran Transporters Association. There are community groups that collect money within the neighbourhood for regular repairs in Mogadishu as well. But the cost of effective maintenance and level of expertise required means corners are cut and fixes are short term at best.

Private investment to boost the reach and quality of urban services is also limited by access to finance.

There are few opportunities for formal seed finance.²⁵² Finance from Somali banks is significantly costlier than the already-high interest rates elsewhere in the region. There is low confidence in financial sector regulation and supervision, due to the absence of relevant laws and enforcement capacity, high informality, and ongoing insecurity; this in turn limits Somali financial institutions' access to the global network of correspondent banks needed to channel remittances and ODA. While firms access alternative finance through donors, diaspora investments, clan networks, and so on, these informal mechanisms often make it challenging to invest at scale or over longer time horizons.

Diaspora remittances are filling some gaps in the local financial sector. Given the unavailability of traditional project finance, coupled with more demanding Islamic financial practices, Somalia has developed its own capital-raising mechanisms for basic service infrastructure. Firms have raised significant sums from diaspora populations in the U.S. and beyond,

as well as donor grants and informal financing from the local business community. For example, due to banks' unwillingness to lend to firms or consumers, most solar businesses are self-funded or financed by donor grants. However, the informality of these channels makes it harder to invest and operate at scale.

Revenues are not reinvested, even if taxes are collected.

Some Government revenue is generated by licensing and taxing private and public transport. The main sources of government revenue include custom duties on a rising number of imported vehicles, registration fees, fees for number plates, annual vehicle tax and road taxes. For example, the Somaliland government imposes a daily tax on Bajaj as well as two annual taxes on vehicles and a vehicle import tax. The Puntland government raised some 4.5 million USD in total from the transport sector, including custom duties on cars, vehicle and road taxes, and driver licenses).²⁵³ In Kismayo the Jubbaland administration collects 150 USD road tax from drivers and charges 200 USD for number plates, 120 USD for logbook and an annual fee of 80 USD per vehicle. While government raises substantial capital from taxing transport operators, vehicles and traffic, not much of this revenue is reinvested to repair, improve or build new local roads.²⁵⁴ Citizens paying these fees have little faith that maintenance and investment will be made by the government, further undermining the government's credibility.

THE BATTLE FOR URBAN LAND

Land is arguably the most contentious issue in Somali cities, given the competition among formal and informal institutions, weak capacity of the state, and the lack of trust in state entities to protect land rights.

Better management of land is essential to ensure that Somali cities reap the benefits of urbanization.²⁵⁵ However to date the FGS and district governments have struggled to cope with increased demands for urban and peri-urban land. Enhanced land administration and land use planning are needed to control growth of cities and secure tenure for IDPs, including those outside of formal IDP camps, that prefer to settle in urban areas. Political economy must be considered in strengthening land administration as conflict dynamics shift power balances among stakeholders involved. Capacity of institutions must be built to promote implementation of

land polices and legal frameworks and delivery of land administration services.

Uncertainty over land tenure rights can undermine efforts to reconstruct and improve cities. Lack of clarity over land rights can prevent city administrations for initiating urban upgrading programs, such as enhancing public utilities, rehabilitating infrastructure and construction of new housing. It may also negatively impact the ability of governments to implement reparation schemes for residents who have lost access to land. The inability of government to act effectively in such contexts acts to undermine overall trust in government. At the same time, post-conflict settings can provide opportunities for considerable changes to land administration practices.

Fragility, conflict, and violence add layers of complexity to urban land governance. In the context of Somali cities this layer of complexity manifests in several ways. In Mogadishu, for example, some residents who fled the city in the 1990s are now struggling to reclaim their property rights. Rural residents displaced to cities are taking over vacant lands, both public and private, further clouding tenure status. Because district and municipal bodies have been unable to reassert control over land administration, land grabbing is constant, and comes at the expense of displaced persons and the urban poor. As urban populations increase, competition over land is spreading to peri-urban areas, where land tenure is even more insecure and formal institutions have even more limited reach.

The same factors that make Somalia a fragile country undermine urban land tenure security. Urban land is highly contested in cities such as Mogadishu, Kismayo, and Baidoa, and contestation is spreading to peri-urban areas. Multiple waves of displacement create competition over land and disputes over rights. State and municipal governments are having difficulty reasserting themselves in services, like land administration, where their long absences have led to the private sector and other non-state actors taking over. Urban land markets have also become distorted with increased competition over land, increasing prices and the flow of funding from war-related activities targeting land for speculation and investment.

FRAGILITY PROMOTES COMPETITION AMONG FORMAL AND INFORMAL INSTITUTIONS AND UNDERMINES TRUST

Somalia has a long history of conflict and violence resulting in displacement and loss of economic assets such as land. The ongoing battle for natural resources and land often manifests as clan-based conflict, leading to displacement and loss of access to land. Violence and force are used to grab land, which must then be violently retaken, creating a self-perpetuating cycle.²⁵⁶ This complexity manifests in numerous ways, including: increased pressures on land due to displacement and migration; investment of war economy proceeds in land assets; forced evictions of IDPs from the land they occupy; increasing competition over peri-urban land; land grabbing by economic and political elites; proliferation of informal land tenure; defensive displacement and segregation based on clan; and decreased state capacity to delivery services and protect rights.

Multiple waves of forced displacement undermine land tenure security in Somali cities. According to the Internal Displacement Monitoring Centre, as of the end of 2019 Somalia has 2.6 million persons internally displaced due to conflict and violence, and in 2019 alone 479,000 new internal displacements were created by natural disasters. These and future movements of persons, including the return of refugees, will need to be considered in policies on urban land usage. Most IDPs have settled in informal settlements in urban and peri-urban areas. In Baidoa, for example, clan structures and security needs have made resettlement of IDPs within the city a sensitive issue. Power balances among clans depend on control of certain areas of the city and any attempt to resettle displaced persons risks upsetting the balance of power.²⁵⁷ Given the available public land, the Baidoa district government has allocated land for IDP settlements, and households have been allocated plots of land and ownership within those settlements.²⁵⁸

The trouble with the term “displaced person,” in the Somali context, is that it implies limited rights as a citizen in the site of relocation—in short, an IDP is not perceived as a full citizen of a city, even though their displacement may have happened decades ago. This becomes increasingly problematic in a context of long-term displacement. In this situation, it is urgent to work out when persons should be considered

resettled rather than displaced. In the short- to medium-term, internally displaced persons may move back and forth between a city and the rural area they come from without establishing a permanent presence in either. Frequently, however, IDPs will settle permanently in an urban area, but without ever being accorded rights as citizens. Instead, host communities often apply the label to displaced persons indefinitely as a means to establish a hierarchy of guests versus residents.²⁵⁹ Such a hierarchy implies a two-tiered system of land rights with residents having stronger rights and priority in access to land.

Internal displacement, migration, and return of refugees all increase competition over land. Displaced persons are often forced to compete with the urban poor for land. Scarcity and high land prices in urban areas means urban IDPs are less likely to own their dwellings than rural IDPs, and rural areas fare better in measures of tenure and housing.²⁶⁰ Land tenure security for displaced persons is generally weak; IDPs have reduced access to formal land administration services and are often dependent on oral contracts to lease land. Displaced persons have promoted parallel structures for land transactions and dispute resolution, further undermining coherence and complementarity.

Land governance in Somalia has been severely undermined due to the conflict. There is little coherence or complementarity in land administration due to competition between institutions, unclear and overlapping mandates, institutional fragmentation and limited integration of formal and informal systems. Formal institutions face considerable obstacles reasserting their mandate over land administration services due to their absence in service delivery and the takeover of services by the private sector and non-state actors. They also need to re-establish trust in local communities given the government has proven mostly ineffective in protecting land rights. However, formal institutions are overwhelmed by increased demand due to limited capacity. The outdated and fragmented policy, legal, and institutional frameworks will also need to be addressed.

INSTITUTIONAL FRAGMENTATION AND WEAK STATE CAPACITY UNDERMINE LAND GOVERNANCE

Weak land governance undermines credibility and attempts to effectively address access to land and develop cities. Local governments in Somalia currently have few tools for effective land governance: service delivery is weak, damaging legitimacy; regulations are largely ignored; and public institutions lack the capacity or funding to carry out their work. The physical limits of cities are not clearly demarcated, making it unclear where institutional and legal mandates physically begin and end. In Baidoa and Kismayo, the ongoing violence has forced officials to officially suspend land administration. At the same time, however, failing to provide land governance will only further undermine cities' capacity to deliver key services. Without land tenure security, it is hard to develop sustainable and affordable housing solutions, but at the same time, strong vested interests such as the political elites, businessmen and local power holders oppose tenure security, especially around unregistered/goof lands.²⁶¹ As a result, forced evictions and rising land conflicts continue newly settled areas.²⁶²

The Federal Government has adopted new policies but between their weak capacity and competition with informal institutions, implementation has been limited. At the federal level the government has made some attempts to craft new policies around land administration. In 2019 the Council of Ministers of the FGS adopted three key policies: the National Policy on Refugees and Returnees, the Interim Protocol on Land Distribution for Eligible Refugee-returnees and IDPs, and the National Eviction Guidelines. However, capacity to implement policy is strained. The BRA also developed eviction guidelines for Mogadishu but the high number of evictions in and around Mogadishu calls into question their effectiveness.

The legal framework governing land administration is outdated and poorly implemented. The legislative framework covering urban land was last updated in 1980 with Law No. 10 (17 December 1980), which gave the BRA a mandate to prepare of a master plan to address population growth.²⁶³ However, the ability of federal and local governments to conduct surveying

and registration activities, maintain survey and registration documentation, and protect land tenure from land grabs remains weak.²⁶⁴ The Provisional Constitution (2012) provided the basis for reform of the legal framework governing land administration. It established private property rights and protects against unfair expropriation. It also required the Federal Government to adopt a land policy to ensure equity in land allocation exercise of land rights, effective dispute resolution, and protection of small landholders from markets. Federal Member States are

provided the right to formulate their own policies. The Jubbaland Land Law remains in draft form, leaving land administration in Kismayo in state of legal limbo. Similarly, in Baidoa a draft land law was adopted by the Cabinet in 2018 but awaits approval by the State Assembly. In Kismayo land administration is de facto governed by the Jubbaland State in a relatively ad hoc manner.²⁶⁵ The Jubbaland Provisional Constitution (2015) also recognizes private property rights and protects against unfair expropriation.

BOX 9. A MODEL LAND LAW FROM SOUTH WEST STATE?

The draft Urban Land Law from the South West State, developed in 2019 but yet to be enacted, sets ambitious goals of improving integrated urban planning, promoting sustainable land use and protecting land rights. To achieve these goals the draft commits the state to:

- protect tenure security,
- manage public properties,
- harmonize institutional mandates,
- reduce abuse of power,
- simplify land administration procedures and services,
- maintain accurate land records,
- manage disputes through establishment of formal mechanisms and integration of customary/informal procedures,
- discourage land grabbing, and
- increase public trust.

It also obligates the state to manage land for IDPS and regulate evictions, address protracted displacement, and conduct public consultations and negotiations.

The draft does make progress in addressing some of the most critical issues impacting urban land governance. This includes the following:

- Institutional fragmentation and overlap of mandates: The draft creates a State Committee on Urban Land and Planning, which is responsible for developing master plans, identifying public land, and monitoring implementation of the law by other entities. Local governments are given the mandate for allocation of public land, management of the registry for private land, and maintenance of databases of land records. MoPW's new Urban Land and Planning Office will have responsibility for supporting planning and public land management activities, while MoPW will also have the mandate to maintain registries for both public and private land.

- Solutions for IDPs: Some protections against evictions are provided to IDPs including notice and consultation requirements. Evictions must provide due process and adequate legal recourse and follow established procedures. Relocation of IDPs can only be undertaken in the public interest or for safety reasons.
- Land disputes: Administrative tribunals are to be established with the right of appeal to an appeals court. Administrative tribunals can consider decisions made by customary mechanisms and can refer parties to mediation.
- Allocation of public land: Public land will be allocated to private individuals consistent with urban plans and based on the principles of equity and fairness. Local government will have the mandate to make these allocations.
- Informal land actors: The draft law requires registration and licensing of land brokers and real estate agencies.
- Lack of formal documentation on land rights: Tax records will be considered as documentary proof of land rights.

The draft law does contain gaps in addressing other issues. The procedures for expropriation of land are not completely clear and do not meet international standards. It is also not clear to what extent public and private land records will be available to the public. The State Committee appears to have a role in both identifying and allocating public land, which could cause a conflict of interest. Any usage of land, or construction on it, outside of formal legal processes is deemed illegal, which in a context of widespread informality does not reflect reality and could put large amounts of urban land in legal jeopardy. The draft also requires that applicants for allocations of public land should have family or household responsibility, which in practice may limit women's access since legally they are restricted from being considered a head of family or head of household (Family Law, Article 4(2)).

Source: South West State of Somalia, draft Urban Land Law (2019)

The institutional framework covering land administration is highly fragmented, undermining cooperation among institutions and with security actors, and lacks capacity.

International good practices suggest that surveying and registration functions be placed in a single entity, yet in Somalia institutional structures are fragmented at multiple levels. In Kismayo, land administration functions have been shared between the Kismayo district government/municipality, the Ministry of Public Works and Housing, and the Land Use and Dispute Resolution Committee created by the Provisional Constitution, but which has yet to be implemented. The Jubbaland Land Authority, on the other hand, was subsequently established by presidential decree to coordinate land administration

functions, but its perceived authority is tied to the current president, raising fears that any documents issued by the Land Authority will be undermined by the next administration. Baidoa has a slightly more streamlined structure, with draft legislation mandating the Ministry of Public Works, the Baidoa district government/municipality, and the Land Commission to carry out land administration. But registration services and maintenance of public and private records are currently split between the Municipality and the Ministry of Public Works, respectively. The weak capacity of formal institutions in Baidoa has led to a proliferation of informal networks overseeing land transactions, including businessmen, brokers, notaries, and traditional and religious leaders.²⁶⁶

BOX 10. INSTITUTIONAL FRAGMENTATION IN MOGADISHU

In Mogadishu the BRA contains numerous entities whose mandates involve land administration including the Land Administration Department, responsible for registration of land, and the Technical Department, responsible for surveying land. The Durable Solutions Unit is responsible for developing dignified and sustainable solutions for displaced communities and is expected to serve as a channel of communication between the Federal Government, development partners, CSOs, the private sector and the BRA. Other entities involved include the Department of Planning and Project Development, the Mayor's Agent for Land Affairs, and the Department of Urban Planning and Engineering. The Ministry of Public Works and Reconstruction has attempted to exert influence through its National Land, Physical Planning and Urban Solutions Programme, and National Housing Programme. What is not clear is how well these units cooperate in addressing land administration gaps. This fragmentation extends to dispute resolution bodies. Disputes can be addressed via local courts, the Committee on the Resolution of Land Conflicts, or three Alternative Dispute Resolution (ADR) Centers, which are under the Ministry of Justice and supported by a development partner, District Commissioners, as well as clan elder structures. Coordination among these bodies is weak, and aside from the ADR Centers, access to them is practically out of reach for vulnerable residents.

Source: (RVI 2020a, RVI 2020d).

The current institutional framework is also highly ineffective. Formal institutions compete for control of the land administration agenda in order to exploit rent-seeking activities, which in turn has undermined efforts to enhance land governance.²⁶⁷ In Mogadishu the combined weight of the BRA and FGS have been unable to counter private interests in exploiting land, while slightly stronger institutions in Kismayo and Baidoa struggle with considerable challenges. In the case of Kismayo much of this strength flows from the involvement of the powerful current president in the land sector, fueling uncertainty about what will happen when his term ends. Absent reform, informal institutions, including clan-based structures, Al-Shabaab and the private sector, will continue to provide the only practically accessible form of land administration services, particularly for vulnerable persons. Having multiple mechanisms for dispute resolution can be advantageous, but only when mandates are clearly structured and forum shopping is kept to a minimum to prevent unlevel playing fields.

The private sector has carved out a considerable role in delivering land administration services.²⁶⁸ The private sector players include brokers, real estate agents, property developers, landlords and gatekeepers. Notaries, although a public function, also play a role in private sector capture of land transactions. The private sector has played a strong role in the administration of goof land in peri-urban areas particularly around Mogadishu but more generally throughout Somalia. For example, it is estimated much of the hinterland of Mogadishu has been registered with the BRA upon division into parcels and payment of registration taxes, but without many safeguards implemented, such as checks on validity of ownership rights.²⁶⁹ This apparent grabbing of goof land has compounded challenges in settlement of IDPs and increased conflict dynamics.²⁷⁰ The Jubbaland State government contracted with the private sector, Milestone Developers Limited, a Nairobi-based company owned by Somalis, to provide technical assistance in the development of a master plan for Kismayo and to support the JLA. Though there are some reports of improved services under this arrangement, it is not clear how sustainable the initiative will prove due to costs and whether the model is run on a cost-recovery basis. There is also a question of the security of title deeds issued through this process in the absence of clear legal framework.

District administrations face difficulty reasserting land administration services. During the period of conflict, Somali formal institutions lost credibility in their power to provide services, including land administration. That credibility needs to be rebuilt over time. But at the same time, the non-state actors who filled the void left by the ineffective state continue to benefit in different ways from the current system, and will likely prove unwilling to give up the roles they

have taken. It has also led to higher levels of informality in land administration, with few transactions going through formal channels. District government officials must also address the lack of trust by citizens that the state can deliver services and effectively protect land and property rights, which is unlikely to happen in the near future. The status of formal cadasters and registries is mostly unclear—or worse: For Mogadishu, the most historically complete land register for the city

BOX 11. LAND RECORDS SPREAD AFA

Somalia has the distinction of being a country where a considerable amount of land data and historical records are held outside of the country, by private individuals. A large amount of land surveys conducted by a British expatriate, Murray Watson, are kept in a private home in the UK. Records of land registrations in Mogadishu prior to 1991 were removed from Somalia by a former registry official. If there is a need to verify records of title registered prior to 1991, the request must be made to the former official, now a resident in Sweden. The fact the records are kept outside of the country means the costs of verification are high (USD 1000-2000) and the process is slow, taking roughly a month to complete.

Sources: RVI 2020a, World Bank Doing Business 2020; Foreign Policy (<https://foreignpolicy.com/2017/05/31/the-watson-files-somalia-climate-change-conflict-war/>)

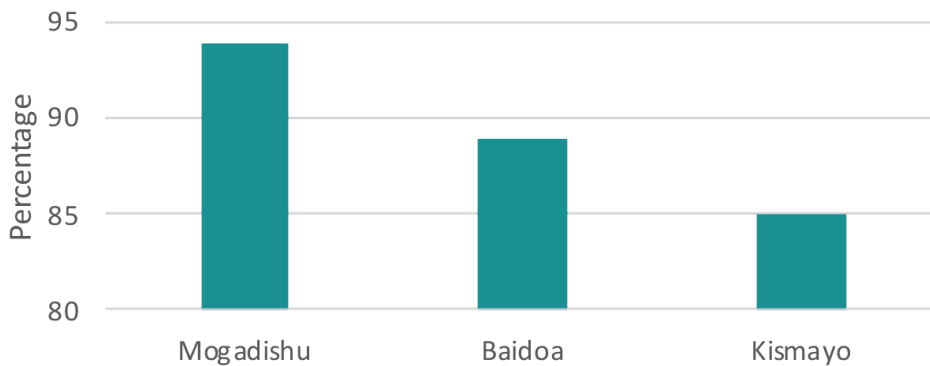
There is considerable forum shopping among institutions, with each group tending towards institutions deemed most supportive. Cooperation with informal actors could help leverage those actors' comparative advantages.

Land claims are negotiated in various formal and informal forums,²⁷¹ which may prove out of reach to more vulnerable and less connected members of society. In general, urban households do not rely on decisions on land administration from local government, with only 16 percent of households relying on such entities for land tenure.²⁷² There is no comprehensive data on representation of minority clan members, women, IDPs and other vulnerable persons as staff of public institutions. Anecdotal evidence suggests few such persons are employed in formal land-related institutions but may be slightly better-represented in informal bodies. In Mogadishu, different groups in society are routinely accessing only select institutions. And the marginalized people are often constrained in the kinds of institutions they can access. For example, owners of goof lands have minimal access to district/municipal land administration services.²⁷³ Thus, they are forced to rely on intermediaries who have connections with the local government, and who conduct transactions for a fee or a percentage of the land.

People's perceptions of land tenure security may be misplaced given the weak state of land governance.

Overall 75 percent of urban residents have registered land certificates, which are equivalent to titles. The reported rates of registered land certificates are higher in the main urban centers of Mogadishu (94 percent), Baidoa (89 percent) and Kismayo (85 percent) (Figure 54).²⁷⁴ This statistic seems high considering anecdotal information on the lack of formal land registration and the lack of functioning deeds registries in these cities. There are several possible explanations. Many respondents may consider their documentation equivalent to legal title because they are unaware of legal requirements. Others may be aware of the legal gaps in their documentation but would prefer not to disclose this fact for fear of putting their rights at risk. This is not unique to Somalia: A survey of IDPs by the Norwegian Refugee Council suggests that many displaced persons remain unaware that their ownership rights are not fully legally documented.

Figure 54. Urban Residents with Registered Land Certificates



Source: World Bank 2019

BOX 12. LAND OWNERSHIP AND DOCUMENTATION, DISPLACED SYRIANS

Surveys of displaced Syrians showed high levels of reported land ownership despite anecdotal evidence that land registration rates were low. Over two-thirds (70 percent) of refugee households in Lebanon and the Kurdistan Regional Government of Iraq (KRG) reported ownership of residential dwellings (World Bank Impact of Refugees Survey, 2016), while 83 percent of surveyed households in Jordan reported ownership of land and other property (Figure 1).

Figure 1. Status of land pre-conflict, refugees in Jordan

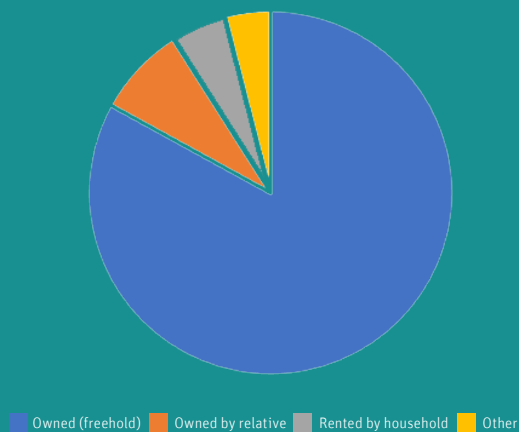
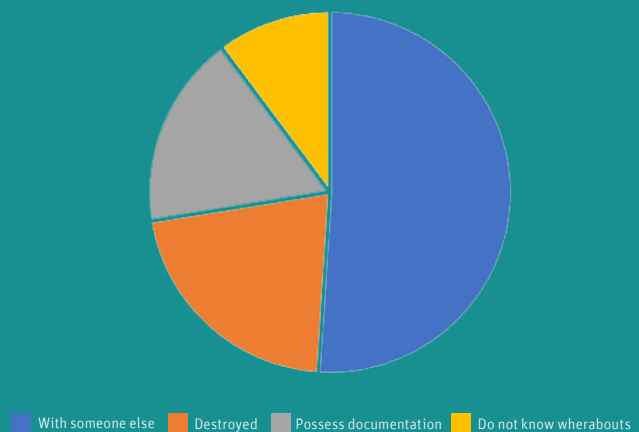


Figure 2. Land ownership documentation



However, providing documentary evidence of ownership proved more challenging. Only 50 percent of respondents from the NRC Survey reported possessing title documents. However, more than 80 percent of those reporting having documentation said they did not have access to the documents (Figure 2). Around 70 percent of surveyed refugee households in Iraq reported their documents are with someone else. Furthering confusing tenure rights, roughly 70 percent of the respondents in the NRC Survey stated that documents were actually in the name of another person, such as extended family members. Missing and unclear documentation is likely to lead to competing claims for property in the post-conflict setting.

