

# State-Building in Somalia: Development and Security Priorities in 2016

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## HE Mohamed Omer Arteh

Ladies and gentleman, honourable guests, let me begin by expressing my gratitude to you for having me here at Chatham House to take part in this gathering. I have to say that I am very much enjoying my short visit to this great city of London, which has provided sanctuary for so many of my country men and women during the past three decades of turbulence in my country.

I watched with excitement the Somalis who made their homes here in the UK and who are now returning to Somalia to take part in the rebuilding of our country and have taken a leading role both in the government and private sector as drivers for change.

This is one of the many signs showing Somalia's progress and, despite the prevailing narrative of discord, disharmony and division, Somalia in the past three years has made great strides to achieving the wish of all Somalis for a prosperous, peaceful and progressive Somalia, at peace with itself and its role in the region.

I stand before you today, proud to be able to state that Somalia is no longer a failed state, a fragile one perhaps but one with truly great potential both in political and economic terms. These two domains are inextricably linked, for there cannot be economic development without an amicable political framework that truly addresses the deep discord among my people, which has for so long hampered my nation from taking its role among the nations of Africa.

This is the thinking behind Somalia's federalist agenda which will provide the Somali people with a more accountable government at both the federal and regional level. We have already completed the formation of all the regions bar one, namely the soon to be finalized regional government bringing together the regions of Hiran and Lower Shabelle.

From the perspective of Somalia, this year will be a defining one dominated by two equally important issues: namely elections and security. Let me start with the political aspect. Somalia will hold an election this year for parliamentarians and subsequently choose a president with a new mandate of four years.

This upcoming election and how it is conducted is a Somali solution to a Somali problem. It recognizes that Somalia would not be able to provide universal suffrage, as planned, due to a number of different factors, most of all insecurity. This realisation led to the establishment of a consultative forum comprising of all stake holders to find an alternative means of holding the election within the agreed time frame.

Like all democracies there have been many views expressed and hotly contested arguments as to how to hold the upcoming election, and yes there was an agreement that the upcoming election should be more representative than its predecessor, but there was an impasse among the regions as to distribution of representation.

The Federal Government of Somalia (FGS) then proposed, as a compromise, a hybrid model based on both a regional and clan based formula which has secured the acceptance of all the regions except Puntland, although we are optimistic that it will soon join the rest of Somalia in agreement shortly.

But let me warn you against buying into the simple narrative which claims that the past and present difficulties in Somalia can be explained away by reference to tribes. If this were the case then under that hypothesis there would be no functioning state in Africa.

However, the truth of the matter is that Somalia is not only recovering from almost 30 years of statelessness but also a preceding 26 years of dictatorship with all the mistrust of power this entails. The glaring truth is that Somali citizens have only experienced functioning government institutions for 26 years and of those only nine years, from 1960 to 1969, were guided by principles of government and its institutions, based on the founding principles of our nation, namely unity, democracy and the rule of law.

This often overlooked fact has proven to be both a hindrance and an opportunity for the Somali government's attempt to bring about peace, democracy and stability. It has been a hindrance given not only the lack of viable functioning government institutions but even more crucially those who had the experience of working in a functioning Somali government institution gained their experience under a dictatorship, whose sole aim was to maintain control, rendering their collective experience at best partly positive.

So in fact what we are attempting to rediscover is our democratic roots which our independence was founded on, while eradicating ourselves from not only the harm of thirty years of statelessness but the mistrust and discord this dark period in our history has left within our communities.

Overcoming mistrust through a more transparent, representative and accountable government therefore is our primary objective as a federal government. As Abraham Lincoln so succinctly put it we are trying to 'appeal to the better angel of our nature' and foster the ideals of our forefathers that we may all disagree vehemently on one matter or another but our desire and aspirations for a peaceful, prosperous Somalia remains the same.

Let me briefly turn to security, as I am sure you are aware that Somalia has recently witnessed a spike in terror related matters whether it is suicide attacks, the attempted downing of a plane or the more conventional overrunning of African Union Mission in Somalia (AMISOM) bases.

All of these events have in common their news worthiness and this perhaps is why you are all familiar with these occurrences, but like all governments we are constantly vigilant against extremists determined to destroy lives and livelihoods. Our security agencies foil no less than six plots a month, ranging from assassinations of government employees, car bombs, attacks on our security personnel and a number of spectacular attacks.

Unlike our security services the terrorists only need to be successful once in order to generate headlines and show relevance. This is a challenge faced by all governments around the world and despite the amount of successes against forces which seek to kill and maim, the public in any nation will always, rightly, remember the occasions when a country's security forces failed to stop it.

However, the spectacular attacks we recently witnessed in Somalia are in part due to the changing nature of the battle against al-Shabaab which has evolved from the conventional to a more asymmetric warfare more akin to an insurgency.

This changing nature of the battle field coupled with the recent static nature of AMISOM forces in 2015 has not only contributed to al-Shabaab's successes on the field but also encouraged and made them bolder. This is in no way the FGS shrinking from its responsibility and duty with regards to the protection of the lives and livelihoods of our citizens.

In fact, in recognition of this fact the FGS has embarked on a process of defining our security architecture in order to meet the security challenges of today and tomorrow. As a result of this the FGS has already

produced a National Threat Assessment and a draft National Security Policy which would guide the formulation of effective security institutions that can meet the security challenges existing today, as well as those likely to emerge in the coming few years.

