

GOVERNANCE AND CORRUPTION IN SOMALIA

IGI Somalia

As one of the longest instances of state collapse in recent years, Somalia faces many of the major corruption challenges that affect conflict-torn countries, with rampant corruption and a deeply entrenched patronage system undermining the legitimacy of the internationally recognized Federal Government (FG).

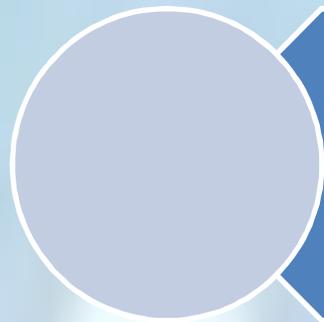
Corruption is further exacerbated by the absence of a functional central government, a lack of resources and administrative capacity, weak leadership structures as well as a limited ability to pay public officials.

Both petty and grand forms of corruption are prevalent in Somalia, permeating key sectors of the economy such as ports and airports, tax and custom collection, immigration, telecommunication and management of aid resources. According to a recent audit report by the Prime Minister's office, corruption manifests itself through various practices,

including gross public financial mismanagement, large scale misappropriation of public and donor funds, unethical and professional negligence, and concealment of actual resource flows.

Against this background, the FG has a poor record of confronting corruption due to its weak administrative set up, lack of resources and capacity and wavering political will. President Hassan's early pledge to address corruption, clean politics and promote good governance in public administration has failed to translate in an articulated strategy so far.

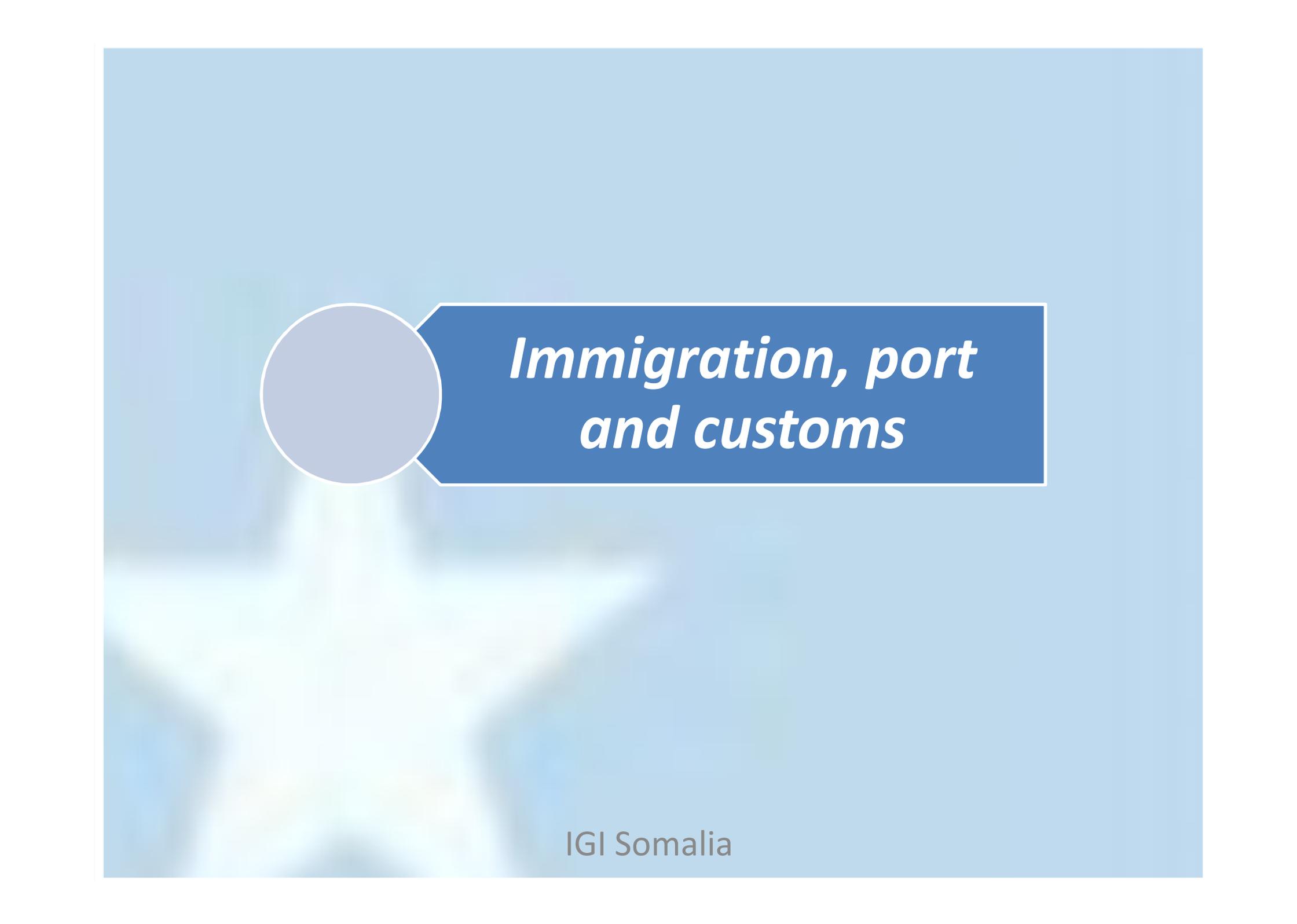
**Below are the Sectors
mostly affected by
corruption in Somalia**