Sources: UNHCR Refugee Household Survey Jordan (2017); NRC Refugee Household Survey (2017).

LACK OF COOPERATION AND COORDINATION IN LAND ADMINISTRATION IS DRIVING CONFLICT

Land conflicts are a major source of strife and violence in Somalia. The inability of formal institutions to address conflict has undermined credibility with the public. Rapid urbanization, weak land governance, and demographic pressures have forced contestation over urban land, at times spilling over into violence. A number of factors are driving this conflict, including multiple waves of displacement, self-segregation based on clan structures for security reasons, increasing land prices and speculation, and the use of prime real estate as a channel for laundering corruption money. Encroachment on public and private lands by vulnerable persons, including the poor and IDPs, increases risk of disputes. Contestation undermines clarity of tenure rights, which in turn will negatively impact the ability of cities to use land efficiently to serve public interests. Lack of municipal boundary demarcation complicates land administration and adds a layer of complexity to

land conflict. In Kismayo the high level of unregistered land is partly responsible for the incidence of land grabbing and land-related disputes. It is estimated that up to 95 percent of unregistered land on the periphery of Kismayo is contested.²⁷⁵ In Baidoa a large amount of land in the periphery of the city has been grabbed and subdivided into plots for speculation through informal networks. The Baidoa plots have been allocated to IDPs in the city in partnership with IOM, but obstacles have arisen in the form of disputes from the original owners of the land plots and the lack of fair compensation paid in the form of alternative lands.²⁷⁶ Other risks to land tenure and disputes in Kismayo are the return of refugees from Kenya, migration of Ogaden Somalis from Kenya and Ethiopia, and increasing investment in land by diaspora Somalis. Another potential risk is conflict between the urban poor and returnees from Kenya, the latter benefiting financially from repatriation programs that can be used to purchase land that would otherwise be used by the urban poor. Similar tensions may erupt between returnees and IDPs.²⁷⁷

BOX 13. ILLUSTRATIVE LAND CONFLICT CASES

In 2008, in the Jaamacadaha neighborhood of the Hodan district of Mogadishu, armed forces appropriated public land on which the Somali National University was established, divided it into plots and assumed ownership or sold plots privately until 2016. Individuals purchasing these plots were often aware of the questionable property rights but were willing to assume the risk based on other available options. In 2019 the Federal Government of Somalia (FGS) attempted to reclaim the land by ordering a notice for inhabitants to vacate. While some tenants left, members of the armed forces and those to whom land plots were sold have refused to vacate. Armed settlers have in the past closed main roads in the area to prevent their eviction. To date the FGS has been unable to reclaim the land.

The Garasbaley neighborhood on the outskirts of Mogadishu was a formally underdeveloped area comprised of goof land claimed by the Abgal sub-clans which saw a surge in settlement primarily from IDPs, followed by humanitarian aid to improve infrastructure. By 2018 what had been a mostly informal settlement had transformed into a more formal one with permanent structures, with land being sold privately for increasing prices. The neighborhood straddles two administrative districts, prompting administrative disputes often involving humanitarian aid, and two clan structures, prompting security concerns and increasing risk of confrontation. As land values increase IDPs are sometimes forcibly evicted and allocated land elsewhere, which attracts humanitarian aid and investment in a new area.

Source: RVI 2020a

Similar urban land conflict trends have emerged in Mogadishu, Baidoa and Kismayo.

These trends involve competing ownership claims over urban land parcels, intra-communal conflicts, violent forced evictions, opportunistic land grabbing, and unresolved historical land grievances (Box 14). They are present in each of the cities to different degrees and have shifted over time. The amount of land disputes in Somalia is impossible to quantify but anecdotal information suggests the number is quite high. In Mogadishu one estimate puts the total of land disputes in the court system as more than half.²⁷⁸ Land disputes can often turn violent. Twenty-one persons were killed in Baidoa in land-related violence between 2016 and 2019.²⁷⁹

Dispute resolution systems are fragmented, often inaccessible, and struggle to enforce decisions. The effectiveness of dispute resolution varies in each city:

- **Mogadishu** – The court system is viewed as corrupt and the resolution of land-related disputes overly time-consuming. Individuals with more financial resources and knowledge can use

courts, but IDPs and the urban poor tend towards mostly clan-based informal dispute resolution. This is due to: lack of trust in the formal courts and stronger trust in informal mechanisms; lack of understanding of formal procedures; and lack of financial resources to pay associated fees (RVI 2020d). Alternative Dispute Resolution (ADR) Centers appear popular due to the lack of formal rules and procedures and faster resolution of cases, with 140 cases resolved in the first half of 2019 alone.²⁸³ However, these ADR Centers are funded primarily by donors bringing to question longer-term sustainability. Some litigants seek the assistance of al-Shabaab courts in Afgoye to settle disputes.²⁸⁴

- **Kismayo** – The President of Jubbaland has taken a more proactive approach to dispute resolution by suspending market transactions and allocation of land and establishing the Land Dispute Resolution Committee (LDRC) to address disputes involving unregistered land, though the Committee has yet to come into existence. At present most

BOX 14. TRENDS IN URBAN LAND CONFLICT

The Rift Valley Institute (RVI) conducted field research in Mogadishu, Kismayo, and Baidoa from November 2019 through January 2020 to assess land governance in each city. The research was primarily qualitative, due to the lack of quantitative data available, and consisted primarily of key informant interviews with government officials, civil servants, CSOs, and residents, including displaced persons.

Based on research on land conflicts, RVI has identified three primary drivers of urban land conflict:

1. Competing claims over land parcels – based on contested titles issued by different institutions/ authorities; contestation of rights with varying levels of legitimacy (eg. Fraud); use of multiple forms of dispute resolution (forum shopping); disputes often turning violent
2. Competing communal/clan claims to land – involving government security forces and/or clan militias and often a result of private disputes that can turn into wider communal conflicts
3. Violent forced evictions – resulting from repossession of encroachment or opportunistic land grabbing involving both private and public land
4. Opportunistic land grabbing – often by political and economic elites
5. Historical land grievances – restitution related to multiple waves of displacement during the conflict; recognition of informal settlements

Source: RVI 2020a; RVI 2020b²⁸⁰; RVI 2020c²⁸¹; RVI 2020d²⁸²

land transactions are mediated by traditional institutions that limit women's access to land.²⁸⁵ The Jubbaland administration also created a special police force to support the work of the JLA, by providing security to land surveyors and other field staff, and aid in enforcement of judicial decisions. However, to date no judicial decisions have been implemented.²⁸⁶

- **Baidoa** – Fieldwork indicates a high regard for al-Shabaab courts due to their perceived integrity, efficiency, and speed in comparison to other mechanisms, which highlights the lack of functionality of the FGS to deliver justice in a timely manner beyond the clan structure.²⁸⁷ The President of the South West State also has taken proactive steps to prevent disputes and has suspended the hearing of land cases by formal courts pending enactment of new legislation and establishment of a Land Commission to resolve pending disputes. Such measures could prove fruitful if implemented effectively but could also further exacerbate contestation if legislation and the Commission are not put into effect quickly.

Fragile conditions and weak land governance have led to numerous competing claims over urban land parcels. Multiple institutions, both formal and informal, are issuing documents, creating competing claims over the same parcel. Informal institutions include traditional leaders, non-state actors like Al-Shabaab, wealthy gatekeepers, land brokers, and unregulated notaries. Land brokers (who provide information on land to prospective buyers and often set prices) and notaries (who certify documents needed to issue titles) have especially proliferated in cities. Land brokers are not officially licensed, and notaries, although performing a public function, are not regulated in every city. These documents have varying levels of legal security and social acceptance depending on which institution issued them and who is trying to enforce them. Such a situation provides ample opportunity for fraudulent transactions. When disputes arise there are multiple institutions, both formal and informal, to which individuals go to resolve them. Religious leaders, Al-Shabaab, and religious or civil courts offer land dispute resolution. Apart from Al-Shabaab these mechanisms struggle with enforcement of decisions. Having multiple dispute resolution bodies

can be beneficial. However, the mandates of each need to be clear enough to prevent forum shopping, which inevitably disadvantages vulnerable persons with limited resources. But with limited data available on land disputes in Somali cities, it is hard to say who goes to what dispute resolution and when.

Inter and intra-communal conflicts often play out over land. Land conflict in Kismayo is dominated by inter-clan (Darod clan) competition complicated by years of successive militia takeovers of the city. Each takeover has created new land-related grievances as land is used as a tool for militias to maintain control. The ruling sub-clan is often viewed as grabbing land of higher value and in more desirable locations, such as city centers, which leaves more vulnerable persons to settle in peripheral areas with reduced access to services. These takeovers have also led to defensive displacement and self-segregation based on clan membership. In Baidoa land conflict is frequently sparked by inter-clan conflict driven by unclear administrative boundaries and competition over investment for infrastructure and humanitarian aid. A simple private land transaction can escalate into a communal dispute when parties from different clans are involved.

Dispute resolution is typically handled by clan-based judicial systems, informal negotiations, or Al-Shabaab affiliated courts.²⁸⁸ In Kismayo, forced evictions and land grabbing have occurred regularly over the last two decades and remain far too common to allow for a predictable business environment.²⁸⁹ Compared to rural households, urbanites are less likely to own the land on which they live, which for many people rules out the option of starting a business on land that they own. Although the Provisional Somalia Constitution states that land should be “held, used and managed in an equitable, efficient, productive and sustainable manner,”²⁹⁰ the reality is that private actors who control access and pricing effectively hold land monopolies. Formal institutions are crowded out of land management and disputes are handled by clan-based judicial systems. Alarming, Al-Shabaab is sometimes seen as a more reliable and less corruptible actor who can defend landowners' property rights when formal institutions fail.

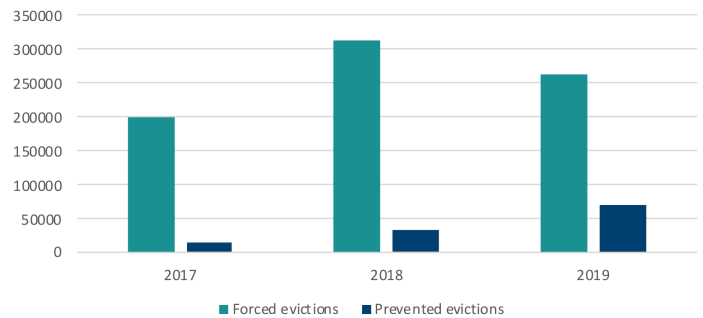
Enhancing dispute resolution systems provides an opportunity to promote cooperation between formal and informal institutions and increase credibility.

At present Somalis with land issues have numerous options for resolving land disputes, though not all mechanisms are available to all people. It will take time for formal entities, such as courts and official alternative dispute resolution, to re-exert themselves with some level of credibility. They also need time to build capacity. Some types of disputes, such as minor boundary disagreements, may be best addressed by informal actors like clan and religious leaders. A hybrid approach would allow for courts to take into account agreements made by informal institutions and formalize them while applying some level of quality control. Over time such an arrangement can be amended as needed. Integrating different mechanisms may also increase trust in government.

FORCED EVICTIONS INCENTIVIZE EXPLOITATION OF THE POOR

Vulnerable people, particularly IDPs, are at considerable risk of forced eviction due to insecure tenure rights. IDPs living outside of camps remain at considerable risk of forced eviction. For example, between January and August of 2017 roughly 109,000 IDPs in informal settlements nationwide were forcibly evicted from their homes, with around 77 percent of evictions taking place in Mogadishu.²⁹² Nationwide, between 2017 and 2019 an estimated 778,090 persons were forcibly evicted, mostly from urban areas, while roughly 120,000 evictions were averted through provision of additional notice, allocation of alternative land, and extension of leases (Figure 55).²⁹³ The vast majority of evictions involve forcible eviction of tenants who secured tenure through oral agreements. Evictions are overwhelmingly from private land and conducted by private individuals in order for private development of the land or housing. Only in rare instances do government entities carry out evictions. Other less common reasons for evictions include development plans by the FGS, clan disputes, and rent increases or defaults.

Figure 55. Number of Individuals Subjected to Forced Eviction

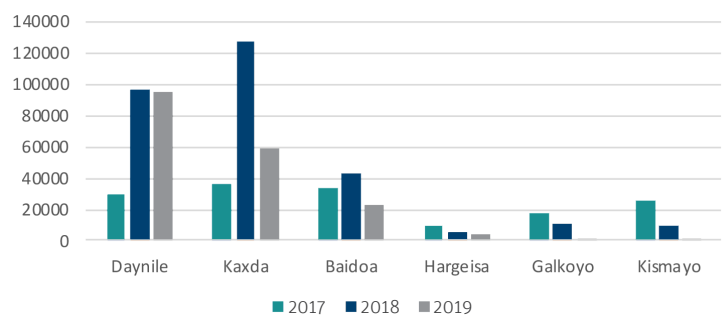


Sources: Norwegian Refugee Council, Eviction Trends Analyses 2017-2019

Forced evictions are highly geographically concentrated.

Forced evictions are heavily concentrated in the Daynile and Kaxda districts on the northern outskirts of Mogadishu and the rate of evictions remains relatively high in both (Figure 56). On the other hand, forced eviction rates in Kismayo and Galkayo have dropped off considerably over the period of 2017-2019. The Jubbaland Refugee and IDP Agency (JRIA) has somewhat successfully been addressing settlement needs of displaced persons by allocating plots of what it considers public land based on a formula of 50 percent for returnees, 30 percent for IDPs and 20 percent for host communities.²⁹⁴ However, obstacles have emerged, namely a lack of clarity over what is considered public land and the emergence of claims for private rights to the land.

Figure 56. Forced Evictions, by District



Sources: Norwegian Refugee Council, Eviction Trends Analyses 2017-2019

No issue more clearly reveals the exploitative nature of the urban elites' relationship with the poor and the vulnerable than land commodification.

In short, the displaced and the marginalized urban poor represent an income-generating opportunity for enterprising hosts. Anywhere they live, whether on marginal or unused land, within the city or on the peripheries, in planned or informal IDP settlements, claims will be made over the land and they will almost certainly be charged rent, either in-kind or in cash.²⁹⁵ For landowners, or whoever claims the ownership, IDPs' presence "adds value" above and beyond the rent income. Moreover, the presence of IDPs can attract aid organizations to provide key infrastructure and services such as water or roads, thereby increasing the value of the land.²⁹⁶ As soon as these investments are made, IDPs can be forcibly displaced with the hope that their presence will help increase the value of another plot of land. Gatekeepers, who "manage" informal IDP settlements, act as intermediaries between the IDPs and the landowners. They are almost always from a dominant local clan. Their functions include: brokering relations between the host community and the IDPs; advocating for food or basic services from aid agencies; securing site upgrading through provision of infrastructure and services; and identifying new land when the IDPs are evicted.²⁹⁷ Gatekeepers are often the ones that represent the IDP community for aid agencies. Where government support and regulation are non-existent, gatekeepers are vital forms of assistance for IDPs. At the same time, they are part of a bigger enterprise that feeds on the vulnerability of the urban poor and displaced to advance the interests and wealth of the urban elites.²⁹⁸

Urban land grabbing by political and economic elites has become more commonplace as property values have shot up since 2012.

Land grabbing has a long and sordid history in Somalia, starting in the 1980s, and spiking during the civil war in 1991-92. More recently, non-state actors have taken advantage of weak governance to accelerate land grabbing. Land grabbing in Kismayo is done by 'land gangs' comprising people who identify desirable land, people with primarily military backgrounds who can seize land with force, and persons representing a political and business elite who develop land plots and use fraudulent documents to exert ownership rights.²⁹⁹ Such grabbing is partly a result of limited economic opportunities and partly an opportunity to profit from high demand for land, made possible by the lack of a functioning land market.³⁰⁰ In Baidoa, criminal gangs conduct opportunistic fraud to forge title documents to unregistered land and fake transactions, later selling to unknown buyers. As IDPs are pushed into peri-urban areas,³⁰¹ land grabbing tends to follow. In Mogadishu weak land governance has led to land-grabbing of goof lands in peri-urban areas.³⁰² In both Baidoa and Kismayo land speculation has increased as land prices increase, with speculation supported via corruption and money-laundering.

Urban land policies will need to balance recognition of land rights through restitution and the use of land to provide durable solutions for displaced persons.

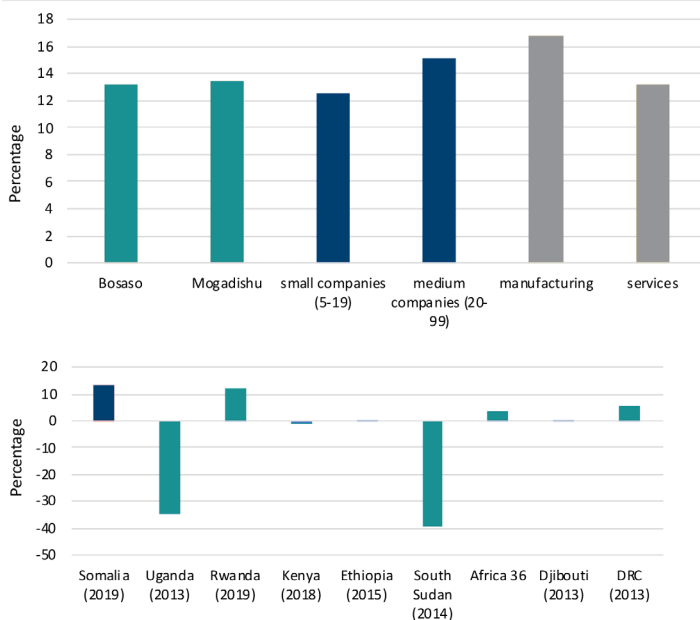
For persons displaced from cities in earlier times, for example from Mogadishu at the fall of the Barre regime, some type of acknowledgement of rights through a restitution or compensation scheme may be necessary. There will also need to be some process of reconciliation of rights to land nationalized during the Barre regime. For those displaced to cities during conflict, initiatives to allocate land or formalize informal settlements will be necessary, with some attention paid to restitution of compensation schemes for land left behind in their former home areas. Without these measures, the inability of government to secure land tenure for IDPs will have continuing negative repercussions. IDPs will remain at risk of forced evictions, forcing them to move to the outskirts of cities where services are more limited and contributing to uncontrolled urban sprawl.

RESILIENT BUSINESSES DRIVE URBAN ECONOMIES

Somali enterprises are hiring; given the right enabling conditions, the urban private sector can provide more jobs. Nearly half of Somali firms in the manufacturing³⁰², retail, and services sectors³⁰³ in Bosaso and Mogadishu report that they tried to hire new employees over the last two years.³⁰⁴ The trend is observed across sectors. While 45.6 percent of Mogadishu and Bosaso-based manufacturing companies report that they hired new employees in the past fiscal year, the corresponding figures for retail and services firms are 47.7 and 54.7 percent, respectively.³⁰⁵

Somali companies are experiencing rapid growth in sales and Somalia compares favorably to regional benchmarks. On average, Somali businesses report an annual increase in sales of 13.4 per cent, compared to 11.9 per cent in Rwanda (2019), and 5.9 per cent in the DRC (2013).³⁰⁶ Positive sales growth is good news because many of Somalia's neighbors report negative sales growth (Figure 57). Looking at companies' sales growth within Somalia, the manufacturing sector catches the eye with an annual growth of 16.8 percent. Increases in annual sales appear

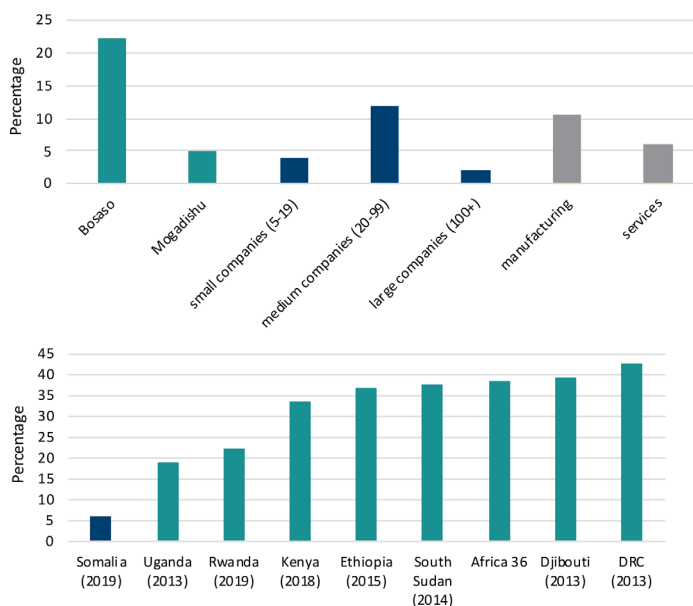
Figure 57. Real Annual Sales Growth is Solid, Ahead of Regional Benchmarks



Source: Bosaso and Mogadishu Enterprise Survey 2019.

But as uncertainty prevails, investment in fixed assets remains low and often relies on pre-existing funds rather than on loans from financial institutions. Only about 10 and 6 percent of firms in the manufacturing and services sector, respectively, report that they purchased any new or used fixed assets in the past year. These assets include machinery, vehicles, equipment, land, and buildings, and also include expansion of existing structures. Unsurprisingly, businesses with an established line of credit are more capable of investing in fixed assets. Medium-sized enterprises (20-99 workers) in the manufacturing and services sector were most likely to invest in fixed assets (12 percent), while fewer than 3 percent of large firms (more than 100 workers) and less than four percent of small enterprises (5-19 workers) reported investment in the past fiscal year. Persistent regional differences prevail as well. Whereas slightly more than one fifth of Bosaso-based firms invested in fixed assets over the past year, only 5.9 percent of Mogadishu firms report having done so. Investment is similarly depressed among micro enterprises, fewer than 10 percent of which report purchasing vehicles or other means of transport in the past three years. Those micro enterprises that did purchase means of transport mostly did so using their own funds. Hence, capacity remains underutilized and the share of firms buying fixed capital low, in particular in the capital city where uncertainty is high. Overall, Somalia lags behind its neighbors, whose companies report fixed assets investment rates of 15 per cent or higher (Figure 58).