The standardization, training and equipping of our security forces for the tasks we ask of them is in effect a major component of what could be termed as an AMISOM exit strategy. After a nine year presence in Somalia, the AMISOM mission, with the support of the international community, has been effective in assisting the FGS not only to degrade al-Shabaab but also to help provide the political space to address many of the political issues.

However, the recent European Union (EU) reduction in funding to the AMISOM mission is a reminder of the finite nature of funding and the need to ensure the Somali National Army and by extension all its other security institutions are prepared for taking over the security of Somalia. Achieving this goal in time for 10<sup>th</sup> anniversary of the AMISOM mission in 2017 is the FGS target, as it should be for all our international partners.

The FGS is aware that the realization of our nation's aspirations will greatly depend on our ability to provide a judiciary service in which every citizen is able to access justice and to achieve economic advancement. The former is entirely under the control of Somalis but the realization of the latter would require the assistance of international financial institutions.

Ladies and gentlemen, Somalia will struggle to meet its development goals and achieve real growth without access to International Development Association (IDA) and other sources of financing. Somalia needs debt relief. We recognize that achieving debt relief will be challenging, but we need to embark on this path today. Last year, Somalia realized a significant milestone with the completion of the first Article IV consultation since 1989.<sup>1</sup> We need to build on this progress and we are committed and ready to move forward with structural reforms within the context of a formal IMF staff-monitored program.

To this end, much progress has already been made to improve fiscal management and strengthen institutions. We have a credible 2016 budget underpinned by more realistic revenue measures. We increased transparency and accountability through the introduction of electronic payments, minimized cash transactions and established accounting systems. We have improved the legislative framework, with key legislations passed by parliament, including the Foreign Investment law, the Anti-Money Laundering and Combating the Financing of Terrorism bill and the Procurement bill.

Although much consideration has been given to establishing the above foundational reforms, more needs to be done to improve immediate access to financing. As you are aware, remittances provide a lifeline in Somalia, with remittances amounting to an estimated \$1.2 - \$1.6 billion a year, which is five times larger than foreign aid, foreign direct investment and other sources of international finance. Rebuilding and formalizing the financial sector of Somalia is essential for any meaningful growth. The Central Bank of Somalia (CBS), with support from the IMF and other international partners, is in the process of implementing a comprehensive roadmap for the growth of financial intermediation in Somalia. To this end, the CBS has started the process of prudential regulation and examination of commercial banks and has issued licenses to six banks, thus strengthening the formal banking sector.

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<sup>1</sup> IMF country consultations known as 'Article IV consultations' are required by Article IV of the IMF's Articles of Agreement. During an Article IV consultation, an IMF team of economists visits a country to assess economic and financial developments and discuss the country's economic and financial policies with government and central bank officials.

Restoring the credibility of Somalia's currency will also be crucial to economic development. The CBS, with advice and assistance from the IMF, is establishing a roadmap for a comprehensive national currency reform taking into account the underlying situation, security issues, and socio-political factors.

As we transition in to fully fledged states, we are concerned about the level of fiscal inequality among the states. We need to look beyond the centre towards a national fiscal framework that would allow for some consolidation and resource sharing, addressing the inequality of access to resources among the states. Although this will require complex political agreements and building these arrangements will take time, there are steps we can take today. This year, through the intergovernmental fiscal committee, we will begin to address the harmonization of taxes, establish channels for intergovernmental transfers and define basic principles towards a national fiscal framework.

Let me assure you that although we are in a transitional year, we remain firmly committed in all levels of government to ensuring that we are moving forward on all fronts: Political, Security and Development, together as a nation. We have spent the past three years laying down the foundations, and our priority this year is to ensuring sustainability.

Let me assure you that although we are in a transition year, we remain firmly committed to staying the course and moving the reforms forward. Beginning with ensuring the electoral process, as outlined in the Mogadishu Declaration and Vision 2016, is realized within the targeted timeframe. This is only the first stage of many that will see Somalia transforming into fully-fledged statehood, with a constitution that clearly outlines the intersection between the Federal Government and the states.

Somalia is at a critical juncture, where the security gains made in the past three years need to take root in order for the country and the region to stabilize. We have managed to liberate most of the country from Al-Shabaab and we are making military gains and winning the ideological war against them. However, they are resorting to guerrilla tactics that not only risk destabilizing Somalia, but also we have already seen the spillover effects in the region as well. Stabilization can only be achieved through the strengthening of Somali Security Forces. We are calling for the urgent need to properly equip and train the Somalia National Army to set the conditions for transition from AMISOM. This is the only way towards sustainable peace.

Somalia needs to catch up with the rest of Africa in terms of economic growth and the reduction of poverty. We need to do more for Somalia's private sector, by establishing an enabling environment for growth. Our plan is to introduce the appropriate regulatory measures to oversee the private sector, and reduce the administrative impediments to growth; build infrastructure, especially in productive sectors and strengthen the labour force through education and skills building, especially when 70% of our population is less than 30 years old.

We will struggle to do any of this without access to financing, which can only be attained following debt relief. We will continue to work with the International Financial Institutions and stay the course on structural reforms.

Before I close, I must acknowledge the significant support and contribution of the UK government to Somalia. Let me pay tribute to all the friends of Somalia who have gathered here today. We are very grateful for your financial support, your technical expertise, and your political support.

On behalf of Somalia, I reaffirm our commitment to reconciliation and a peaceful Somalia. We will secure gains made in the past three years through dialogue, inclusive politics, and by creating a shared vision of what Somalia can be in the future.