Security forces

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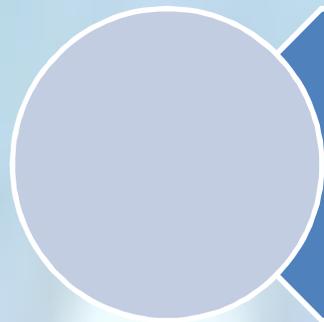
Lack of resources and inability to pay public officials including security forces provide incentives for extortion and bribery. Security forces tend to sell their arms and equipment as substitute for their salaries.



*Immigration, port
and customs*

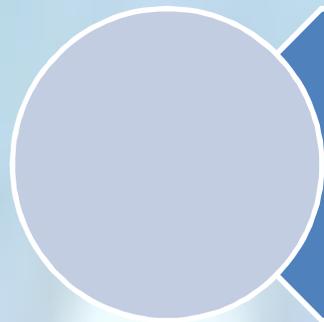
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According to the local and international observers, much of the official corruption occurs at the port of Mogadishu and the International Airport. The observers also mention the lack of transparency in the revenue collected at the international port and airport, while a 2013 UN Monitoring Group report names some members of government and parliament allegedly engaged in a large scale visa fraud and smuggling of illegal migrants . In spite of numerous efforts to clean these institutions and introduce managerial, administrative and staff changes, both the port and the airport remain major source of corrupt income.



Private sector

Most of Somalia's economy relies on the informal sector based on livestock, remittances and telecommunications. According to the International and local monitoring agencies 2013 unregulated market system came into being after the fall of Siyad Barre's regime, while stimulating entrepreneurial energy in the country. This unregulated system is also partly responsible for fuelling corruption. For example, enterprises don't pay taxes regularly to the state but routinely pay non-statutory fees to senior FG officials to support and approve foreign business deals or keep the government on their side.

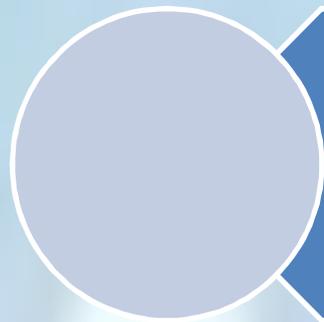


AID

The management of aid money in a country that largely relies on external sources of funding is a major area of concern. According to the International Crisis Group 2013, there is no reliable database covering all development funds.

The above mentioned report by the Public Financial Management Unit in the Office of the Prime Minister revealed that a large majority of the central government's revenue has never been recorded and it also uncovered large scale misappropriation of donor funds.

This is confirmed by a 2012 World Bank report looking at the years 2009 and 2010, which reveals that large sums of money received by the TFG have not been accounted for, with an alleged discrepancy of about \$130m in the accounts over the two years. The report does not rule out corruption as a possible explanation for the missing government revenue funds.



Central Bank

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In the strongly worded letter, seen by the Financial Times, Ms Yussur – a former banker at Citigroup who had not lived in Somalia for several decades – said she believed that these deals “put . . . frozen assets at risk and open the door to corruption”.

Somalia is recovering from decades of civil war and also faces an Islamist insurgency from al-Qaeda-linked Al-shabab who mount regular attacks in Somalia and also claimed responsibility for [the terrorist attack on a Nairobi shopping mall](#) last month.

Donors have pledged billions of dollars to help secure and rebuild Somalia at recent conferences in the hope that it can make good on recent military gains against the militants.

But they fear that the new government – elected last year and seen by analysts as the most representative and promising for years – might repeat the gross corruption seen by its donor-backed predecessors.

A report from a UN investigative panel this year gave warning that the central bank doubled as a corrupt slush fund and said that it failed to account for transfers worth \$12m. Ms Yussur said in her letter: “Unfortunately, the central bank has not been allowed to function free of interference, and as such cannot operate as a credible institution.”

“For her leaving so early [it] is very sad. She was given the empowerment to reform the central bank and how the system works – most of the systems are manual,” he added.

In her letter to Hassan Sheikh Mohamud, Somalia’s president, she said: “From the moment I was appointed, I have continuously been asked to sanction deals and violate my fiduciary responsibility to the Somali people as head of the nation’s monetary authority.” Financial times reported.



Anti-corruption efforts in Somalia

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Against this background and according to many observers, the FG has a poor record of confronting corruption and its response has been disappointing so far. President Hassan's initial pledge to address corruption, clean politics and promote good governance in public administration has failed to translate in an articulated strategy.

There is no sign that the government has established an anticorruption policy and there are no integrity mechanisms in place. As already mentioned, tax collected at ports and airports as well as aid money continue to be managed with a complete lack of transparency and accountability.