Figure 58. Low Investment amidst Uncertainty

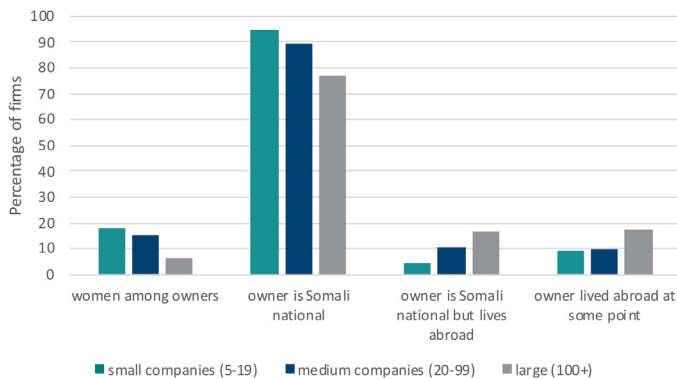


Source: Bosaso and Mogadishu Enterprise Survey 2019.

Somalis with foreign experience are crucial for the growth of urban manufacturing and service firms.

While the majority of owners of firms in the urban manufacturing and service sector are Somali nationals, a significant proportion of firm owners are Somali diaspora.³⁰⁷ This proportion grows with the size of firms (Figure 59). For instance, less than five percent of small firm owners live abroad but over 16 percent of owners of large manufacturing and service enterprises do. Even among those business owners who are Somalis currently residing in Somalia, many have lived abroad at some point during their lives. Having gained experience and skills outside of the country, Somali nationals who have lived abroad are crucial for urban areas’ economic growth.

Figure 59. The Ownership Structure of Manufacturing and Service Firms in Bosaso and Mogadishu



Source: Bosaso and Mogadishu Enterprise Survey 2019.

Returnees overwhelmingly cite perceived business opportunities in Somalia as the reason for acquiring a business in the country.

This means that Somalis living abroad are eager to return but currently do so because of the opportunities inherent in the unsaturated Somali economy, not because they expect assistance from the authorities. Indeed, practically no business owners with foreign experience mention that incentives provided by the government factored in their decision to return. If assistance such as financial incentives or guarantees to access capital were provided, the incentives for experienced returnees to start new businesses would likely increase.

Somali firms continue to be taxed by both government actors and al-Shabaab, further increasing the tax burden that establishments have to face.

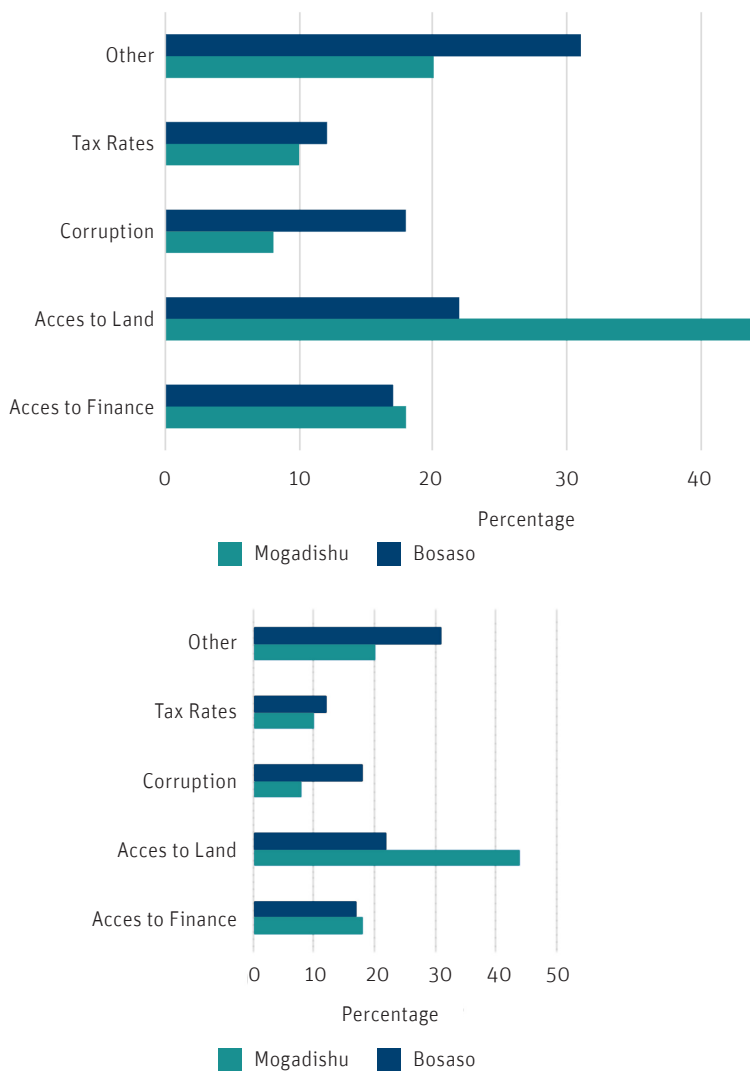
Twenty-four percent of manufacturing and service firms admit that they were requested or expected to pay informal tax payments or contributions to armed criminal groups in the past year.³⁰⁸ This was much more common in Mogadishu where nearly 40 percent of firms faced these kinds of demands. In Bosaso, less than four percent of enterprises report being harassed by criminal groups in a similar way. Informal taxes are demanded from enterprises of all sizes, including large ones. Organized crime groups, however, obstruct urban commercial life in a myriad of ways. Nearly 14 percent of Mogadishu-based enterprises had to change or reduce their operating hours in the past year because of crime or violence, and a little over 12 percent of businesses had to postpone or cancel planned investments. While relatively frequent in Mogadishu, these obstacles are much less common in Bosaso. In Mogadishu, nearly one sixth of firms report that the relative security was a key factor weighing on the choice of location. Improved infrastructure and security are likely to allow Somali enterprises to consider additional factors when determining where to locate their business, potentially resulting in efficiency gains.

PRIVATE SECTOR GROWTH REMAINS CONSTRAINED

Private enterprise remains bogged down by unfavorable business conditions.

The private sector continues to suffer from intractable security issues, relentless gaps in infrastructure, insufficient supply of skilled labor, lack of necessary regulatory frameworks, unreliable power supply, lack of financial intermediation, incessant land conflicts, and deep societal divisions that hinder inter-clan trust and dampen employment. Access to land, corruption, and access to finance are the top three obstacles to operations. Access to land is more difficult in Bosaso, while corruption is worse in Mogadishu. Despite less reporting on other obstacles, customs and trade and transport are faulted by more firms in Bosaso, and Political Instability is higher in Mogadishu (Figure 60).

Figure 60. Major Obstacles are Access to Land and Corruption



Source: Bosaso and Mogadishu Enterprise Survey 2019

Job creation and economic growth in cities depend on nurturing private sector growth.³⁰⁹ This includes expansion of existing firms, creation of new firms, and attraction of investors. Learning from international experience, successful cities have tended to prioritize four main areas to promote economic development and job creation:

- (1) **Institutions and Regulations** – improving the enabling environment for business (regulations on taxes, licenses, duties, registration, access to land, etc.) and advertising economic potentials to attract foreign investment;
- (2) **Infrastructure and land** – investing in transport, electricity, water, telecoms, and land (including business premises and incubators or colocation arrangements for similar firms);
- (3) **Skills and Innovation** – investing in basic education, vocational training and workforce skills improvements, and innovation networks;
- (4) **Enterprise support and finance** – tackling the market failures acting as barriers to firms’ economic success by not only improving their access to finance but also to physical capital, market information, capacity development for operational activities (legal, financial, administrative) and productive networks.

Job creation in fragile and conflict-affected countries is more challenging given the high risks for firms, and weak human capital among workers. Conflict often interrupts schooling and other opportunities to accumulate experience, and the related upheaval may prevent workers from finding jobs that best match their skills. But creating decent and inclusive job opportunities is crucial for stability: unemployment is among the factors that leads people to join armed groups, whether for the salary, a sense of purpose and belonging, or as a channel to express frustration.³¹¹

BOX 15. DIFFERENT SECTORS FACE DIFFERENT CONDITIONS

Different sectors and cities navigate slightly different challenges. Enterprises in the manufacturing sector are most likely to complain about limited access to finance while construction firms suffer from their reliance on imported products that slowly make their way through ports. The wholesale and retail trade sectors cite the high cost of land and insufficient access to finance as the leading bottlenecks.

Major Business Constraints by Sector

PROMINENT SECTORS	BUSINESS CONSTRAINTS
Manufacturing	<ul style="list-style-type: none"> • Limited access to finance
Construction	<ul style="list-style-type: none"> • Reliance on imported products • Lack of qualified workforce
Wholesale and Retail Trade	<ul style="list-style-type: none"> • High cost of land • Poor access to finance
Hotels and Restaurants	<ul style="list-style-type: none"> • Lack of qualified workforce • High tax rates
Storage, Transport, and Communications	<ul style="list-style-type: none"> • Poor regulation of copyright and brand control • Price volatility of imported products • High cost and unavailability of land

Source: Focus group discussions with representatives of the formal and informal sectors in Bosaso, January 23-30, 2020 and Mogadishu, March 3-10, 2020.

INSTITUTIONS AND REGULATION

Firms' formal interaction with the government remains cumbersome, opaque, and expensive.

Far too often, de jure rules differ from de facto practices and many business areas lack regulatory guidelines altogether. For instance, while the Ministry of Commerce and Industry is officially responsible for business regulations in Mogadishu, firms are in reality subject to complicated registration and licensing processes from a number of other actors, including Al-Shabaab.³¹² Additional regulations include competitiveness, brand and copyright control, and customer protection, each of which tends to differ based on location. Registration of new businesses is not digitized, and the associated fees are high. As a result, registering a business places an undue burden even on those entrepreneurs who actively seek to enter the formal sector. The Ministry

of Commerce and Industry, which is responsible for business registration in Mogadishu, is often inaccessible due to roadblocks. Similar conditions prevail outside of the capital city. As a result of Somalia's federal structure, regulations and laws are not always harmonized across states.

Firms in cities suffer from high tax rates, which are unevenly collected and lack general transparency.³¹³

There are no clearly accessible regulations specifying the rates and frequency of tax payments. A unified national tax system is necessary in order to reduce the pressure currently borne by Mogadishu, whose private sector serves as an important source of revenue for the FGS. A more harmonized tax system would further allow the central government to raise and subsequently share revenue with local government institutions.

In spite of the high tax rates imposed on the private sector, revenue collection especially at the local level remains poor.

Business owners in both Mogadishu and Bosaso complain about generally high tax rates and a multitude of actors that tax them.³¹⁴ This includes federal authorities, the local municipal administration, and, occasionally, Al-Shabaab: In Mogadishu, Al-Shabaab has built a sophisticated tax collection system that is difficult to neutralize.³¹⁵ The Hiraal Institute estimates that up to 30 percent of Mogadishu's businesses are taxed by the group.³¹⁶ Mafia-style taxation tactics practiced by the militant group fall most heavily on informal businesses who fear the group's reprisals. In general, the formal private sector is poorly informed about what taxes need to be paid and who is entitled to collect them. In Mogadishu, the municipality receives 15 percent of the tax collected by the FGS but collects additional revenue from business licenses, property deeds, fees for services, rents and proceeds from the sale of land, and taxes on markets and contracts. Despite these efforts, the public is often left in the dark about how these funds are spent. In many cases, the cost of tax collection exceeds the amount collected.³¹⁷ Lack of funds hinders the ability of local government to respond to private sector needs, further undermining local governments' legitimacy in the eyes of entrepreneurs.

Ongoing insecurity deters investment, and can block trade within and between cities, as well as internationally.

Trading across borders is impeded by insecurity and poor infrastructure. Because international trade remains limited, most Somali businesses focus on production for the domestic economy, limiting the size of their customer base. Poor security in southern Somalia often disrupts major trade routes, impacting cities that rely on imports from Mogadishu's port such as Baidoa.³¹⁸

Lack of security remains one of the greatest constraints to business development in Mogadishu.³¹⁹

Mogadishu's hospitality industry, which consists of about 100 registered firms that employ between 6,000 and 7,000 workers, is important for creating jobs for young people, and especially women.³²⁰ Hotels are deeply impacted by the security situation because their survival depends crucially on tourists. Hence, the sector is vulnerable to volatility in security conditions and political events. Insecurity also impacts the region

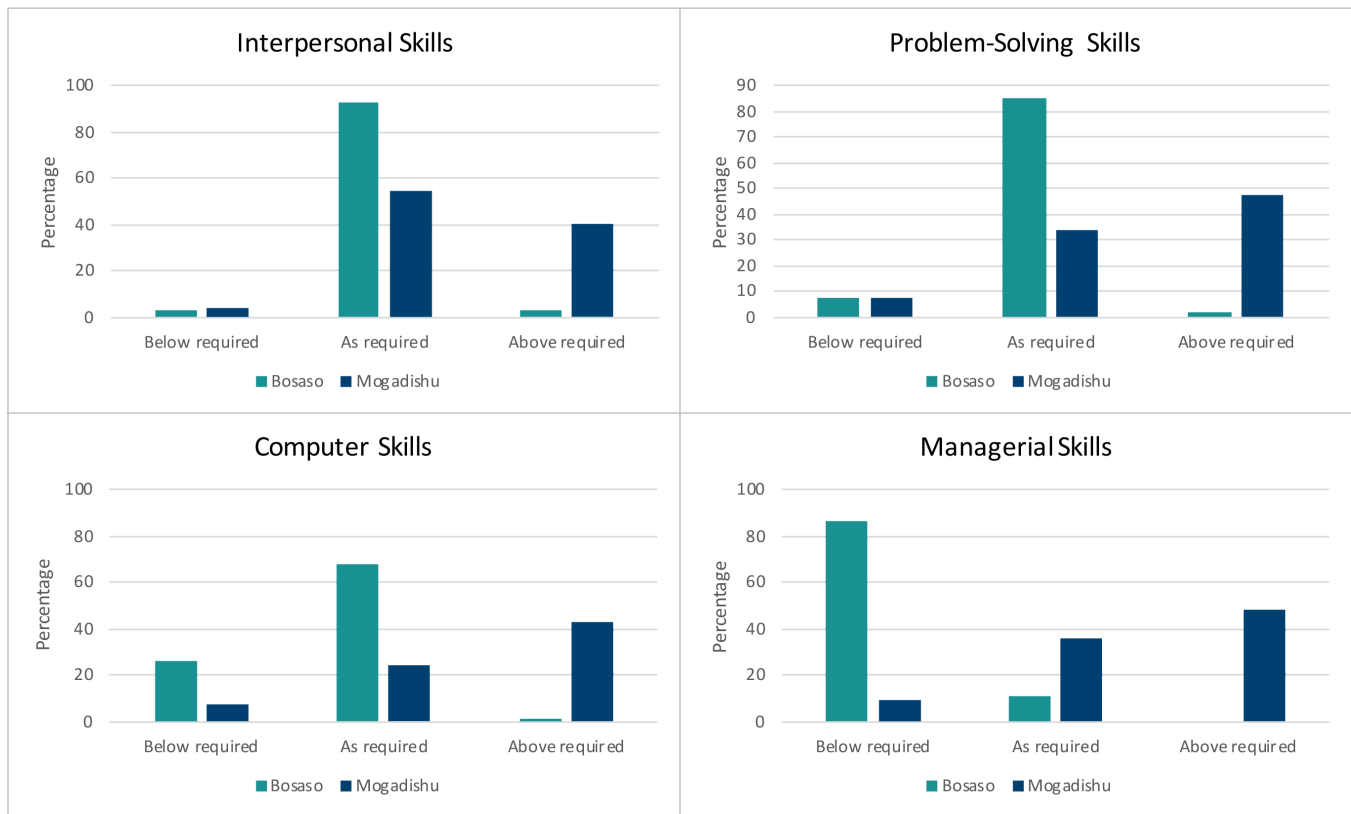
through blocked roads within and from the city. Piracy used to be another persistent security challenge that negatively impacted trade flowing through Mogadishu's port and caused further delays in supplies for the city's manufacturers. The increase in piracy off the coast of Somalia in 2008 led to an 8-12 percent increase in international costs of shipping.³²¹ Efforts to eradicate militant groups absorb most government resources at the expense of business-supporting infrastructure and social services. They have paid off when it comes to piracy, where deterrence measures by FMS and international military efforts have brought piracy attacks to an all-time low. Complementary reforms helped stall piracy and should be pursued in order to increase the economic opportunities of fishermen and people whose livelihoods depend on the fishing industry. This will repress the incentives driving Somalis to join pirate groups.³²²

LABOR, SKILLS, AND INNOVATION

Somali businesses likewise point to an unskilled workforce and lack of vocational and managerial training as key constraints on business development.³²³

As a result, managerial jobs are often filled by individuals who lack sufficient experience in running a business (Figure 61). Some firms have had to bring in foreign employees to fill positions requiring technical expertise that is scarce in the local labor market. Differences in managerial skills, however, appear to have a regional dimension, as employers in Bosaso are particularly unsatisfied with the managerial skills of their employees, while employers in Mogadishu often rank their employees' managerial abilities as above expectations.³²⁴ Bosaso's formal and informal enterprises perceive the need for vocational training across nearly all sectors.³²⁵ There are currently four different vocational training centers in Bosaso and around 24 such institutions in Puntland overall,³²⁶ but many jobs in the region such as carpentry or welding are unoccupied because there are not enough vocational schools.

Figure 61. Level of Employee Skills Compared to Actual Needs in the Manufacturing and Service Sectors in Bosaso and Mogadishu



Source: Bosaso and Mogadishu Enterprise Survey 2019.

Somali government and educational institutions do not provide sufficient job search assistance to people who potentially have the skills employers need. Somali universities do not provide students with formal links to the job market, either through career counseling programs or through internships and temporary job placements. Many of the jobs that are on offer are not broadly advertised. This is partially because employers favor the selection of relatives or clan members over the most skilled candidates. Half (46.7 percent) of manufacturing and service businesses in Bosaso and Mogadishu report that they relied on friends and family to attract suitable workers, while only about one fifth reached out to formal employment centers.³²⁷ This is likely because recruitment is often based on clan lineages to vet workers' background in an insecure environment. Over 13 percent of manufacturing and service firms and a 30 percent of micro enterprises report that they were forced to hire employees with good connections to the government or local leaders over the past twelve months.³²⁸ Broader distribution of

information could help job matching progress beyond family and friends, which could in turn be encouraged by creating job search platforms and introducing subsidies to firms who hire through such vetted processes, as agreed upon both private and public actors.

The private sector also faces labor constraints shaped by societal preferences and norms. All societies place greater value and status on certain types of employment over others, and Somalia is no exception. In Somalia, certain types of manual labor are viewed as low status and are associated with inferior lineages and minorities in Somalia. This, along with low wages, has contributed to an unusual phenomenon in cities like Hargeisa where numerous migrant laborers from the Ethiopian highlands are taking some jobs, despite very high local levels of unemployment. Programs intended to generate employment opportunities in Somali cities need to be mindful of these preferences.

ENTERPRISE SUPPORT AND FINANCE

Somali cities suffer limited financial intermediation.

In 2018, there were only seven commercial banks that met the minimum capital requirement of \$5 million, meaning most entrepreneurs rely on their own funds or borrow from their friends, relatives, and clan contacts. Although Somali banks' loan to deposit ratio increased from 33 to 40 percent between 2016 and 2017, it is still generally low.³²⁹ Access to finance is a particular challenge for micro-enterprises. In Mogadishu's informal and micro-enterprise sectors, nine out of ten enterprises have to rely on their own funds to finance day-to-day business activities. In Bosaso and Mogadishu, 82 and 50 percent of micro businesses see access to finance as the biggest obstacle to operations, respectively.³³⁰ There is an estimated gap of \$2.2 billion between the supply and demand of financial services in Somalia.³³¹

The gap in financial services has given rise to a vibrant industry of mobile money, which is regularly used by seven out of ten Somalis.

Over 155 million mobile money transactions are completed every month.³³² For now, mobile money remains the go-to solution for money transfers: 73 percent of the population use mobile money, compared to only about 15 percent that have bank accounts (which are in many cases rarely used).³³³ While rapid growth of the mobile money sector is a welcome development, it cannot alleviate the credit crunch faced by small businesses and entrepreneurs. Microfinance institutions, private banks, and NGOs remain key to more effective small business financing. Furthermore, largely unregulated mobile money providers invest customers' money balance in business venture and real estate, potentially putting their customers' finances at risk. New regulation needs to be urgently developed to protect ordinary Somalis from losing their money and trust in financial intermediation. While the telecom, banking, and remittance sectors are powerful, they too can benefit from properly designed oversight.

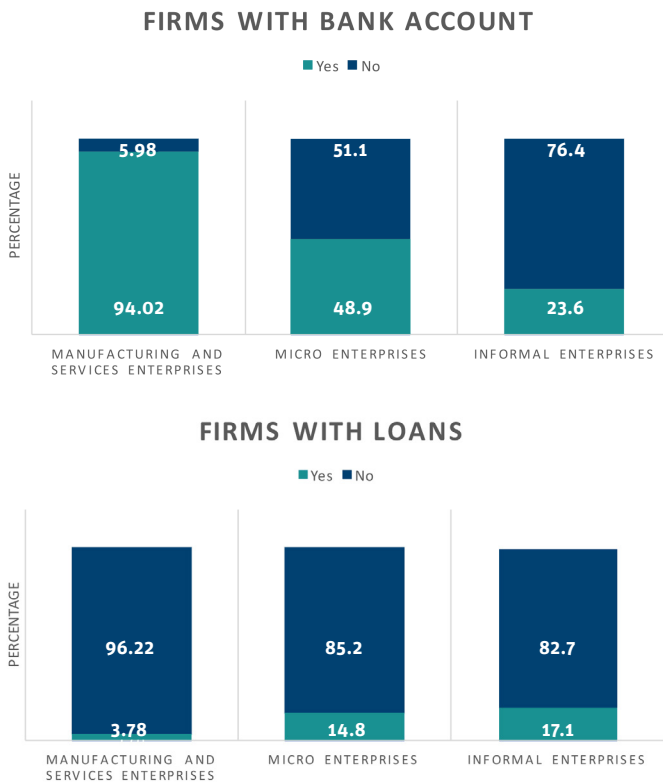
Business and financial support schemes are currently limited, which results in overall inadequate access to finance.

The only loans that are available are typically subject to high rates and complicated procedures. The FGS should recognize the importance of microfinance institutions and private banks for providing funds to support private enterprise and play a role in fostering investment in small businesses. One key private sector business owner noted that "there is no government bank or financial institution that provides investment services. Only the private banks offer loans with high investment [interest] rates, which is difficult for small retailers."³³⁴ Local governments and municipalities can play an important role by nurturing dialogues with local private sectors and getting a better sense of what small business needs and how to provide it. The one aspect of Somali business life that has been widely adopted and works in greasing the wheels of economic exchange is mobile money. Nearly every Somali firm uses mobile money for at least some financial transactions, and this channel can be utilized by firms to improve their access to finance.

Access to banking services among urban firms is uneven and only few enterprises have access to reliable lines of credit.

Even though most firms in the manufacturing and service sector that were recently surveyed in Bosaso and Mogadishu report that they have a checking or savings bank account, the proportion of banked businesses is significantly lower among micro and informal enterprises (Figure 62).³³⁵ For instance, three quarters of informal businesses operate without a bank account. Access to bank accounts varies with sector and firm size and the same holds for access to lines of credit. While companies that employ 99 or fewer workers have to do almost entirely without credit lines, roughly two thirds of companies that employ more than 100 workers have a loan. Among those firms in the manufacturing and service sector which do receive loans, the decisive majority obtained their line of credit in private commercial banks and virtually none get loans from non-bank financial institutions. Aside from family contacts, micro enterprises with loans rely on banks, other money lenders, and even input suppliers and customers. When asked why they do not use credit to enhance their business activity, most firms without loans admit that they do not bother to apply.

Figure 62. Access to Banking Services Among Firms in Bosaso and Mogadishu



Source: Bosaso and Mogadishu Enterprise Survey 2019.

Somali cities do not currently provide additional support services to fledgling businesses, such as consulting, marketing, engineering, or proper registration and licensing. Currently, private banks and NGOs are the key actors promoting entrepreneurship and small business support. In Bosaso, Amel Bank launched a number of programs to support women and youth, specifically the Hodmiyah, Dhalin-Kaab, and Tacab-Kaal initiatives. While the public sector has formally committed to spearheading similar initiatives, the reality is one of unfulfilled promises.³³⁶

CHALLENGES TO ECONOMIC SUSTAINABILITY

One of the greatest sources of strength of the Somali urban economy – the massive purchasing power generated by remittances sent by the large Somali diaspora – is also its greatest source of vulnerability. Most of the estimated \$1.5 billion per year sent in remittances each year accrues to urban populations, which use the remittances to fuel an otherwise unsustainable level of consumption of goods and

services. Somali cities consume far more than they produce, and most of the urban economy is based on the service sector, commerce, construction, and, in the case of Mogadishu and Hargeisa, public sector employment. While foreign assistance also plays a role, diaspora remittances underwrite the economies of Somali cities, providing the capital for middle class consumption and the rapid rise in real estate development. As long as remittance flows continue, the urban economy will generate opportunities for the private sector and for employment creation. But there are several potential threats to remittance flows, and reason to believe that in the longer-term Somali urban populations will have to move beyond dependence on remittances if the urban economy is to remain sustainable. These concerns include the aging of the current diaspora, and the lower levels of commitment to send remittances expressed by their children and grandchildren; the growing difficulty of outmigration; and economic crises and unemployment in the countries where Somali diaspora have resettled. The economic impact of the current COVID-19 pandemic is already leading to a significant drop in the flow of remittances globally and is a reminder that this source of income cannot be taken for granted.³³⁷

BARRIERS TO INCLUSIVE JOB CREATION PERSIST

Several divisions impact cities' labor markets, including cleavages of gender, poverty, displacement status, and clan affiliation. The clan divisions that have long characterized Somali society have deepened with the end of civil conflict, and urban labor markets have become more segregated along clan identities. This limits hiring, flow of goods and services, as well as optimal allocation of productive resources. Urban IDPs often face discrimination in labor markets, either because they come from areas dominated by Al-Shabaab or because they are perceived as competition by other urban workers. Urban women face higher levels of underemployment than urban men and are less likely to find jobs that earn a regular wage or salary. Poor urban residents face similar difficulties as urban women and often lack the social connections necessary for finding employment. Because of their reliance on short-term, unstable jobs, the urban poor are particularly exposed to sudden shocks that dent their incomes.

URBAN ECONOMIES REMAIN SEGREGATED ALONG CLAN LINES

Urban labor markets show persistent social stratification along clan divisions. The social networks that are essential for getting a job, starting a successful business, or attracting start-up credit operate along clan lines. Many employers will only hire people from their clan because they believe fellow clan members are less likely to cheat, because they are worried about security, and because they calculate that wages paid will stay within the clan, reducing clan-based social security payments. In 2013, forty percent of employees in Somaliland were related to the business owner.³³⁸ Social mistrust leads migrants from rural areas to seek jobs in neighborhoods where their clan numerically dominates. Nor is this favoritism limited to the private sector: Clan and political affiliation also influence the recruitment of staff in public institutions. As one focus group participant put it, “in most cases, the position is appointed based on clan or parties’ system. Some people have a better chance because of the clans they belong to.”³³⁹ Clan divisions exist even within government security forces, resulting in situations where certain soldiers are not punished for wrongdoing because they belong to a powerful clan.³⁴⁰ There is limited institutional support to overcome these trends. For instance, universities do not provide students with formal links to the job market, either through career counseling programs or through internships and temporary job placements,³⁴¹ and there are few platforms for the public advertisement of jobs.

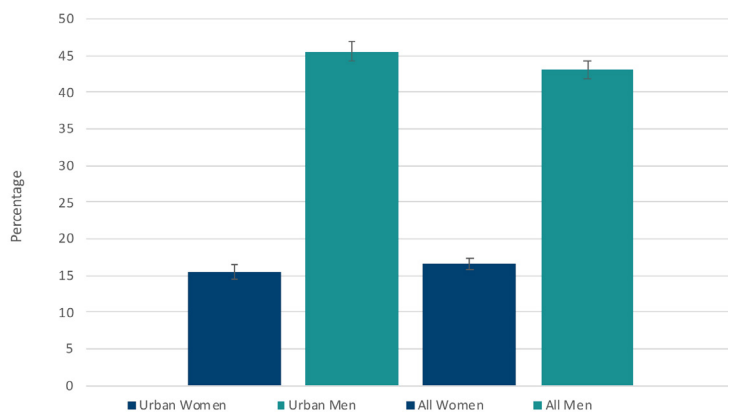
Clan affiliations similarly impact how businesses operate and expand. Credit lines often operate within clans, denying capital to promising entrepreneurs who lack the right clan connections. Because local markets tend to be controlled by individual clans, street traders cannot easily move to follow local shifts in demand. Business expansion can also be restricted by clan rivalries when firms cannot reach customers from other clans. For example, basic service firms often have clan-based ownership structures and only service neighborhoods where their respective clans dominate. Spatial segregation along clan lines limits opportunities for interaction, which has suppressed Somali cities’ historically cosmopolitan and intercultural nature.³⁴² Lack of territorial control, the risk of reduced payment morale, and the general risk of stoking tensions deter business expansion into other areas.

SOMALI WOMEN ARE SLOWLY EXPANDING INTO SECTORS TRADITIONALLY HELD BY MEN

Women generally have a weaker position in Somalia’s labor market, with gender gaps persisting in cities.

Women tend to work fewer hours, are less likely to earn reliable salaries (versus informal incomes), are more likely to be in menial positions, and often make only enough money to sustain themselves and their families.³⁴³ Only about 16 percent of working-age urban Somali women receive a wage or salary, compared to 46 percent of men (Figure 63), with this disparity progressively higher with age. Women in urban areas are employed for an average of 33 hours per week, compared to 41 hours for men.³⁴⁴ Gender gaps in wage and salaried employment are similar across rural and urban areas, and on average, women in cities do not work more hours per week than they do in rural areas, suggesting cities are not substantially eroding gender disparities. Few women are active in sectors where high profits are earned (e.g. in exports and imports of livestock).

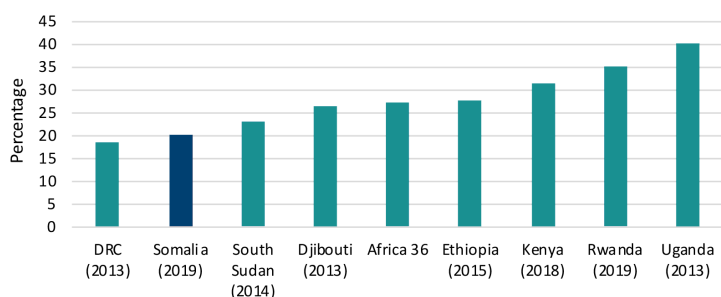
Figure 63. Access to Banking Services Among Firms in Bosaso and Mogadishu



Source: Bosaso and Mogadishu Enterprise Survey 2019

Women are also less likely than men to participate in the labor market at all. Only 43 percent of Somali women formally participate in the labor market compared to 67 percent of Somali men. When asked what obstacles stop them from finding employment, urban women mention lack of information about the local labor market (19 percent of women cite this as a reason vs. 12 percent of men) and lack of skills (38 percent of women mention this reason as opposed to 27 percent of men).³⁴⁵ Compared to other countries in the region, Somalia ranks closer to the lower end of the spectrum when it comes to the proportion of full-time employees who are female. Somalia's figure (20.2 percent) is comparable to the DRC (18.5 percent) or South Sudan (23.3 percent) but it is substantially lower than Kenya's (31.6 percent) or Uganda's (40.1 percent) numbers (Figure 64)³⁴⁶

Figure 64. Urban Women's Reasons for Not Looking for a Job



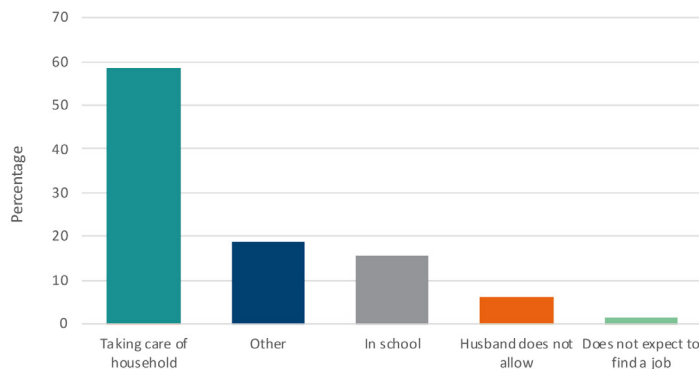
Source: World Bank Group (2019)

Women's representation within the ranks of company management is currently very limited. Only about 7 per cent of Somali firms are headed by a female manager, a figure significantly lower than in neighboring countries.³⁴⁷ For example, 14 per cent of Djibouti's companies, and 18 per cent of Kenya's, are headed by women. The largest share of firms with female managers is found among small enterprises that employ fewer than twenty workers (8 per cent). Virtually no large Somali company that employs more than one hundred workers has a female as its top manager. The share of Somali firms with majority female ownership is even smaller, accounting for less than 4 percent of companies.

Female entrepreneurs are mostly involved in retail trade in small or informal firms. In retail firms with more than 5 employees, only a small share of firms count women among their owners – specifically, about 12 per cent of all retail firms in Bosaso and Mogadishu. Female owners are most typical among the smallest retail firms (those that have between 5 and 20 employees), 17 per cent of these companies feature women among the owners. Looking at micro and informal firms, the share of women owners rises to 50 percent. The smaller the enterprise, the higher the chance that it will be owned, even partially, by a woman.

Despite these challenges, urban labor markets hold significant potential for female employment. Somali women have expanded into sectors traditionally dominated by men, and assumed responsibility for household income generation, in part as a result of recent civil conflict. Sectors dominated by women are also some of the most dynamic. Women are more likely to be employed in services including accommodation and food services and wholesale and retail trade.³⁴⁸ Men, on the other hand, dominate in construction and transportation and storage.³⁴⁹ Though all these sectors form the backbone of urban economies, the service sector contains some of the fastest growing industries, in Somalia, the broader region, and globally. Policy solutions to boost women's employment will need to take into account the fact that cultural values influence household employment decisions. Women who exit the labor force most commonly do so to focus on housework and childcare, although few report their husbands not allowing them to work, while others leave in order to improve their education (Figure 65).

Figure 65. Urban Women's Reasons for Not Looking for a Job

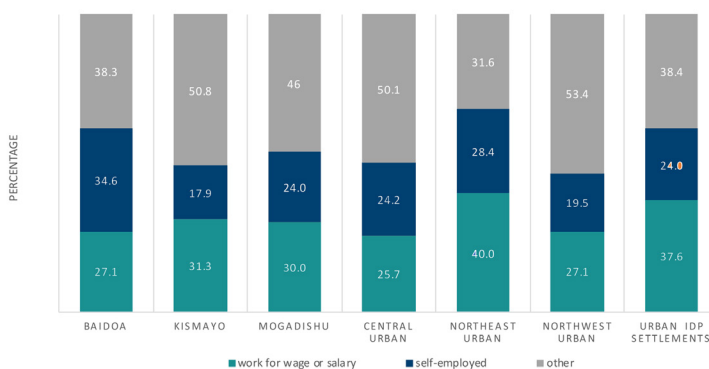


Source: World Bank (2019a)

OPPORTUNITIES REMAIN LIMITED FOR THE URBAN POOR, THE YOUNG, AND IDPS

Poor urban residents (earning less than \$1.90 per day on average) work fewer hours per week and are less likely to receive salaried employment than the poor in rural areas. In most cities – including Mogadishu – less than a third of the poor are employed by work that pays regular wages or salaries. In Baidoa, the share is only 10 percent (Figure 66).³⁵⁰ Most urban workers engage in work likely to yield irregular incomes (such as self-employment) or even no individual income (including help in family businesses and helping with farming, fishing, and herding). By contrast, 40 percent of urban poor in northeastern Somalia work for a wage or salary, which may be due to Puntland’s better security and proximity to the trading routes to the Middle East.

Figure 66. Types of Employment Among Employed Poor Urban Working-Age Somalis



Source: World Bank (2019a), restricted to urban areas.

The urban poor have fewer alternative sources of income and are more exposed to sudden shocks. The Somali economy is highly dollarized, and those who receive international remittances are the most able to invest in land or a small business, thus insuring against loss of other sources of employment. The urban poor receive fewer remittances and are much more likely to rely on the Somali shilling (much of which circulates as counterfeit banknotes).³⁵¹ This means that lapses in income have more severe consequences due to a lack of alternative sources of income, and also limits opportunities to invest in upgrading skills to break the cycle of poverty.

Poor people’s employment tends to be shorter, more irregular, and less likely to lead to new opportunities discovered through co-workers. Since many job offers are only advertised via personal networks, poor candidates without the right connections receive fewer offers. Without money to spend on education or better job searching, poor households have to navigate a vicious circle of insufficient skills and unstable jobs. To explain their difficulties in the labor market, poor workers tend to emphasize lack of skills, connections, and opportunities to find gainful employment.³⁵²

IDPs struggle to access decent jobs in cities. IDP households with a greater share of working age household members have lower poverty incidence, implying the importance of employment for IDPs.³⁵³ In turn, IDP households with children or elderly members tend to be more vulnerable. However, IDP households more often rely on informal employment and small family businesses, and less on salaried labor, than other urban households. Urban IDPs have a lower share of salaried labor than other urban residents. Among IDPs, the share of salaried workers is lower than before displacement. This may reflect job search frictions, the splintering of social networks during displacement (that may otherwise aid in securing employment), and different skill profiles in the origin and destination. The adjustment to urban labor markets is particularly challenging for the ones whose prior livelihoods depended on agriculture, with fewer skills transferable to urban labor markets. IDPs are particularly reliant on income from development aid and receive fewer remittances.

Somali youth are also less likely to be actively engaged in the labor market. Only 40 percent of youth (those aged 15–24) are in the labor force, compared with about 60 percent of adults (those aged 25–64).³⁵⁴ Only half of the youth are enrolled in school, which suggests that many of them find it difficult to enter the labor market. Urban youth are faring better than non-urban youth as they are more likely to be in employment, education or training. At the same time, growing urbanization increases the threat of gang and other criminal activity, and young people have been shown to be easy to recruit.³⁵⁵ Improving job creation for young people is all the more important as it gives them access to resources, generates confidence in the future, and, most importantly, gives workers a stake in local economies, increasing the opportunity costs of joining militant groups.³⁵⁶





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- 175 Ibid.
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- 180 According to Hagmann (2019, 45), "secondary roads leading to Maka Almukarrama Street and Wadnaha Street are permanently closed. The 'green zone' around Halane and Aden Adde International Airport are blocked for Bajaj and mini-buses. Travellers are subjected to strict security controls. Furthermore, the Ministry of Internal Security regularly closes roads or shuts down traffic in entire neighbourhoods for security reasons. Various security forces, namely SNA and police officers perform both regular and occasional security checks in secondary streets. During these checks they interrogate passengers and check driver's licences and tax payment slips."
- 181 Hagmann et al. 2018.
- 182 Al-Shabaab taxation of transiting vehicles is known as gadiid while badeeco refers to the taxation of transported goods (see UNSC 2018: 109-118).
- 183 This is by far the highest road toll faced by a transporter, who pays a staggering total of 4,600 USD in 'taxes' along the route.
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- 185 See <https://edition.cnn.com/2018/02/12/africa/somalia-al-shabaab-foreign-aid-intl/index.html>
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- 197 These elected councils are relatively functional in seven cities and towns: Hargeysa, Burcao, Borome, Gabiley, Berbera, Sheikh, and Ergabo.
- 198 Law 23, which deals with local councils in Somaliland, gives the councils political, administrative, and financial powers including tax collection without properly taking into consideration the central government's powers. As part of the ongoing JPLG program, various financial and administrative procedures have been instituted in Somaliland in recent years. Unfortunately, they were not really harmonized with the central government, producing two different governance and taxation mechanisms. Relations between the regions and local councils are often contentious as a result (Hagmann et al. 2018, 31-32).
- 199 RVI background studies of urban governance in Somalia and the service delivery background paper.
- 200 Menkhaus, Ken. 2014b. "State Failure, State-Building, and Prospects for a 'Functional Failed State' in Somalia." *The Annals of the American Academy of Political and Social Science* 656, no. 1: 154-172.
- 201 Hagmann, T. 2019. *Not So Public Goods: The Political Economy of Urbanization in Selected Somali Cities*. Rift Valley Institute.
- 202 Altai Consulting 2020.
- 203 USAID 2010.

- 204 See Schlee, G. 2013. Customary law and the joys of statelessness: Idealised traditions versus Somali realities. *Journal of Eastern African Studies*, 7(2), 258-271.
- 205 Hagmann et al. 2018.
- 206 USAID 2010.
- 207 Human Rights Watch “Somalia: World Report 2020” <https://www.hrw.org/world-report/2020/country-chapters/somalia>.
- 208 USAID 2010.
- 209 USAID 2010.
- 210 These exclusive FGS functions are described in Article 54 (“Allocation of Powers”) of the 2012 Constitution.
- 211 See World Bank. 2020. *Somalia: Moving the Federalism Agenda Forward* (chapter in the *Somalia Public Expenditure Review*).
- 212 This assumption is made on the basis that the provisional Constitution includes local government in the same Article as the FMS.
- 213 The Wadajir Framework was drawn up and adopted in late 2015 and officially launched as the Wadajir National Framework for Local Governance by the FGS in March 2016. However, it is often perceived as a donor-driven policy framework and lacks broad ownership beyond the Ministry of Interior. It amounts to a policy commitment by the federal government and the FMS to establish local (district) governments as a third “tier” of government in Somalia.
- 214 There is a lot of uncertainty in the number of regions and districts, particularly in the contested areas of Puntland and Somaliland. For example, the region of Haylaan appears in donors’ reporting documents, but not among the boundaries defined by OCHA or UNFPA.
- 215 Altai Consulting. 2020. “Institutional Assessment of Baidoa and Kismayo Municipalities.”. Mimeo. March.
- 216 In discussing local government finance, a number of caveats need to be kept in mind. Firstly, Somalia’s subnational fiscal arrangements are in flux, and are rapidly evolving and changing as federalism is negotiated and shaped by wider political developments. Understandably, the most significant changes are taking place with respect to FGS/FMS inter-governmental fiscal relations and arrangements, with very little (formal) discussion taking place about local government finance. Secondly, it should be noted that data on district level expenditure and revenues is patchy/anecdotal, sometimes inconsistent, and often out-of-date (in a rapidly evolving politico-administrative context).
- 217 By “elected” we do not necessarily mean the use of formal elections based on universal suffrage. What is meant by “elected” here also includes the common Somali practice of ensuring that each clan chooses or nominates its council members.
- 218 Puntland has the most advanced district structures, with 26 out of 43 officially recognized districts having elected councils. These councils are appointed by clan elders, rather than a popular vote. Where Puntland councils have not been elected, it is not clear whether there are no council members yet, or whether council members have been appointed rather than elected. Only in Puntland are there districts governed by mayors elected by their elected district councils. In Somaliland, local council elections were held in 2002 and 2012 to appoint councils in 23 districts.
- 219 Fiscal Devolution background paper (2019) for “Kenya: Making Devolution Work for Service Delivery”, World Bank (2020)
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- 225 As an unweighted average, county governments in Kenya spent roughly US\$80 per person in 2017/18.
- 226 Source: Fiscal Devolution background paper (2019) for “Kenya: Making Devolution Work for Service Delivery”, World Bank (2020)
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- 241 For instance, in Beledweyne customers negotiate monthly water prices ranging from 10 to 20 USD. Young families and small households receive a discount. Most households pay 10 USD per month, corresponding to 5 m³ water (see table 3). Users pay for the connection of their household to main water pipes. In Bosaso, the Bosaso Water Company charges 300 USD per connection to the main grid.
- 242 World Bank, 2019a.
- 243 World Bank Somali Electricity Access Project.
- 244 Buckley et. al 2015.
- 245 In the seven cities studied in Hagmann 2019.
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- 250 When bottled water first became available in Hargeysa, bottling companies were associated with particular clans and consumers preferred to drink the water of ‘their clan’.
- 251 Hagmann et al, 2018.
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- 254 Hagmann, 2019.
- 255 World Bank, 2019a.
- 256 World Bank 2005.
- 257 RVI 2020a.
- 258 World Bank 2019a.
- 259 Menkhaus, K. 2017b. Dadaab Returnee Conflict Assessment, Danish Demining Group
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- 261 Goof land describes former clan grazing land in and around Mogadishu; typically, this land is unregistered. This word is predominantly used by Hawiye communities.

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- 283 RVI 2020a
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- 285 Ibid.
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- 289 United Nations Human Settlements Programme. 2017b. "Kismayo Urban Profile." Nairobi, Ken.: United Nations Human Settlements Programme.
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- 293 NRC Evictions Trend Analyses, 2017-2019
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- 295 Bakonyi 2020, Majid & Jaspars 2020.
- 296 Hagmann 2019.
- 297 See Bryld et al. 2013, Bakonyi 2020 for detailed accounts of the IPD-gatekeeper relationship.
- 298 Majid & Jaspars 2020
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347 Ibid.

348 But fewer women than men work as self-employed artisans, street traders, and shop owners.

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351 World Bank 2019a.

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Policy Recommendations

Somali cities serve as anchors for economic development in the country and have considerable potential to expand that role further. They are the sites of impressive levels of investment and both civic and private sector innovation. Their rapid growth creates strains and new challenges, but also new opportunities for consolidation of good governance, poverty reduction, and prosperity.

As this analysis has shown, Somalia's cities feature a complex mix of different state and non-state authorities, producing "hybrid governance." In addition to the presence of multiple state actors, much to most de facto authority resides in the hands of traditional clan elders, business leaders, militia leaders, civic groups, and religious authorities. Their relations with one another range from routinized cooperation and power sharing to open rivalries, and from separate divisions of labor to a set of service providers citizens may select from. These hybrid governance arrangements are fluid and variable in their degree of local legitimacy, capacity, and roles. With the partial exception of al-Shabaab, which can impose its decisions, most of Somalia's panoply of informal governance actors rely heavily on negotiation.

Delivery of nearly all services normally associated with the state is the domain of the private sector, with roles also played by local civic groups (NGOs), international aid agencies, mosques, or lineage-based mutual support systems. Local authorities rarely directly control or finance service delivery but can and do play a modest regulatory role and a mediating role to handle disputes involving these services. The private sector is the main source of health care, education, water provision, tele-communications, transport, and, importantly, security – private security is a fast-growing sector of the economy.³⁵⁷ Rudimentary welfare and social security roles are either played by Somalia's strong tradition of mutual support obligations within lineages, or by mosques, international aid agencies, and local civic groups. This near-complete reliance on non-state actors for service delivery constitutes a largely unregulated version of a "third-party service delivery system." It could be strengthened considerably by building government capacity to regulate and monitor.

These hybrid governance arrangements and third-party service delivery systems are a mixed blessing. On the one hand, they have at least partially filled the void left by the failed or weakened state. Flexible hybrid governance is part of the reason why Somali urban communities have survived and managed decades of political violence and collapsed or fragile state authority. But competing authorities can and do undermine each other.³⁵⁸ Non-state sources of governance are generally illiberal and often exclusionary for women and weaker ethnic communities. Private sector provision of social services means that goods that should be public, like education and basic health care, become available only to those who can pay, leaving the poor to scramble for access to whatever charitable sources that may exist. And privatized provision of security can easily slip into forms of extortion, in which the providers of security are also the main potential sources of insecurity. This complex and fluid array of authorities and service providers also creates real challenges for external aid agencies trying to partner with local actors. Somalia's impressive hybrid governance systems are critical sources of governance and services in the short term, but are no panacea.

A transitional strategy for engaging and strengthening urban governance and service delivery is required and unavoidable. Ongoing efforts to strengthen local government capacity and clarify the roles of federal, state, and district authorities in Somalia could be twinned with pragmatic strategies aimed at working with existing local capacities in order to deliver badly needed services to urban populations.³⁵⁹ Working with what exists may require a mindset change; cooperating partners (especially development partners) must be willing to embrace hybrid, "good enough" solutions in order to improve the success rate of service delivery. Likewise, the government will need to embrace, at least as an interim strategy, the concept of "third-party service delivery" model in which the government partners with or outsources roles to the private sector, civil society, and others – for the delivery of critical social services in urban settings.³⁶⁰ The government's principal role in such a model is a regulatory one. This approach requires that all stakeholders understand and agree on the formal and informal rules, regulations, norms, behaviors, and accountability mechanisms that undergird third party government service delivery models.

Managing urbanization in Somalia is therefore a process by which a wide range of formal and informal rules and systems surrounding governance and service delivery incrementally come to have greater coherence, complementarity, credibility, and capacity.³⁶¹ The corresponding policy question then is how different actors—citizens, private firms, policymakers, customary authorities, and the international community—can coordinate their actions in ways perceived by all to be legitimate, so as to facilitate this process. This section looks at the four core elements of what make a city function – governance, services, land and local economic development – and provides recommendations on how existing rules and systems that work (albeit imperfectly) can be leveraged and incrementally improved to allow for a more expansive, inclusive, and equitable urban development.

BETTER DEFINE THE REMIT OF THE STATE IN URBAN GOVERNANCE

District governments can be more effective if their roles are formally and clearly delineated in law. At the moment, the Provisional Constitution does not give adequate legitimacy or firm standing for district governments.³⁶² At a minimum, the Constitution could make it legally incumbent upon each FMS to establish district governments (as is the case, for example, in India) and define a broad framework for FMS local government legislation to ensure that district governments are established across the country. At a maximum, district government could be formally articulated as the third tier of government and fully provided for and protected in the Constitution (as is the case, for example, in Nepal or South Africa). Either way, constitutional provisions would also need to spell out the role of FMS in shaping the roles and functions of the district government. Whether municipal governments need to be defined separately is another issue, with its own pros and cons. Given the institutional immaturity of district governments, which are barely functional at present, and the reality that district governments’ sphere of control rarely extend beyond urban areas, it would be prudent to prioritize getting the district governments to be more functional, rather than create yet another institution that could exacerbate the competition over political and economic authorities.

District governments can become more relevant, and improve credibility, by finding a functional niche which provides citizens with valued services to complement existing service delivery by the private sector and civic actors. In the short term, a “third party service delivery” model relying mainly on the private sector and civic actors may offer the most potential both to get services delivered in cities and to build up the capacity and legitimacy of local administrations. Third party service delivery systems have proven effective in some other countries. In this model, local administrations limit themselves to an oversight, regulatory and, if financial means are sufficient, a sub-contracting role, allowing actual service delivery to be handled by a combination of non-profit and for-profit actors. This is a model of service delivery which is well-suited to the current Somali context, at least as an interim strategy, and which features a level of flexibility to allow for customized policies to Somalia’s diverse urban settings. Public service delivery by the district government could focus on areas where market failures are predictable, due to a combination of low profit margins, high risk, and difficulty collecting fees for a public good. Several such public goods/services include: solid waste management (which is unlikely to yield major profits in the immediate future), road construction/maintenance (which is rarely attractive to private investment), flood management (which does not yield much profit despite the large investments required, but is an urgently needed public good), and vital registration such as birth certificates (which requires some kind of official “imprimatur” to be of value to citizens). These very public functions are not overly demanding in terms of technical or administrative capacity (although they are demanding in terms of finance). Development partners can usefully support the delivery of such services by local governments through capacity building and financing. Formal government actors also have an essential role to play in advancing and enforcing basic protection for all citizens, whether it be the rights of children, women, IDPs, minority groups, or laborers.

At the same time, any definition of district governments' service delivery functions needs to be consistent with the broader framework of inter-governmental functional assignments. In other words, district, state, and federal functional responsibilities need to be worked out to ensure that each level of the state does what it is best suited to in order to avoid confusion, duplication, and unnecessary competition. This is at the core of the ongoing federalization and state building process and needs to be worked out with great care,³⁶³ but it would certainly make for a more coherent institutional framework for urban governance. In working out “who does what” in urban areas, district governments would probably be best suited to taking on frontline municipal functions (focusing on those that are not being provided through the private sector) and very local regulatory functions (such as vital registration, building permits, business registration), while FMS are likely to be better candidates for managing very large infrastructure investments that go beyond the city or district boundaries, providing major social services such as health and education and for taking on policy and regulatory functions.

An immediate task is to clarify the institutional status, functions, and mandates of the district government.

What needs to be avoided at this stage are over-reach and unrealistic expectations. The limitations district governments currently face – in terms of authority, legitimacy, capacity and resources – need to be reflected, and efforts need to focus on what districts can realistically do, which is complementary to and coherent with the distinct roles of the FGS, FMS, and the private sector. As things stand, district governments in Somalia are probably not up to taking on complex regulatory, delivery, or planning functions. The existing Local Governance Laws and their provisions for the role of district governments are unrealistically far-reaching. While defining the functions of local government is largely an FGS/FMS responsibility, development partners can contribute by providing technical assistance and bringing in comparative experience in the area of local/urban governance. Mapping of existing roles of the private sector in each key service sector should also be reflected in determining the remit of the district governments.

A top priority must be building up the capacity of local, regional, and national governmental agencies to engage in appropriate levels of regulation and monitoring of service delivery provided by the private sector or non-profits. The current pattern of social service delivery by third parties can be strengthened, routinized, and made more effective and fair not by replacing them with government service provision, which is beyond the capacity of Somali municipal administrations at this point in time, but by effective government monitoring and regulation of those services. Building basic regulatory capacity is much faster and less expensive than building government capacity to deliver services directly.

A strategy designed to win buy-in by key stakeholders in third party service deliver is required if local governments are to succeed in a basic regulatory role. Powerful private sector actors can and must be convinced that basic regulations, fairly enforced, will lead to an improved, more predictable operating environment for all businesses. The Somali public must also be made to understand the critical role of basic regulation as a source of consumer protection.

The district government should look to strengthen its credibility by delivering or outsourcing services through inter-governmental fiscal transfers before looking to raise own source revenues. District governments are currently not perceived as producing much in terms of public goods and services in exchange for the taxes their citizens and companies pay. This has created a vicious cycle whereby citizens and companies hesitate to pay taxes since they are not getting anything in return, and this undermines the district government's ability to provide or outsource the very services they need to earn people's trust. If district administrations can first establish a capacity to engage in effective, light regulatory roles of services provided by third parties or provide the services that are not currently being provided by the private sector through inter-governmental transfers, they can earn a degree of “performance legitimacy” in the eyes of local residents and business, at which point raising tax revenues will meet with less resistance.

Designing an effective inter-governmental fiscal transfer system to district governments would be a second priority.

Depending on the Constitutional provisions for district government, such transfers could be from either the FGS or the FMS. Provided that the functions of district government are clearly defined, the most appropriate form of transfer would probably be as annual block grants,³⁶⁴ leaving districts with a reasonable degree of discretion (within their overall mandates) to decide on exactly what to finance. Ensuring discretion is important as it allows for responsiveness to the needs of local citizens and circumstances. Substantial and predictable financing will also allow district governments to hire more competent technical staff. District block

grants could be of two types: one block grant could be earmarked for operational expenditure, while the other could be reserved for capital expenditure. Access to block grants (or a part of them) could be made conditional upon compliance with some basic institutional benchmarks (such as having an annual budget or producing annual financial statements or being audited) so as to incentivize improved institutional performance. Any such grants would need to be based on very simple formulae (e.g. population-based). This is something that the FGS and FMS should take the lead on. Nonetheless, development partners have an invaluable role to play, both in terms of providing technical assistance and advice, and in terms of funding a basic system of local government grants.



BOX 16. NEPAL'S FEDERAL SYSTEM AND LOCAL GOVERNMENT FINANCE

Background: federal Nepal

Nepal has a total population of about 26.5 million people (2011 census), of whom some 26%³⁶⁵ live in urban areas. Nepal's 2015 Constitution emerged in a post-conflict context. Part of the political settlement agreed between the State and the insurgency was a commitment to federalism as a key feature of the new Constitution. Following the adoption of the new Constitution, federal, provincial, and local elections were held in 2017.

The 2015 Constitution provides for three distinct spheres of government (federal, provincial, and local), with each of the spheres enjoying a relatively high degree of autonomy, but operating together in non-hierarchical ways, and sharing responsibility for the delivery of public goods and services. Under the 2015 constitution, each sphere of government is assigned a range of sector functions and responsibilities, many of which are exclusive but some of which are concurrent or shared with other spheres of government.

Under the new federal system, there are 7 provinces and 753 local governments (LGs), 293 of which are classified as urban (ULGs). The legislative framework classifies ULGs into three different types (municipality, sub-metropolitan city, and metropolitan city) based on population, annual own-source revenues, and facilities available. The vast majority of ULGs (276) are classified as municipalities. There are 6 metropolitan cities—including Kathmandu (with a population of about 1 million)—and 11 sub-metropolitan cities. The population size of urban municipalities varies substantially from less than 10,000 to a little over 100,000.

Local government functions

Under the Constitution, all LGs have responsibilities in delivering basic and secondary education and health services, as well as functions in core urban sectors (basic sanitation, water supply, local roads, and solid waste management). In contrast, the federal and provincial governments are mainly responsible for higher education, health services, and transportation (rail and national highways), as well as key policy and regulation functions. Due primarily to a lack of institutional and administrative capacities, most LGs have not yet assumed many of their full de jure responsibilities.

Local government finance

Most financial resources available to provincial and local governments are provided to them in the form of intergovernmental fiscal transfers (IGFTs). Within the space of a single year (2017/18) Nepal decentralized rapidly and is now the most fiscally devolved country in South Asia. Currently, the LG sphere receives over a third of public sector revenues – a radical shift from the position in 2016/17 when it accounted for only around 10 percent. Of total national revenues, it is estimated that about 32 percent was/will be allocated to LGs in the form of IGFTs and revenue-sharing in both FY2017/18 (approx. US\$2.45 billion) and FY2018/19 (approx. US\$2.59 billion).

The two major categories of transfer in Nepal are: (a) fiscal equalization grants (FEG), which are unconditional grants, distributed on the basis of a predefined formula (which currently factors in demographic and economic criteria); and (b) conditional grants, currently tied to certain predefined objectives and expenditures in various sectors such as education, agriculture, and health. In addition, LGs receive a proportion of “shared revenues” (such as excise duty and royalties from natural resources), which are revenue sources that are jointly assigned to federal, provincial, and local governments but administered nationally. In effect, such revenues resemble and can be regarded as a form of unconditional fiscal transfer. Own-source revenues currently account for less than 5% of total local government revenues.

Sources (adapted from): World Bank (May 2019); IDEA International (December 2019)

Alongside inter-governmental fiscal transfers, support will be needed to strengthen district government capabilities in basic administrative skills, as well as in technical elements of strictly public services. Capacity building should start with development of basic administration skills such as financial management and procurement. In addition, district governments need to be supported in building technical skills to manage very public services such as solid waste management, road construction/maintenance, flood management, and vital registration. While basic systems for local government will need to be compatible with FGS and FMS systems, it would be wise to avoid recourse to “state of the art” and highly sophisticated tools, and focus instead on what “works” and is “good enough.” Again, development partners can provide useful technical assistance to the FGS and FMS.

MAKE PRIVATE SECTOR-LED SERVICE DELIVERY MORE INCLUSIVE, EQUITABLE, AND ACCOUNTABLE

The coherence of service delivery can be improved by taking stock of the current, often informal, rules governing the private sector and civic actors in service delivery. In the absence of effective governmental or public sector capacity, private service provision is de facto self-regulated. Non-state actors are the ones who currently determine the conditions, quality, and quantity of public goods and services in Somali cities. As such, there is a need to better understand the rules and practices that govern service delivery by sector, which are not codified, by consulting key actors as well as beneficiaries groups. FMS and district governments could undertake this exercise, with support of development partners as needed. Once a better understanding is developed and gaps identified, minimum service standards can be agreed on, along with measures required to enable the non-state actors to meet such standards. Such standards may consider geographic coverage, price setting, quality assurance, consumer rights, and so on. Given the government’s low capacity, professional associations may be best placed to monitor standards and impose sanctions. Should these arrangements and minimum standards prove effective, and government capacity to regulate improve, the government could look to gradually formalize them.

BOX 17. FRANCHISING MAY MIRROR THE ROLE OF GOVERNMENT REGULATION

Franchises can raise quality, standards, and consumer trust among private service providers. An example is provided by Kenya’s Child and Family Wellness (CFW) clinics (operated by HealthStore Foundation), operational since 1997. The model offers existing clinics and pharmacies, as well as new investors, an opportunity to become part of the CFW network. In exchange for the use of the CFW logo, access to supply chains for cost-effective drug and medical equipment, and other benefits such as training, participating clinics and pharmacies commit to upholding a set of “Effective Quality Care” (ECQ) standards defined by CFW, which include clinical and drug handling standards, but also standards on hygiene, signage, furnishing and equipment, marketing, and record keeping. The model therefore provides franchisee clinics and pharmacies with business incentives to comply with its regulations and thus provide high quality, affordable health services.

- **Relevance to Somalia.** Most health facilities in Somali cities are private. Some offer quality services and/or subsidies for the poor, whereas others exploit consumers’ lack of expert health knowledge or ability to pay, and provide dangerous, poor quality healthcare. The government has so far not regulated the quality of health services and inputs such as drugs. A franchising scheme run by a third-party holds potential to provide many of the benefits of regulation in the near term through market incentives.
- **Challenges for Somalia.** Bringing existing Somali pharmacies into a franchise system may be challenging; experience in Kenya showed that it is “more challenging to include an existing health center and change its whole system than to open a new one,”³⁶⁷ meaning most franchises were new facilities. Somalia’s lower law enforcement capacity also raises the risk of ‘counterfeit’ clinics undermining the franchise brand.

Source: World Bank. 2017c. “Improving Service Delivery in South Sudan; Opportunities for Adapting Global Experiences for Local Contexts”. International Case Studies Report.

Community groups can also be supported in demanding greater accountability from private and non-profit service providers. The private and non-profit frontline service providers are unlikely to find themselves under pressure from the government to improve their service standards.³⁶⁸ The international community therefore needs to help strengthen the community's voice to help enhance accountability. There are good examples globally of Parent-Teacher Associations (PTAs), health committees, and youth or women's groups being strengthened to monitor the quantity and quality of services being provided. For example, in Jamaica, there have been successful cases where local communities, particularly young people, were trained to monitor the solid waste collection from collection points and record it every day through cell phones with geo-referenced photos.

For the marginalized who reside beyond the reach of network infrastructure or private service providers, small-scale, community-based service delivery approaches may prove more effective.

A more localized community-based approach to service provision could be adopted for people in IDP settlements, and other urban poor residing in peri-urban areas out of the reach of network infrastructure, where non-state actors do not have immediate incentives or means to expand. For this, the international community together with the government may establish funds to give communities a voice in project planning, budgeting, and supervision, while boosting capacity for self-governance. In so doing, there is a need for strong measures to sustain such services through user fee collection.

In the medium-term, clearer articulation of the respective responsibilities of state and non-state actors can strengthen coherence surrounding service delivery. The private sector can be contracted by districts and FMS, to reduce the need for direct service delivery by district governments. The government's responsibility would be first to coordinate and regulate non-state service delivery actors, and to enforce mutually agreed-upon minimum service delivery standards. Sectors that may benefit from this approach include water, electricity, health, education, and transport. Secondly, as discussed earlier, district governments may have most success in service provision by focusing on services that are very public in nature, with low private sector returns, such as solid waste management, road/street construction/maintenance, flood management, and civic registration. However, district governments will still need to contract skilled private sector firms to implement such investments.

In the longer-term, any increased regulation by the government will need to be supported by measures to boost its legitimacy in the eyes of the citizens. Such efforts could focus on building bottom-up legitimacy through increased citizen engagement. The first step is initiating a bottom-up development planning, by scaling up efforts such as those supported under UN agencies' Midnimo project. But ultimately, the government needs to establish citizen-engagement mechanisms like participatory budgeting, community scorecards, or participatory monitoring of expenditures. The election of district councils will also strengthen checks and balances on the executive branch of district administration.

HELP MAKE LAND MORE ACCESSIBLE

There is an urgent need to secure tenure for informal settlers and new urban migrants such as IDPs.

Housing is a critical infrastructure that provides stability to the vulnerable. In the absence of clear laws to regulate land transactions or policies to protect these informal settlers, the number of slums and illegal evictions is likely to continue to rise. To date, the government has applied a one-size-fits-all approach that resettles informal settlers to city peripheries, which is expensive and time consuming, and further isolates the resettlement areas. Distinguishing different types of informal settlements (based on location and types of inhabitants) and identifying tailored solutions could reveal different pathways to (semi)formalizing informal settlements through a range of interim tenure arrangements. Different measures to ensure interim security of tenure can be appraised and piloted, building on various Durable Solutions studies and programs, such as the EU ReINTEG, DFID-funded Dandawaag project or the joint UN Saameynta Project, as well as the technical assistance under the World Bank-funded Somalia Urban Resilience Project II. Such measures could encompass modest measures, such as formalization of occupancy between landlords and informal settlers, rental assistance, home improvement grants for rental extensions, household grants or subsidies for incremental housing, communal lease or a combination of the above, in tandem with private sector-led social housing development.

In the short term, recognizing the existing gatekeeper system and enhancing its accountability can provide better protection and services to IDPs.

Gatekeepers are controversial in the hybrid governance landscape of Somalia. They provide IDPs with land, security, and services that the state has failed to provide, but their manner of doing so is often non-transparent and exploitative. Yet they have proven to be a remarkably resilient governance structure. IDPs both fear and respect them, often recognizing them as legitimate service providers who have often been the sole source of assistance during difficult times.³⁶⁴ While the time-consuming development of a regulatory framework for better land administration takes place, it might be helpful for both the government and the international community to consider officially acknowledging the roles gatekeepers play and work to enhance their upward accountability (toward government) and downward accountability (to the IDPs). The DFID-funded Making Gatekeepers Accountable (MGA) project³⁶⁹ was an important pilot, which trained a group of gatekeepers and attempted to formalize their role through certification by the local authorities and the international community.³⁷⁰ While they selected the more “conscientious” gatekeepers, the positive results show that there is a way to work with informal systems to improve IDPs’ situation in the interim.

The move from legal pluralism to a coherent system of land laws and land administration will be gradual.

Progress in developing both fairer and more coherent land governance, and more effective institutions to advance that governance, means accepting the existing ecosystem of legal pluralism on land matters, at least in the short term. Customary law and Sharia law are embedded in Somali society, so much so that “the importance of Islamic and customary systems cannot be overlooked or legislated away.”³⁷¹ Many of the non-state systems of land governance are trusted by some or most of the Somalia population, and efforts to abolish them could prove counterproductive.³⁷²

In the long-term, the FGS could strengthen the pillars of basic land governance and enhance coherence by clearly dividing responsibilities between state and district level bodies.

These pillars include land policy, legal and institutional frameworks, and delivery of land administration services.

- Land Policy – A federal land policy could cover the principles under which land should be governed and include principles of managing land within the public interest, and address issues of equality of access, quality of services, affordability, and protection of rights. These policies may then be enshrined in legislation that would be balanced with the on-the-ground realities of citizens who are currently using land.
- Legal Framework – The legislative framework needs to establish a clear system for delivering land services and protecting rights holders. It should also include adequate regulations needed to enforce laws. Regulations would address the role of non-state actors, such as land brokers and real estate agencies, in land markets through registration and licensing requirements.
- Institutional Framework – Institutional mandates, covering surveying, registration, valuation, taxation, and management of public land must be made clear and overlap avoided. Good practices can provide guidance, such as a single agency providing survey and registration functions and the separation of identification and a management of public lands between entities.
- Title Delivery – Delivery of registration services will need to be strengthened and made more transparent, and entities need to be accountable for the quality of services. Services should be suitably priced. Land valuation and taxation systems are necessary to develop a reliable and accountable revenue stream to thereby fund services.

In strengthening land governance, the FGS and district governments could build on the systems that currently exist and leverage complementarity.

The principle of “fit for purpose” can guide decisions: land governance should be adapted to fit existing norms and land usage with the goal of slowly enhancing tenure. Recognition and formalization of additional types of land tenure could be explored. For example, communal land use and other forms of customary tenure could be integrated with the formal system of land administration. Traditional and informal institutions can play a role in demarcating boundaries, recording unregistered lands, and resolving certain types of disputes, such as those over boundaries. Cadastral maps and registries should be updated and corrected starting with current transactions. Ultimately, formal institutions are responsible for the quality and maintenance of land records, but they can engage with the private sector and informal institutions to conduct activities when they are better placed to do so. New technologies including geospatial information tools can be tapped into to provide lower cost solutions. For example, community mapping using satellite or drone imagery can be used to enhance cadasters and registries to address informality in peri-urban areas and IDP settlements. Informal and formal dispute resolution mechanisms can be further integrated. For example, administrative tribunals and courts can take into account agreements reached through customary mechanisms, such as clan structures, in making decisions, while guaranteeing protection of property rights. The willingness of citizens to engage with Al-Shabaab to resolve disputes is based partly on their ability to issue speedy and enforceable decisions, which state institutions will now need to do.

Urban land governance can be strengthened so as to be sensitive to Somalia's fragile context.

State institutions can engage informal structures as necessary to ensure improved services while building state capacity. For Somali cities this means the following:

- Combatting land grabbing – There is an urgent need to prevent illegal land grabbing by non-state actors and establish an adequate mechanism for legal expropriation of land in the public interest, providing fair compensation to affected persons. Encroachment on public lands by landless vulnerable persons should be addressed in the context of providing housing and land solutions, rather than simple removal.
- Providing land-based durable solutions for IDPs – IDPs, returnees, and other urban poor all require adequate land and housing solutions. This will require a combination of new housing, allocation of urban and peri-urban land, improvements to private land transactions, and recognition and enforcement of land and property rights in areas from which the displaced were forced. Enhanced protections against forced evictions of IDPs need to be developed and enforced. Tenure security can be enhanced by recording the rights of tenants and residents of informal settlements. Police and other security entities can do more to protect against unlawful evictions, and lawful evictions should be done in ways that offer adequate protections to tenants, such as providing adequate notice and allocation of alternative land, as is done by the JRIA in Jubbaland.
- Addressing historical land grievances – Long-term conflict and multiple waves of displacement to, from, and within Somali cities has created a complicated web of land rights and conflicts. Legislation needs to address this reality and establish a hierarchy of rights, with adequate redress for those who lose access to land. Recognition of land rights in rural areas may also impact cities if doing such incentives displaced persons to return. International experience in restitution, relocation, land allocation and compensation can be tapped to provide guidance adapted to the Somali context.
- Controlling urban land speculation – When conflict and instability increase, more land may become available for grabbing; when they decrease, land values often rise. This cycle promotes speculation, often at the expense of more vulnerable persons. There should be close monitoring of speculative practices and the introduction of protections against it, for example forfeiting allocated land if it is not developed in a certain time period or heavily taxing speculation. Proper oversight of public land will also help reduce opportunities for speculation.
- Mindfulness of the security situation – Security concerns drive urban settlement patterns and such concerns are unlikely to soften in the near term. In Somali cities this has translated into defensive displacement and self-segregation based on clan membership and implemented through control of land. Any initiatives to strengthen land administration will need to take this reality into account from the design phase.

BOX 18. SUPPORT FOR JOB CREATION AND TRAINING OF LOW SKILLED WORKERS

Several examples point to the viability of public works programs that combine the needs for post-conflict reconstruction, infrastructure development, and low-skilled employment. Though these programs are often short-term in nature, they tend to be labor-intensive and can generate relatively large number of jobs for local job seekers. Examples include debris and trash removal, sanitation, and small-scale community infrastructure rehabilitation. The key to the success of these projects is the use of local laborers. Attention should be paid to pre-existing inequalities in the labor market and explicit efforts should be made, to the degree possible, to offer jobs to those who need them most. Employment policies following Nepal's civil war focused on creating direct job opportunities through public works and they were aimed specifically at poor and excluded people. Another example of using local labor for reconstruction projects is Timor-Leste's Transitional Employment Program which benefited more than 63,000 people. In Timor Leste, workers repaired roads, harvested local building materials, and built community training centers.

Creative solutions implemented by local governments can also mix direct and indirect forms of support. For example, funds can be loaned to local businesses with the precondition that they be repaid in kind at a later date for use in other projects. This model was successfully used by USAID in Kosovo. One advantage of such schemes is that they support the supply of products while also generating direct demand for them. In Sri Lanka, a wage subsidies program that received financial support from the World Bank incentivized businesses to hire low-skilled workers. Eighty-six per cent of the involved firms reported that they intended to keep the workers. Naturally, the success of these programs is partially dependent on local actors' ability to cooperate with NGOs and international donors.

ENABLE CITIES TO GENERATE MORE JOBS

In the immediate term, Somali cities can benefit from harnessing the informal economy rather than over-regulating it. Some regulation of the informal economy is essential. But care must be taken not to over-regulate a critical source of livelihoods, especially for the poor. The Somali economy is predominantly informal. On the one hand, a large informal sector exacerbates city congestion, through informal vending and transport services, and does not contribute to city revenue. Informal enterprises are typically characterized by low productivity, low wages, and non-exportable goods and services. On the other hand, the informal sector provides crucial livelihoods to the urban poor. Government reactions to the informal sector have varied between two extremes: some focus on punitive and regulatory measures to enforce formalization or evict vendors outside the city, while others have let them flourish unchecked.³²³ Some regulation is acutely needed – unregulated import and sale of pharmaceuticals, for instance, constitutes a grave threat to consumers and to public health. However, the informal sector does provide a livelihood for many of the urban poor and the government would benefit from harnessing it. One of the most pragmatic means to do so is by articulating the minimum standards to be adhered to and investing in infrastructure that protects informal enterprises' access to customers, such as vending stations near transport hubs, public markets, and serviced working premises, while improving the working environment and decongesting the city.

At the same time, it is critical to generate more unskilled jobs to help the youth and the urban poor. Somalia can generate more jobs by leveraging construction projects that have the dual benefit of employing low-skilled individuals – particularly youths and the poor with limited skills – while simultaneously improving the business environment.

Although entrepreneurship continues to flourish in Somalia, reforms are needed to maintain momentum and attract larger investments in the medium term.

The most important of these reforms center promoting an enabling environment, including security and access to finance, appropriate sector regulation, and better financial intermediation. Efforts in prioritizing these reforms have already begun with support from the AfDB, IMF, World Bank, UN and bilateral partners, and further immediate steps are outlined in the Somalia National Development Plan 2017-2019. New regulations related to investment, environmental sustainability, and labor and consumer protection have to be developed. While local institutions such as the BRA and the Mogadishu Municipality can play a role in improving the local businesses environment, major business constraints have to be handled by the FGS and the Ministry of Commerce and Industry.

Providing services to fledgling businesses – such as consulting, marketing, engineering, or handholding for registration and licensing – can help them flourish.

These services could enhance business expansion and job creation across the board. Importantly, Somali cities do not have to reinvent the wheel when it comes to creating an enabling environment for their entrepreneurs. In Uganda, the state-run Youth Venture Capital Fund provides training and money to young, business-minded individuals, and offers help with marketing their products.³⁵³ South African cities like Johannesburg are known for their entrepreneurship incubation hubs, which are successful private-public partnerships that offer fledgling businesses high-quality infrastructure at reduced rents for a pre-specified period of time. While these initiatives are typically limited to a small geographical area, their impact on local economies is significant. But city-sponsored initiatives can be very small-scale in nature. For example, only about 15 percent of Bosaso- and Mogadishu-based micro enterprises report that they have a website or a social media account.³⁵⁷ Among other initiatives, Somali cities can organize workshops to provide tips and training to entrepreneurs willing to reach their customers via the digital marketplace.

The service sector is likely to be key to job creation in the medium term.

The traditional path of manufacturing-led structural transformation³⁷⁴ would demand significant improvements in Somalia's business climate to have any chance of attracting foreign direct investment. Growth through diversification of agricultural produce is likewise uncertain due to repeating climate shocks, and growth based on natural resources carries with it negative consequences for democratic politics.³⁷⁵ Rapid growth in productivity in services remains promising because many Somalis already participate in the sector and start-up capital costs of service ventures are often lower. At the same time, tradable services³⁷⁶ such as information technology will require significant investments in human capital accumulation, which remains low at present. Vocational training should be carefully tailored to the specific needs in the locality, considering the needs of current businesses and potential future investors.

Job creation linked to Somalia's considerable untapped potential as an entrepot economy serving the wider region can be advanced by a strong commitment to improving and protecting key corridors linking Somalia's coastal cities to Ethiopia and Kenya.

The health of the economies of Somalia's coastal cities is inextricably linked to the safety, efficiency, and passability of the main road corridors into the interior of East Africa and the Horn. This means that repair of these main roads is a priority need; that clan militia and al-Shabaab checkpoints on main trade corridors must be reduced or eliminated; and that chronic insecurity in Somalia's interior cannot be ignored. If trade corridors are improved, the massive growth in the populations and purchasing power of Ethiopia and Kenya could be a dramatic source of sustainable employment and prosperity in Somalia's coastal cities.

The rehabilitation and expansion of port infrastructure is key to business development and job creation.

Somalia overall, and many of its coastal cities, have considerable potential to develop into regional trading hubs. Coastal cities such as Bosaso, Mogadishu, and Kismayo have the most to gain from rehabilitating their ports, due to the centrality of international trade to their economic success. Modernization and expansion of Bosaso's port is critical to unleashing the city's potential as a gateway to regional trade: firms in Bosaso cite trade barriers – customs, trade, and transport – as the greatest barrier to business expansion. Complementary challenges should be addressed simultaneously, with insecurity, corruption, the seasonality of the customer base due to hostile summer weather, and poor infrastructure. also cited as major problems by Bosaso businesses. While Bosaso and Mogadishu have de jure control over their ports, de facto control is exercised by private firms that have obtained multiple-decade concessions. While such arrangements have the potential to ports' modernization and expansion,³⁷⁷ ensuring that these outcomes are realized should remain at the top of municipal governments' agenda.

As hundreds of thousands of young Somalis enter the labor market over the next decade, reforms to strengthen human capital are urgent.

Research indicates that between 10 and 30 percent of the differences in per capita GDP between countries can be attributed to human capital.³⁷⁹ Africa boasts higher returns on education than any other continent; each additional year of schooling raises income by 11 percent for men and 14 percent for women.³⁸⁰ In Somalia, these figures are likely to be even higher. Human capital will be even more important in the future due to the twin processes of globalization and digitalization of the global economy. In addition, sustained growth is likely to center on the expansion of urban service industries, which tends to demand higher human capital.

Somali policy makers could work with domestic and international partners to design and implement temporary training and internship schemes.

Programs similar to the World Bank Somalia Core Economic Institutions and Opportunities (SCORE) Program, which includes interventions designed to increase the number of individuals benefiting from subsidized TVET or professional training, should be seen as an opportunity to build on past progress. While these programs may prove beneficial in the near term, it is also important to plan for risks that may hamper successful implementation of such schemes, and plan for days when donor-financed programs will end.

Somali cities can play a larger role in connecting prospective employers with job seekers.

In the absence of municipal platforms for advertising and seeking jobs, Somali workers and employers naturally default to pre-existing family and clan networks. This is not only inefficient; it also hampers the long-term goal of inclusivity. Broader distribution of information could help improve job matching beyond family and friends, which could be encouraged by municipal governments and agencies through websites, job boards, and regular opportunities for employers and job seekers to meet. Establishing a trusted vetting process, agreed upon by both private and public actors, could be one way to improve job matching. Organizing regular opportunities for employers and job seekers to meet and introducing subsidies to firms who hire through such channels may also help. Here, too, Somali towns can draw on the experience of other African cities. The city of Cape Town launched a program that registers job seekers in a city-wide database. Worker profiles are then instantly available to firms looking for employees. Job seekers are also provided with targeted training so that they can retain their newly found jobs for the long term.

Public-private fora can help the government understand and address the most pressing needs of local businesses, while also building trust, transparency, and accountability.

Government-run or sponsored programs alone cannot address the thorny issue of underemployment. Recognizing that most job creation will have to take place in the private and informal sectors, local government authorities should try to foster enabling conditions in which businesses can expand and flourish. One such public forum is the Puntland Investment Forum (PIF) which facilitates an ongoing dialogue between public authorities and the private sector in Bosaso. No such forum exists in Mogadishu and many other cities.³⁸⁶ Fora such as the PIF provide opportunities to discuss sensitive areas, which can inform realistic regulation and revenue mobilization, undergirded by a buy-in from the private sector. Dialogues should be clustered based on economic sectors, to address unique issues faced by specific segments of urban economies. Tailored opportunities for dialogue should be made for informal and micro-enterprises, which are often excluded from networks of information and influence and have low government interaction. In Liberia for instance, the government has tried to achieve these goals via the Liberia Better Business Forum. While the ultimate responsibility for creating enabling conditions rests with the government, the private sector should be involved every step of the way.

The Somali diaspora is the major investor in the country, providing around 80 percent of the start-up capital for SMEs.

Returnees establish businesses, individually or as a group, by pooling resources, and sometimes manage their business interests from outside the country. This flow of financing and human capital is valuable and can be made more productive. At the same time, the diaspora cannot shoulder the burden of financing investment alone. Particularly marginalized communities are cut off from remittances and investment from returnees flows along family and clan lines, thus reinforcing existing social structures rather than helping to bridge them.

BOX 19. OPPORTUNITIES FOR INFRASTRUCTURE IMPROVEMENT IN BOSASO

Poor infrastructure is considered as one of the top constraints for business development by the Bosaso business community.³⁸¹ Eighty percent of businesses in Bosaso's emerging manufacturing and services sector cite proximity to markets as a major determinant of their location.³⁸² Improved infrastructure enables businesses to consider other factors (labor costs, local regulatory environments) in business location, potentially resulting in more efficient production. Crucially, Bosaso's port is key to building upon the city's comparative advantage and aiding job creation in the city. Its location is strategic, with proximity to the Middle East and long-distance trade routes that link Asia to Africa. In addition, it serves as a refueling station for maritime transport.

Officially, the port is managed by the state of Puntland but de facto, the facility has been under management by the private company P&O Ports since 2017.³⁸³

The firm received a thirty-year concession and agreed to a \$136 million investment to transform the port into a multipurpose facility. The port is currently limited by its equipment and capacity, which results in delays in both imports and exports. In 2019, 34 percent of Bosaso's private enterprises in the manufacturing and services sectors mentioned congestion due to insufficient infrastructure as a reason for delays experienced in the city's port.³⁸⁴

In addition to the port, high-quality roads are necessary for fostering transport of goods and services, as well as to provide general access for the population at large.

Roads are currently not well maintained and the main commercial road in Bosaso is a tarmac constructed forty years ago. This crucial road connects Bosaso to other Puntland cities such as Gardo and Garowe and is in dire need of repairs. Heavy rains affect the seasonal quality of roads.³⁸⁵ Narrow gravel roads lead to traffic congestion and pollution.

BOX 20. TECHNOLOGY TO SUPPORT DATA COLLECTION AND SERVICE DELIVERY: MWATER

mWater is an integrated platform that uses a mobile phone application, SMS service, call center, and web platform to collect and analyze data from small water networks, and to perform business functions such as billing. The platform, developed by the Senegalese company Manobi, was piloted in Senegal in 2008, and has since been used in Benin, Niger, and Mali. Water network managers use the mWater mobile application to monitor the water production and detect and monitor potential breakdowns, enter meter readings, edit bills and send them to customers, and map their respective network components, including sources and customers. Central or local government structures use the web platform to monitor the whole water network (such as production, cost-recovery, quality control, sustainable resource use, and so on) and take evidence-based decisions. Final customers receive their water bills via SMS, and report breakdowns, leaks, and other concerns via SMS or a call center. Manobi agents are responsible for the technical supervision and monitoring of the platform use.

- Relevance to Somalia. Many urban areas in Somalia are serviced by small, uncoordinated private water providers. Without coordination or regulation, there is evidence of extensive pollution and exhaustion of water resources, poor quality control, and unequal access. However, there is no centralized data to monitor such challenges and coordinate a response.
- Challenges in Somalia. Water providers may lack incentives to provide accurate data and coordinate activities via the platform. Community monitoring aspects may need to be strengthened.

Source: World Bank 2017. "Improving Service Delivery in South Sudan; Opportunities for Adapting Global Experiences for Local Contexts". International Case Studies Report.

Improve access to formal finance for firms. While the rapid growth of the mobile money sector is a welcome development, it alone cannot alleviate the credit crunch faced by small businesses and entrepreneurs. Microfinance institutions, private banks, and NGOs remain essential to more effective small business financing. Public policies need to ensure that the flow of financing and human capital from diaspora and returnees can continue and remain productive. At the same time, the diaspora cannot shoulder the burden of financing investment alone, particularly since these channels exclude already-marginalized groups. The FGS should recognize the importance of microfinance institutions and private banks for providing funds to support private enterprise and foster investment in small businesses. Local governments and municipalities can play an important role by nurturing dialogue with local private sectors and getting a better sense of what small business needs and how to provide it.

PRODUCE MORE AND BETTER DATA AND ANALYTICS ON CITIES

Policy development and interventions for urban development in Somali cities need to be informed by more and better evidence and knowledge.³⁸⁷ As discussed at the outset of this report, data pertaining to cities in Somalia remain scarce and fragmented. There are not enough political economy analyses that help contextualize policies or external interventions. Much of the data and knowledge produced are commissioned by particular development partners and are not publicly accessible. There is a great need for development partners to establish a funding mechanism to produce data and research on Somali cities as public goods. A good example is the City Planning Labs that the World Bank helped establish in Indonesia. These City Planning Labs are dedicated municipal-level facilities to provide data and analysis for the city, and over time build analytical capacity to use this data in planning and investment decisions. In Semarang, one of these three cities, the lab has conducted data analyses of a various data points in the city, including the water supply network and poverty rates, to input into the city's medium-term plan.³⁸⁸

Acknowledging IDPs as residents of cities could help their integration into urban labor markets. Forced displacement often results in permanent resettlement in cities, and it is important to strengthen integration and enable people to transition from their initial status as IDPs. This does not mean that the reason for their

migration should be ignored. One step in this direction may be for the Department of Statistics to study migrants as a broader category, thereby supporting a better understanding of the multiple reasons for someone to migrate, including triggers and history of migration.

KEY TO TABLE		
<i>Time Horizon</i>	<i>Priority</i>	<i>Leading Institution</i>
S/T – Short Term (next 12 months)	H – High	FGS – Federal Government of Somalia
M/T – Medium Term (next 1 – 3 years)	M – Medium	FMS – Federal Member States
L/T – Long term (next 3 – 5 years)	L – Low	MoF – Ministry of Finance
		MoIFA – Ministry of Interior and Federal Affairs
		MoPIED – Ministry of Planning, Investment and Economic Development
		MoCI – Ministry of Commerce and Industry
		MoLSA – Ministry of Labor and Social Affairs
		CSOs – Civil Society Organizations

ISSUE	GENERAL RECOMMENDATION
URBAN GOVERNANCE	
Limited and ambiguous role of district governments in urban governance	Clarify the institutional status, functions, and mandates of the district government.
	Better define the inter-governmental functional assignments.
	Provide formal recognition and delineation of their role in the Constitution.
Limited funding for district governments	Expand intergovernmental fiscal transfers to district governments.
	Expand financing opportunities.
Lack of adequate capacity within district governments	Strengthen capabilities in administrative skills and technical areas that are strictly public.

SPECIFIC ACTION	TIME HORIZON	PRIORITY	LEADING INSTITUTION
Better define what they can realistically do – and ensure complementary with the roles of the FGS, FMS, the private sector, and other non-state actors.	S/T	H	FGS MoIFA with FMS MoIFA, district gov't, and international community.
Articulate the functional responsibilities of FGS, FMS, and district government responsibilities.	M/T	H	FGS MoIFA with international community.
Revise the provisional Constitution to articulate the legal status of district governments.	M/T	H	FGS MoIFA with international community.
Establish a financing framework for district governments and develop an allocation formula for budget transfer to the districts.	S/T	H	FGS MoF & MoIFA with international partners.
Set up a legislative and regulatory framework for the organization and use of funds from the diaspora (including incentives such as tax rebates or matching contribution).	L/T	L	FGS MoF, private banks, with international community.
Strengthen capacity in financial management, procurement, and technical skills such as: solid waste management, road construction and maintenance, flood management, and vital registration.	S/T	H	District government with international community.

ISSUE	GENERAL RECOMMENDATION
SERVICE DELIVERY	
Poor and unequal service delivery outcomes	Improve the de facto self-regulation of private service providers.
	Strengthen demand for accountability from private service providers.
	Provide small-scale, community-based services for the poor and the marginalized beyond the reach of network infrastructure.
Improve complementarity between public and private service delivery	Formalize a “third party service delivery” model relying mainly on the private sector and civic actors.
Lack of regulation of private service delivery	Strengthen district governments’ capacity to regulate private service providers.

SPECIFIC ACTION	TIME HORIZON	PRIORITY	LEADING INSTITUTION
Map out private sector service delivery schemes, agree on the minimum conditions and service standards to be met (price, coverage, quality, consumer rights, etc.), and help professional associations self-regulate each other.	S/T	H	District government with service providers and international community.
Support community groups (such as PTAs, health committees, women's groups) to monitor the quality and quantity of services provided by private providers.	S/T	H	District government with communities, service providers, and international community.
Provide funding (e.g.- social fund) to support community-based service delivery for the poor in peri-urban areas beyond the reach of network infrastructure or existing private providers.	S/T	H	District government, CSOs, and international community.
Clarify the responsibilities between the state and non-state actors. District governments should focus on contracting out and regulatory oversight, whereas non-state actors provide actual services.	M/T	H	District government, service providers, and international community.
Provide capacity building for district governments to better monitor and hold private service providers accountable.	L/T	H	District government and international community.

ISSUE	GENERAL RECOMMENDATION
LAND	
Lack of adequate protection of the vulnerable from forced eviction	Explore different arrangements to assure interim security of tenure for informal settlers including IDPs.
	Enhance existing gatekeeper system's accountability to provide better protection and services to IDPs.
Legal pluralism in land governance	Strengthen land governance with clear division of responsibilities between FMS and district governments.
Land conflicts	Address contentious land issues, e.g., land grabbing, evictions, historical land grievances.

SPECIFIC ACTION	TIME HORIZON	PRIORITY	LEADING INSTITUTION
Build on existing Durable Solutions program and explore different measures such as formalization of occupancy, rental assistance, home improvement grants for rental extensions, incremental housing support, communal lease or the combination of the above, as well as private sector-led social housing development.	S/T	H	MoPIED Durable Solutions Unit, district government durable solutions unit, and international community.
Scale-up the MGA project and work to “certify” gatekeepers who meet the minimum service standards.	S/T	H	District government, gatekeepers, IDPs, and the international community.
Adapt land governance to fit existing practices by strengthening land policy, legal and institutional frameworks, and the delivery of land administration services.	L/T	H	FMS Land Commission, MoPW, district governments, non-state actors, international community.
Enhance protection against land grabbing, land speculation, and forced evictions; strengthen land dispute resolution mechanism to address land grievances.	M/T	H	FMS Land Commission, district governments, non-state actors, international community.
Establish an adequate mechanism for expropriation of land (relocation, compensation) including oversight systems.	L/T	H	FMS Land Commission, district governments, non-state actors, international community.

ISSUE	GENERAL RECOMMENDATION
LOCAL ECONOMIC DEVELOPMENT	
High informality	Harness the informal economy rather than over-regulating it.

SPECIFIC ACTION	TIME HORIZON	PRIORITY	LEADING INSTITUTION
<p>Articulate the minimum standards to be adhered to and invest in infrastructure that protects informal enterprises' access to customers, such as vending stations near transport hubs, public markets and serviced working premises, while improving the working environment and decongesting the city.</p>	<p>S/T</p>	<p>H</p>	<p>District government, informal sector, CSOs, international community.</p>

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Appendix

WHY ARE PEOPLE MOVING? SEEING BEYOND SELF-DECLARED REASONS FOR DISPLACEMENT

Migration data - Why did we use Origin-Destination matrices and not the High Frequency Survey?

In order to disentangle the causes of migration, researchers tend to prioritize the use of micro data, allowing to account for socio-economic, cultural, and other contextual factors – such as conflict or climate – in the decision model. One precious source of such data in Somalia is the High Frequency Survey (HFS), a survey representative at the district/city level in Kismayo, Baidoa, and Mogadishu, and at the regional level in all other parts of the country. The survey is also representative among four population groups – urban, rural, nomadic and IDP – and was collected in two waves, one rapidly following the other (August 2016 and December 2017). During the interview, household heads and members were asked, among many other topics, about their migration history and habits. However, while the sections on forced displacement and seasonal migration provide good information about the order of magnitude of the two phenomena at a given point in time, it does not allow for a thorough analysis of the migration factors.

First, the HFS was designed to allow the use of a statistical tool known as Difference in Difference to study the impact of the 2017 drought in Somalia. The principle of the Difference in Difference technique is based on the comparison between a control and a treatment group and attempts to mimic an experimental research design using observational study data. It calculates the effect of a treatment (i.e., a drought) on an outcome (i.e., consumption) by comparing the average change over time in the outcome variable for the treatment group, compared to the average change over time for the control group. While this technique is very valuable for the study of volatile outcome variables – e.g. household consumption – the task is much more difficult when the impact of the treatment might be delayed, as it is often the case for migration – e.g. the household can resist the consequences of a drought for a few months and is forced to move only when its resources are entirely depleted. Second, the question asked about forced displacement is as follows: Have you ever left your place of usual residence due to conflict, violence, human rights violations, natural or man-made disasters (e.g. droughts, famine or evictions)? Therefore, the answer given by

the head of household provides information on whether the household has been displaced in the past, but does not touch upon the number, exact date of, or reason for displacement. Finally, the HFS is not intended to document the characteristics of the households/individual at the time of displacement, and thus it is unknown what the income level and other socio-economic factors of the household were at the time the decision to move was made. Rather, these are documented at the time the interview is carried out.

Overall, the HFS is a superb tool to investigate poverty in Somalia and is/can be used to compare IDP with urban and/or rural residents in a static fashion, but it is not designed to analyze migration thoroughly. The survey data was complemented by origin-destination migration matrices put together by the UNHCR as part of Protection and Return Monitoring Network (PRMN). The migration data consists of monthly records of internal IDP flows at the district level. According to the PRMN methodology, population displacements and movement are recorded by targeting strategic points including transit sites, established IDP settlements, border crossings, and other ad hoc locations.³⁸⁹ Interviews are carried out with displaced persons (generating “household-level” reports) primarily at points of arrival or with key informants (generating “group reports”). Both the point of departure and reason for departure – drought, conflict, flood – are recorded. In the present analysis, flows attributed to conflict and climate are aggregated, in order to account for the fact that the migration decision is largely multi-dimensional. The clear advantage of this dataset lies in its large coverage, both spatial and temporal. Data is available for most districts in all 5 states and Benadir, from 2007 to 2018, with missing data between March and December 2014. Therefore, this dataset makes it possible to study conflict-migration and weather-migration correlations at the district level.

While the macroeconomic approach undertaken does not allow us to draw conclusions on the nature of the population prone to migrate, and on the microeconomic policy the Somali government ought to implement in order to better manage migration flows, it provides good information on the arrival zones the government should focus on in order to improve the living conditions of IDPs.

Climate variables

Precipitation data is modeled every 6 hours for each location. Once aggregated to obtain monthly point estimates of precipitation levels, these measures are used to define precipitation anomalies and drought events. For each given location and month, precipitation anomalies are defined as the difference between precipitation level during the considered month and the long-term monthly precipitation average at this location. Similarly, seasonal anomalies are computed from aggregation of monthly data.

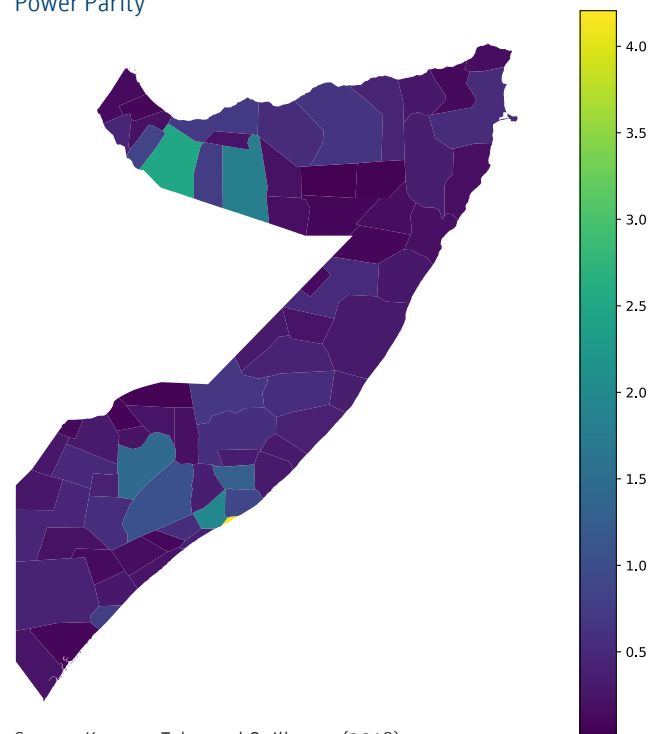
Droughts are defined using cumulative precipitations levels and lasting precipitation anomalies: a district experiences a drought if registered precipitation levels were below local long-term average for at least the past three months.

A similar aggregation is applied to temperature and NDVI data, both collected every 6 hours for each location. It should be noted that reanalysis datasets like the Climate Forecast System (CFS)³⁹⁰ tend to underrepresent high-intensity tail events, such as heat waves and severe local convective storms.³⁹¹

Covariates

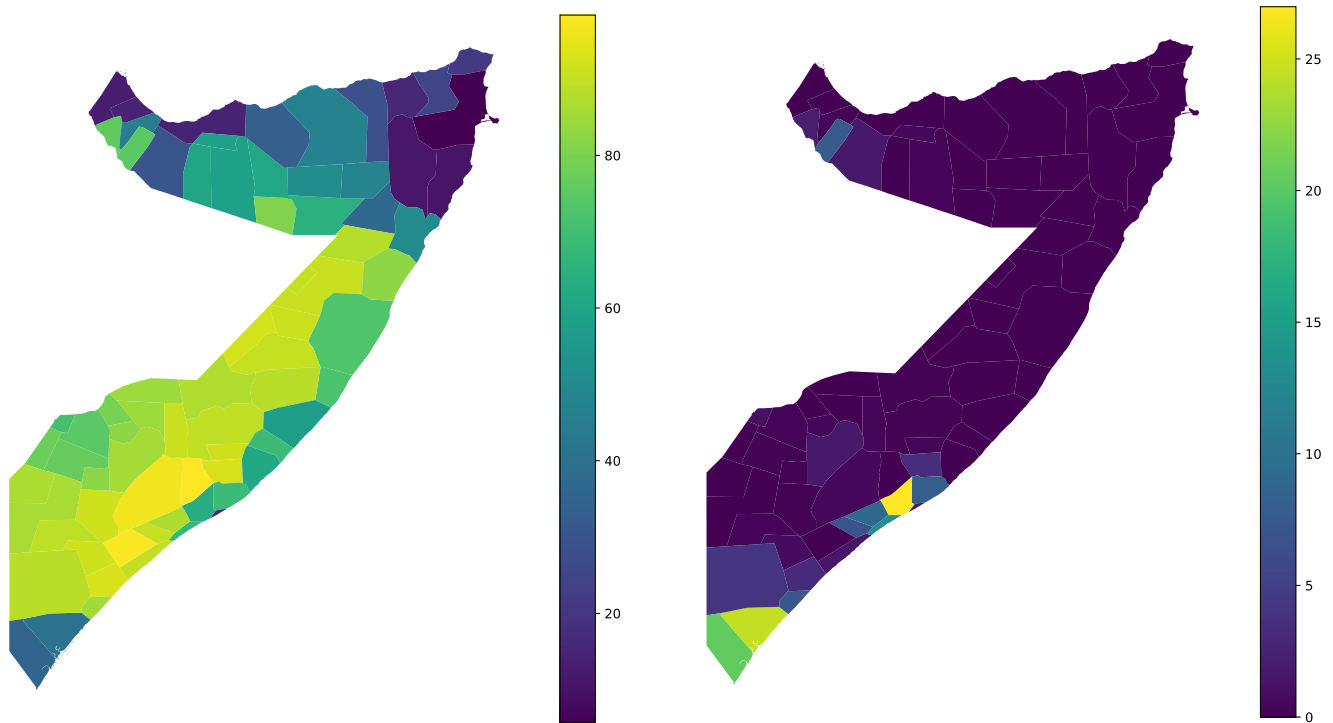
Infrastructure quality and economic and demographic factors have a presumably large impact on migration decision and need to be included in migration models. To that end, we compiled district level data on Gross Domestic Product (GDP), land use, remittances, road network, international opportunities, and population.³⁹² Estimates of GDP for the year 2015 were obtained with a 5 arc-min resolution from national accounts, nightlight and population data, and modeling of the informal sector.³⁹³ This data was then aggregated to obtain district-level estimates. (Figure A.1) The same methodology was applied to gridded global data on agricultural resources,³⁹⁴ collected by the Food and Agriculture Organization of the United Nations (FAO) and the International Institute for Applied Systems Analysis (IIASA). Measurements collected in 2000 are used to proxy the scale of the agricultural sector at the district level, as they provide information on the area used for agriculture and grassland areas, used for agropastoralism. (Figure A.2)

Figure A.1. Gdp Per Capita By District In 2015 - Purchasing Power Parity



Source: Kummu, Taka, and Guillaume (2018)

Figure A.2. (Left) Culture and (Right) Grassland Share by District In 2000 in Percent



Source: FAO and IIASA (2012), GAEZ – Global Agro-Ecological Zones v3.0.

Remittance data were computed at the regional level from the second wave of the High Frequency Survey (HFS) conducted in Somalia by the World Bank in December 2017 (World Bank 2017). Estimates correspond to the weighted sum of the amount of remittances households reported having received the year preceding the HFS. The sampling method ensures representability at the regional level – admin 1 – and of all subpopulations of interest – urban, rural, nomadic, and internally displaced populations. Estimates obtained after aggregation therefore proxy the magnitude of financial flows received in a given Somali region.

Data on infrastructure quality are not available at the district level in Somalia. However, using maps of the road network constructed from satellite imagery, two measures of mobility are constructed for each district.³⁹⁵ (Figure A.3). Specifically, road and trail lengths respectively are divided by the district area, resulting in a measure of the road and trail network density. At first approximation, these estimates can be taken as a measure of infrastructure access.

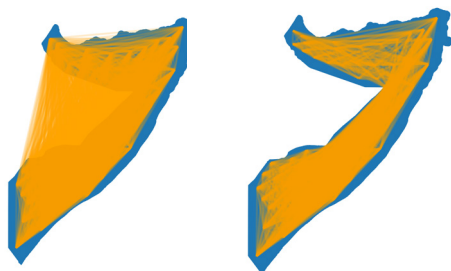
Distance between origin and destination is another critical factor that may influence the magnitude of migration flows. At first approximation, distances are computed by measuring the distance between the centroids of the two considered districts. Given that the road network and especially the trail network is relatively dense in Somalia, it is arguable that the proxy described above is a fair estimate of the average distance between any given points in the districts of origin and destination. Using this assumption, two distance estimates are computed: the first one corresponds to the bird’s eye distance between two districts, the second excludes the possibility of crossing the Ethiopian or Kenyan border. Overall, the two measures are almost always equal: the only significant difference arises for when considering migration flows exiting or entering Somaliland (Figure A.4).

Figure A.3. Highways and Primary Road Network in Somalia.



Source: OpenStreetMap data 2019, available under the Open Data Commons Open Database License by the OpenStreetMap Foundation

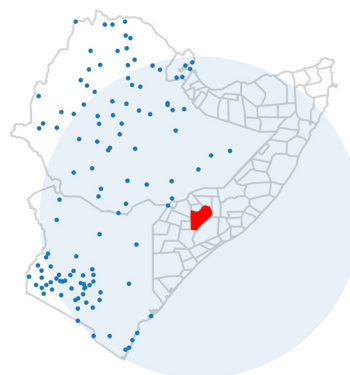
Figure A.4. Two Measures of Distance of Migration



Source: OpenStreetMap data 2019, available under the Open Data Commons Open Database License by the OpenStreetMap Foundation

There is widespread evidence that Somali migration is not limited to internal displacement: every month, a significant number of Somali cross the Ethiopian and Kenyan borders.³⁹⁶ In order to understand rural-urban movements in Somalia, models need to include a measure of the international opportunities for the potential migrants. These international opportunities are proxied by the number of Kenyan, Ethiopian, and Djiboutian major cities located within 1,000 km from the considered district. The location of these major cities comes from multiple sources, collated by the Humanitarian Data Exchange platform, powered by OCHA.³⁹⁷(Figure A.5).

Figure A.5. Ethiopian, Kenyan, and Djiboutian Major Cities Within 1000 km From Baydhaba District.



Source: OpenStreetMap data 2019, available under the Open Data Commons Open Database License by the OpenStreetMap Foundation

In 2014, the United Nations Population Fund (UNFPA) published estimates of the Somali population at the regional level after undertaking the Population Estimation Survey (PESS) in October 2013-March 2014.³⁹⁸ They also extrapolated district level estimates using Food Security and Nutrition Analysis Unit livelihood information.³⁹⁹

The two following tables are the results obtained for the Poisson model that investigates the size of migration flows against droughts, conflict, and characteristics of origin and destination districts when measuring droughts through NDVI (Table 5) and through precipitation (or lack thereof) (Table 6).

Variables are aggregated at the district level (origin or destination) and migration flows are given in the form of a flow between two districts. Therefore, one observation corresponds to a coupled origin-destination-month where migration is non-zero. Standard errors are clustered at the origin district level (there are 90 such districts).

The coefficients presented in Table 5 and Table 6 are interpreted as follows: for a one-unit change in the predictor variable, the difference in the logs of expected counts is expected to change by the respective regression coefficient, given the other predictor variables in the model are held constant. This can be written as $\beta = \log(\mu_{x+1}) - \log(\mu_x)$, where β is the regression coefficient, μ is the expected count and the subscripts represent where the predictor variable, say x , is evaluated at x and $x+1$ (implying a one unit change in the predictor variable x).

Table A.1. Impact of NDVI and conflict on migration flows - results

Dependent: Migration flows	(I)	(II)	(III)
Ramadan (dummy variable)	-0.2574 (-0.2419)	-0.2533 (-0.2501)	-0.2557 (-0.2476)
Share of cultivated land	-0.1133 (-6.3972)	-0.1232 (-10.6468)	-0.1281 (-15.1889)
Migration distance	-0.0043*** (-0.0007)	-0.0043*** (-0.0007)	-0.0043*** (-0.0007)
# violent events at destination	0.0047 (-0.007)	0.0044 (-0.0071)	0.0042 (-0.0071)
# violent events at destination – 1 month lag	-0.001 (-0.0048)	-0.0007 (-0.005)	-0.0005 (-0.005)
# violent events at destination – 2 month lag	0.0153*** (-0.005)	0.0145*** (-0.0051)	0.0145*** (-0.0051)
# violent events at origin	0.0163 (-0.0187)	0.0169 (-0.0189)	0.0168 (-0.0186)
# violent events at origin – 1 month lag	-0.0088 (-0.007)	-0.0096 (-0.007)	-0.0094 (-0.0071)
# violent events at origin – 2 month lag	-0.0119 (-0.0106)	-0.0102 (-0.0109)	-0.0098 (-0.0107)
GDP per capita at destination	0 (-0.0001)	0 (-0.0001)	0 (-0.0001)
GDP per capita at origin	0.0030** (-0.0014)	0.0031** (-0.0013)	0.0031** (-0.0013)
# of international cities close to origin	-0.0273 (-0.4474)	-0.0286 (nan)	-0.0293 (-6.1112)
NDVI	-1.5948** (-0.7349)		
NDVI – 1 month lag		-0.1177 (-0.7562)	
NDVI – 2 month lag			0.7201 (-0.5546)
Population at origin	0.0000*** (0)	0.0000*** (0)	0.0000*** (0)
Road density at destination	-0.0509 (-0.7763)	-0.0204 (-0.7728)	-0.0203 (-0.7745)
Road density at origin	-8.7195 (-9.8294)	-8.9357 (nan)	-8.9426 (-256.7627)
Month FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Origin district FE	Yes	Yes	Yes
Number of observations	8510	8510	8510

Table A.2. Impact of protracted droughts and conflict on migration flows - results

Dependent: Migration flows	(IV)	(V)	(VI)
Ramadan (dummy variable)	-0.2182 (-0.2434)	-0.2302 (-0.242)	-0.2211 (-0.2329)
Share of cultivated land	-0.1248 (nan)	-0.1245 (-0.512)	-0.125 (-60.7828)
Migration distance	-0.0043*** (-0.0007)	-0.0043*** (-0.0007)	-0.0043*** (-0.0007)
# violent events at destination	0.0051 (-0.0071)	0.0047 (-0.007)	0.0046 (-0.007)
# violent events at destination – 1 month lag	-0.0011 (-0.0049)	-0.0006 (-0.0047)	-0.0005 (-0.0048)
# violent events at destination – 2 month lag	0.0142*** (-0.005)	0.0142*** (-0.005)	0.0144*** (-0.005)
# violent events at origin	0.0151 (-0.0178)	0.0156 (-0.0183)	0.0164 (-0.0186)
# violent events at origin – 1 month lag	-0.0092 (-0.0072)	-0.0092 (-0.007)	-0.0097 (-0.0071)
# violent events at origin – 2 month lag	-0.0119 (-0.0111)	-0.0116 (-0.0111)	-0.0111 (-0.011)
GDP per capita at destination	0 (-0.0001)	0 (-0.0001)	0 (-0.0001)
GDP per capita at origin	0.0031** (-0.0013)	0.0031** (-0.0013)	0.0031** (-0.0013)
# of international cities close to origin	-0.0294 (nan)	-0.0291 (-0.1311)	-0.029 (nan)
Drought – at least 3 months	0.2368** (-0.1064)		
Drought – at least 4 months		0.2112* (-0.1253)	
Drought – at least 5 months			0.2071 (-0.15)
Population at origin	0.0000*** (0)	0.0000*** (0)	0.0000*** (0)
Road density at destination	-0.0135 (-0.7823)	-0.0278 (-0.7739)	-0.0397 (-0.7708)
Road density at origin	-8.9429 (nan)	-8.968 (-15.5648)	-9.0167 (-200.2746)
Month FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Origin district FE	Yes	Yes	Yes
Number of observations	8510	8510	8510

Results of Poisson regression with standard errors clustered at origin district level (in parentheses). * p<.1, ** p<.05, ***p<.01.

2. KEY PLAYERS IN URBAN SERVICE DELIVERY WATER

Water

Table 7 illustrates the variety of water markets across seven cities studied by RVI (2019). With the exception of Borama and Beledweyne, most cities feature an oligopoly (wherein the market is shared by a small number of producers or sellers) in the water sector. Certain water companies

have dominated water supply historically, for example Warjanaay in Baidoa, Gumco in Bosaso or Cafi. But the market is evolving as new companies attempt to compete. Water competition is most pronounced in Beledweyne, where water supply is the least consolidated and proximity to the river facilitates growth of providers. In Mogadishu, there is strong competition for provision of bottled water, with over 30 companies fighting for market share.

Table A.3. Water Supply in Seven Somali Cities (as of 2018, Except where Indicated)

	Main water source	Water companies & type of provision	Market share (# households)	Market structure	Other remarks
Baidoa	boreholes, shallow wells	Warjanaay (PW) Shafi (PW, BW) Shifo (BW)	85% (8000) 15% (1400)	Oligopoly	Rationing in times of scarcity
Beledweyne	Unprotected and shallow wells, river water	(25 water companies, among them) Hawa Ahmed (PW) Muraya Ahmed (PW) Computer (PW) Al-Jaburi (PW) Aduun (DC) Zamzam (PW) Naruura (PW) Al-Furqaan 1 (PW) Al-Furqaan 2 (PW) Hussein Dheere (PW) Abdi Farah Gedi (PW) Moia Saha (BW)	(600) (600) (500) (600) NA (2,800) (500) (1,390) (400) (550) (1,300)	Perfect competition	Association of water companies formed 2015
Borama	boreholes outside of town	Shaba (PW, T, DC)	nearly 100 % (13,096 in 2017)	Monopoly	Shaba awarded two 10 year PPP contracts, lasting until 2023
Bosaso	boreholes, shallow wells	Gumco (PW, T) Bosaso Water Co. (PW) Borehole and water tank owners	45% (7000) 15% (1000) 40% (7000)	Oligopoly	Risk of water shortage; recent water price increase (from 1 to 1.3 USD)
Galkayo	wells, water reservoirs	North Galkayo GALWA (PW) Daryeel (PW) South Galkayo Arafat/Jamac Dharas Durdur (PW) Furat Water Co. (BW) Hubaal (Bosaso) Saafi Aqua (Bosaso)		Oligopoly	

	Main water source	Water companies & type of provision	Market share (# households)	Market structure	Other remarks
Kismayo	wells, boreholes	Caafi (PW, BW) Juba Water (PW, T) Well and water tank owners	30% (6000) 70%	Changing/ unclear	Juba Water Co. as new entrant
Mogadishu	wells, boreholes	Benadir Water Development Co. (PW) Xamar Water Distribution Co. (PW) Somali Water Development Union Co. (PW) 32 bottled water companies		Oligopoly	Struggle between borehole owners and companies

Note: PW: piped water; BW: bottled water; T: trucking; DC: donkey cart. Source: RVI 2019, RVI city studies.

BOX A.1. PPP FAILING TO DELIVER IN BOSASO

The first major water project in Bosaso was implemented by UNICEF, funded by the European Union, and handed to a private firm (GUMCO) upon completion under a PPP arrangement. Beginning in the late 1990s, it aimed to distribute deep-well water to 60,000 people through a pipe network. At the time, it was the largest single infrastructure project undertaken in Somalia after the civil war. The management of the water system was handed over to a firm - the Golden Utility Management Company (GUMCO) - under a PPP arrangement, apparently with the consent of the public, the government, UNICEF and the European Union. GUMCO were asked to improve access, prioritizing the poor, including through water 'kiosks' for the most vulnerable households.

The PPP arrangement has been largely unsuccessful in achieving its objectives. With no investment from the government and donors, coupled with little or no oversight from PSAWEN, GUMCO failed in the objectives set for it – to provide piped water outlets (kiosks) for the poor and vulnerable groups, and to install piped water to the city's residents (prioritizing the poor).

Water access and quality improved initially for affluent residents on the network, and some 'kiosks' were provided; however, investment dropped, and the poor were deprioritized. Within two years, GUMCO stopped investing in network extension, to the detriment of the poor, who typically lived on the city outskirts beyond pipe networks. GUMCO also decreased the number of kiosks for poor households. Instead, they focused on the more profitable residential installations along the existing grid, prices for which were raised. Meanwhile, Bosaso has suffered water shortages that particularly impact the poor. Poor people, IDPs, and other minorities typically relied on shallow water wells with hand pumps (already vulnerable to contamination) and kiosks, many of which have dried up, with no new sources created to replace them. This has left an increasing portion of the poor reliant on water trucks, with higher unit costs and reduced quality compared to piped water.

For its failure to provide, GUMCO faced minimal supervision or repercussion. The Puntland utilities agency (PSAWEN) did not penalize GUMCO for closing kiosks and stopping network expansion, and there was no corrective investment by the government or donors. However, the government more recently signed a new PPP with a second firm, the Bosaso Water Company, which now has an estimated 40 percent market share. The Bosaso Water Co is servicing only households not covered by GUMCO meters or networks, and similarly focuses on wealthier households, while informal private providers continue to fill the supply gap for low income people on the city periphery through water trucks.

Although the poor have suffered expensive, cumbersome, and unsafe water, several actors benefited from the ‘failed’ GUMCO PPP, perhaps explaining the outcome observed. GUMCO was created for the purpose of the PPP, and through the agreement received assets including 25km of pipelines, three deep wells, and one water tank. Some have accused GUMCO of using the support of the Puntland government to prevent others from entering the market or accessing external support. The Puntland government receives US\$1 million annually from GUMCO and other PPP arrangements. Water truckers profit from providing water to off-grid households at an elevated unit price. The owners of private boreholes from which trucks collect water also benefit, with the three major borehole owners coming from the same sub-clan. The Bosaso Water Company has also benefited, while also colluding to protect GUMCO’s market share, through a commitment to not service households that already have a GUMCO meter, even if those households do not receive water. Overall, dynamics suggest that the private interests of more powerful actors, rather than the public good, continues to determine who receives water in Bosaso.

Source: Hagmann 2019, Bosaso city study.

Transport

Table A.4. Summary of transportation options

Mode of transport	Description	Main consumers	Average cost of a single fare
On foot	Going on foot is made difficult by the absence of pedestrian lanes, dangerous driving, potholes, and limited walking space beside main roads.	The urban poor who cannot afford transport	0
Mini-buses	For a long time mini-buses provided the bulk of motorized mobility in Somali cities. In the seven cities studied by RIV, 14-seaters like the Nissan Homy – colloquially referred to as ‘BL’ – Isuzu and other vehicle models mostly operate on fixed routes. Mini-buses remain the most popular and most affordable means of urban transport for many residents. In some cities mini-buses are primarily contracted to transport school children or employees of a particular business or international organization.	Urban poor	US\$0.20

Mode of transport	Description	Main consumers	Average cost of a single fare
Bajaj three-wheelers	<p>Bajajs are the newcomer in urban Somali transport, posing a serious challenge to the hegemony of the mini-buses, particularly as they offer more individualized travel options to urban residents. They take customers door to door and can access neighborhoods with bad roads. Neighborhoods that were previously not served by mini-buses are now connected to city centers.</p> <p>Not only was the Bajaj instrumental in bringing cheaper individualized mobility to Somali cities, it also provides a livelihood for ten thousands of young men in the 15 to 25 age bracket. Bajaj are also associated with unsafe driving and an increase in road accidents.</p>	The middle class and urban professionals.	US\$0.10 - US\$1
Taxis	Taxis are the most expensive travel option by road, and its clients are associated with the business class and political elites. ⁴⁰⁰	<p>More affluent users including students and NGO workers.</p> <p>Middle class on a case by case basis.</p>	US\$3-US\$20
Dhaweeye⁴⁰¹	This is a Somali version of Uber. Dhaweeye was established in 2018 and has a presence in Mogadishu, Bosaso and Hargeisa. Its drivers are screened by the company and use a taxi meter. Dhaweeye has some 500 registered vehicles in Mogadishu alone.	<p>More affluent users including students and NGO workers.</p> <p>Middle class on a case by case basis.</p>	US\$.50 (per km)
Air travel	Finally, air travel is the most exclusive type of (long-distance) mobility.	Senior government officials, businesspeople, and workers from NGOs and international organizations.	-

TECHNICAL NOTE ON SOMALIA CITY-LEVEL POVERTY ESTIMATION

This technical note outlines a methodology used to estimate poverty rates at the city level in Somalia. Obtaining accurate and reliable estimates of local poverty (like at the city level) is difficult due to the high cost of collecting welfare data from sufficiently large samples to allow for such analysis. Household surveys – from which poverty estimates are derived – are typically too small to produce reliable estimates below a certain geographical level.

To overcome this challenge, our estimation of city-level poverty rates relies on the combination of a household survey – Wave 2 of the Somalia High Frequency Survey (SHFS) – and remote-sensing and geospatial data. Due to its small sample size⁴⁰² – compounded by the fact that it covered only securely accessible areas of Somalia⁴⁰³ – Wave 2 of SHFS does not allow us to produce precise poverty estimates for most cities. Remote-sensing data and satellite imagery – which are available at a grid level and cover the entire country of Somalia – provide useful supplemental information on socio-economic conditions of local areas, which helps improve the coverage and precision of local poverty estimates.⁴⁰⁴

Methodology

Traditionally, poverty mapping methods estimate a random effect regression model using survey data containing per capita income or consumption data and use the estimated parameters to simulate welfare in a contemporaneous census. Because there is no recent census in Somalia, applying this traditional method is not feasible.⁴⁰⁵ Thus, we combine the household sample data with remote sensing indicators at the Primary Sampling Unit (PSU) level, linking the source and auxiliary data geographically through PSU identifiers. To combine these two data sources, we employ the Empirical Best Prediction (EBP) Method.⁴⁰⁶ The EBP modifies the traditional ELL⁴⁰⁷ method in two main ways. First, random effects are introduced at the level of the city instead of the enumeration area. Second, these city random effects are conditioned on the sample data. This method therefore efficiently combines household level information on per capita consumption, which are only available in sample PSUs, with an exhaustive set of PSU level prediction based on indicators derived from remote-sensing and satellite data.

In the EBP method, the two-level nested error regression model is first estimated:

$$y_{ic} = \mathbf{x}_{ic}\boldsymbol{\beta} + u_c + \varepsilon_{ic}, \quad i = 1, \dots, N \quad c = 1, \dots, C$$

$$u_c \sim N(0, \sigma_u^2), \quad \varepsilon_{ic} \sim N(0, \sigma_\varepsilon^2)$$

where y_{ic} corresponds to normalized per capita consumption for household i in city c . u_c and ε_{ic} are city-specific and household-specific random errors. The EBP estimates of FGTO are obtained by estimating the nested-error model (Equation 1); generating city-level effects $u_c \sim N(0, \sigma_u^2)$, and unit-level effects $\varepsilon_{ic} \sim N(0, \sigma_\varepsilon^2)$ and then calculating population welfare values through micro-simulation based on the sample and non-sample values of explanatory variables as specified in Equation 1. Importantly, the EBP model conditions the city effect on the mean of the sample residuals, thereby incorporating information from the sample directly into the estimates. To estimate the Means Squared Errors (MSE) of FGTO, we follow Molina and Rao (2010),⁴⁰⁹ and use a parametric bootstrap MSE estimator, following the bootstrap method for finite populations of González-Manteiga et al. (2008).⁴¹⁰ Alternative estimates generated using a PSU level model, a variant of the sub-area estimator proposed by Torabi and Rao (2014), yielded similar results.⁴¹¹

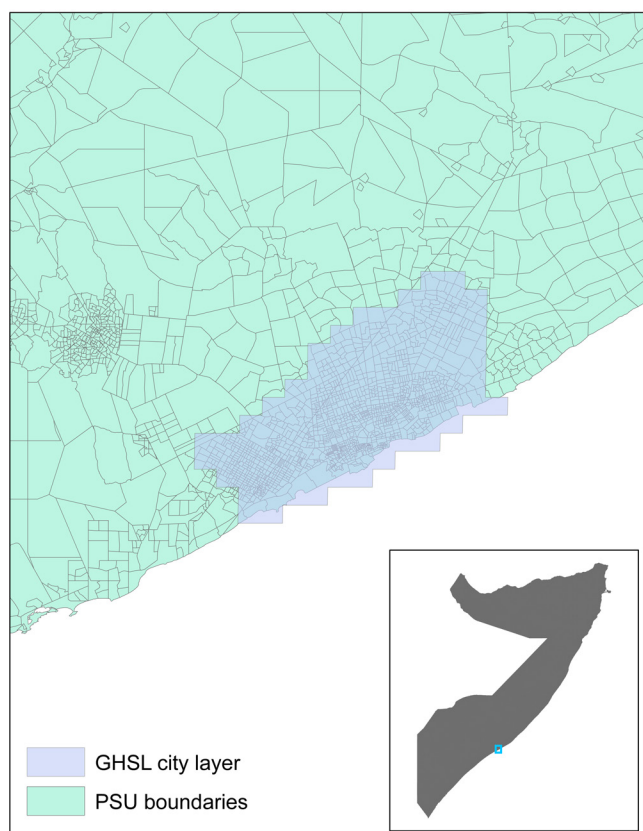
The specification of the consumption model in Equation 1 affects the city-level poverty rates. The set of variables included in each specification was chosen from the list of candidate variables using the stepwise selection process (with a significance level threshold of 0.01 for removal). The stepwise selection process yielded a model with 27 right hand side variables, as reported in Table 1. The model achieved a reasonably high R² of 0.21, despite the fact that the explanatory variables are at the PSU level whereas consumption is measured at the household level.

Finally, since Wave 2 of SHFS is representative for three cities of Mogadishu, Kismayo, and Baidoa, we elected to use the direct estimates from the survey for these cities. We also apply a rescale factor to ensure that the aggregate urban poverty rate of EBP estimates is consistent with that of direct estimates based on SHFS, which is representative collectively for urban strata.

Data

The first step to obtaining city-level poverty estimates is to define city boundaries. We rely on the Global Human Settlement Layer Urban Centre Database (GHSL-UCDB), which demarcates the boundaries of cities based on two quantitative factors: i) the spatial distribution (density) of built-up structures, and ii) the spatial distribution (density) of resident population.⁴¹² Figure A.6 shows a GHSL boundary of Mogadishu, overlaid with PSU boundaries constructed for Wave 2 of SHFS.

Figure A.6. GHSL-UCDB Boundary of Mogadishu



The next step involves deriving zonal statistics based on remote-sensing data and satellite imagery for each PSU, which then are matched with welfare data from Wave 2 of SHFS. These zonal statistics are then used to predict welfare levels in PSUs not included in the sample survey. The geospatial data used in the prediction model are drawn from a number of different sources, which include: i) nighttime light data from the Visible Infrared Imaging Radiometer Suite (VIIRS); population data from WorldPop; monthly and annual precipitation from CHIRPS and WorldClim v2; the Normalized Difference

Vegetation Index (NDVI), which is commonly used to measure vegetation health and vigor; distances to major roads, schools, medical sites, water sources/points, unsafe areas, urban areas, and drought areas.⁴¹³

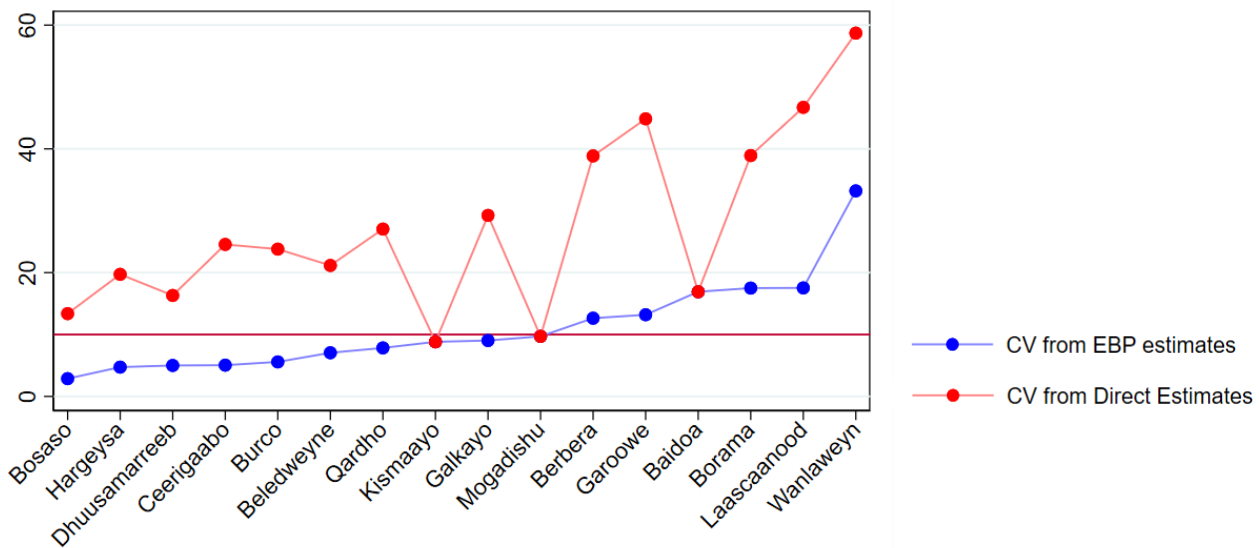
Next, we use geospatial information in Wave 2 of SHFS to link with the PSU-level zonal statistics and GHSL city boundaries. The computed zonal statistics are then used to model consumption/welfare as defined in Equation (1) for those households that fall within the city boundaries. Finally, we use the R *sae* package to simulate the predictions in a synthetic census of households. Population estimates extracted from WorldPop were used to determine the number of households in each PSU.

Results

This section discusses the reliability and accuracy of the city-level poverty map estimates. We use the average coefficient of variation across cities as the main criteria to judge how the precision and reliability of our estimates compared with the direct estimates obtained from Wave 2 of the SHFS. The coefficient of variation for each city is defined as the standard error of the city poverty estimates divided by the estimated city poverty rates. The consumption model – the model used to predict consumption as a function of spatial covariates (Equation 1) – has a reasonably high R^2 of 0.21, which means that the geospatial variables explain 21 percent of variation in household consumption in the first stage. This is impressive given that the geospatial variables are only capable of explaining variation in household-consumption across PSUs. The results from the consumption model are presented in Table A.5.

Figure A.7 presents a comparison of the CV of direct estimates of FGTO at the city level with comparable small area estimates. We see that the average CV of the small area estimates (27%) achieves about a 60% reduction in the CV compared to direct estimates (11%). This is roughly equivalent to increasing the size of the sample in these cities by a factor of six. The average CV of EBP estimates (11%) is also roughly the same as the average CV of direct estimates for Mogadishu, Kismaayo, and Baidoa for which Wave 2 of SHFS is representative (12%).

Figure A.7. CV of Direct vs. Small Area Estimates of Per Capita Consumption at the City Level



Notes: This figure shows the value of coefficients of variation (CV) for each city-level poverty estimate from EBP method and direct estimates based on the SHFS only.

Table A.5. Beta Model Results (Variables Selected through Stepwise Process)

VARIABLE NAME	COEF.	STD. ERROR	T-STATISTICS
dist2drought_median	-0.012	0.002	-5.867
dist2drought_min	0.013	0.002	6.815
dist2schools_median	-0.035	0.009	-4.004
dist2unsafe_max	0.005	0.002	3.143
dist2watersources_mean	0.01	0.001	6.866
chirpsv_min	-0.054	0.009	-6.237
ndvi_201702 median	-0.001	0	-5.362
ndvi_201704 mean	-0.001	0	-3.084
ndvi_201704_min	0.001	0	3.41
ndvi_201707 max	-0.001	0.001	-2.258
ndvi_201707 mean	0.002	0.001	1.869
ndvi_201707 min	-0.001	0.001	-1.811
ndvi_201707 sum	0	0	8.283
ndvi_201710 median	0.001	0	4.518
ndvi_201711 sum	0	0	-6.514
ppp_2018_ median	-0.076	0.029	-2.678
ppp_2018_min	0.083	0.035	2.413
ppp_2019_max	0.137	0.047	2.931
ppp_2019_mean	-0.399	0.106	-3.758
ppp_2019_median	0.297	0.077	3.878
ppp_2019_min	-0.081	0.035	-2.332
ppp_2020_max	-0.126	0.044	-2.89
ppp_2020_mean	0.353	0.097	3.658
ppp_2020_median	-0.189	0.075	-2.506
ppp_2015_median	-0.002	0	-5.742
wclim_prec_max	-0.069	0.015	-4.669
wclim_prec_median	0.07	0.015	4.692

Notes: Original raster data are available at the pixel level and aggregated by PSU before being used for the consumption model. The minimum, maximum, mean, and total values of those pixels at the PSU are computed and used to explain variation in consumption, as indicated by _mean, _median, _max, _min, and _sum in the variable names. Most of these raster data are taken from Pape and Wollburg (2019).

dist2drought: Distance in km to borders of areas labelled as 'moderate drought' and 'severe drought' based on FAO SWALIM (taken from Pape and Wollburg 2019)

dist2schools: Distance to schools based on UNICEF and FAO SWALIM (taken from Pape and Wollburg 2019).

dist2unsafe: Distance to areas labelled as unsafe by the World Bank (taken from Pape and Wollburg 2019).

dist2watersources: Distance to strategic water points or sources based on FAO SWALIM (taken from Pape and Wollburg 2019).

chirpsv: Rainfall recorded from 2017 (CHIRPS)

ndvi_YYYYMM: A monthly NDVI calculated for YYYYMM where YYYY and MM correspond to year and month, respectively (MODIS13A3).

ppp_YYYY: Estimated population based on WorldPop for year=YYYY.

wclim_prec: Annual precipitation based on WorldClim v2 (taken from Pape and Wollburg 2019).



NOTES

- 389 Most of the studies on IDPs focus on forced migrants settling in camps in the city outskirts. However, recent projects seeking to inform improved policies responses argue that the bulk of forcibly displaced live in urban areas, where they are hidden. Mixing in with their host communities makes them difficult to locate in an urban environment (World Bank Blog, 2019). Therefore, transit site measures carried out by the UNHCR are very important as they allow to capture information on the forcibly displaced migrating to cities.
- 390 <https://www.ncdc.noaa.gov/data-access/model-data/model-datasets/climate-forecast-system-version2-cfsv2>
- 391 Hodges, Kevin, Alison Cobb, Pier Luigi Vidale, Kevin Hodges, Alison Cobb, and Pier Luigi Vidale. 2017. "How Well Are Tropical Cyclones Represented in Reanalysis Datasets?" *Journal of Climate* 30 (14): 5243–64.
- 392 The analysis presented in this paper is conducted at the district level, preventing a fine control of demographic factors. However, it is arguable that these factors are constant over the studied time span and across space once averaged at the district level. Moreover, large significant difference in demographics and migration culture are not observed between clans. Therefore, they are likely to have a very weak explanatory power and their omission does not compromise the validity of the models: clan dynamics are well accounted for in district fixed-effects.
- 393 Kummu, Matti, Maija Taka, and Joseph H. A. Guillaume. 2018. "Gridded Global Datasets for Gross Domestic Product and Human Development Index over 1990–2015." *Scientific Data* 5 (February): 180004.
- 394 FAO, and IIASA. 2012. "GAEZ - Global Agro-Ecological Zones v3.0." <http://www.fao.org/nr/gaez/en/>.
- 395 Center for International Earth Science Information Network (CIESIN), Columbia University, Information Technology Outreach Services (ITOS), and University of Georgia. 2013. "Global Roads Open Access Data Set, Version 1 (GROADSv1)." Palisades, NY: NASA Socioeconomic Data and Applications Center (SEDAC).
- 396 UNHCR. 2020a. "Population Statistics - Asylum Seekers." http://popstats.unhcr.org/en/asylum_seekers
- 397 For Djibouti https://data.humdata.org/dataset/hotosm_dji_populated_places, Kenya https://data.humdata.org/dataset/hotosm_ken_populated_places and Ethiopia <https://data.humdata.org/dataset/ethiopia-settlements>
- 398 UNFPA. 2014a. "Population Estimation Survey 2014 for the 18 Pre War Regions of Somalia - PESS 2014." United Nations Population Fund. <https://somalia.unfpa.org/sites/default/files/pub-pdf/Population-Estimation-Survey-of-Somalia-PESS-2013-2014.pdf>.
- 399 FSNAU. 2016. "Somalia Livelihoods Profiles." Food Security and Nutrition Analysis Unit. <https://www.fsnau.org/downloads/somalia-livelihood-profiles>.
- 400 In cities like Bosaso the taxi market changed with the arrival of the Toyota Probox, which is cheaper and more fuel efficient than the previously dominating Toyota Mark II wagon.
- 401 Dhaweeye is owned by Salaaam Bank, a sister company of Hormud Telecommunications. <https://dhaveeye.com/>
- 402 Wave 2 of SHFS drew representative samples of a small set of urban centers and allow for poverty estimates for only 3 cities: Mogadishu, Kismayo, and Baidoa.
- 403 Due to security concerns, interviews for Wave 2 of SHFS were conducted only in areas deemed as secure based on a security assessment undertaken prior to the implementation of the survey. See details on the design and representativeness of Wave 2 of SHFS in Pape et al. (2020).

- 404 See Jean, N., et al. 2016. Combining satellite imagery and machine learning to predict poverty.” *Science* 353.6301: 790-794 ; Engstrom, R., J. Hersh, and D. Newhouse. 2017. Poverty from space: Using high-resolution satellite imagery for estimating economic well-being.; Head, A., et al. 2017. Can human development be measured with satellite imagery? ICTD ; Pokhriyal, N. and D. C. Jacques. 2017. Combining disparate data sources for improved poverty prediction and mapping.” *Proceedings of the National Academy of Sciences* 114.46: E9783-E9792 ; Engstrom, R., D. Newhouse, and V. Soundararajan. 2019. Estimating Small Area Population Density Using Survey Data and Satellite Imagery: An Application to Sri Lanka. The World Bank.
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- 408 A correct transformation of the skewed welfare or consumption variable is needed to render the random errors normally distributed – a critical assumption that needs to be met for EBP (see for more details Das and Haslett 2019). We utilize an Ordered Quantile Normalization to transform the dependent variable using the bestnorm R package, which most consistently ensures normality compared to other transformation methods (e.g., log, log-shift, or BoxCox transformations) (Peterson and Cabanough 2019).
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- 410 The “R sae” package has been used to implement this estimation.
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- 412 See more details in the GHSL methodology paper available in https://publications.jrc.ec.europa.eu/repository/bitstream/JRC115586/ghs_stat_ucdb2015mt_globe_r2019a_v1_O_web_1.pdf.
- 413 Most of these spatial indicators are borrowed from Pape and Wollburg (2019).

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