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# LOGISTICS CONTRACTS AND THE POLITICAL ECONOMY OF STATE FAILURE: EVIDENCE FROM SOMALIA

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## ABSTRACT

Scholars have long sought to understand how economic rents may inhibit the formation of effective and accountable government. Prevailing interpretations of empirical state failure do not adequately account for economic connections and rents. Based on in-depth ethnographic fieldwork and original source material from the Somalia context, this study shows how the dominance of the logistics economy, as a system of ‘graft’ endogenous to state-building, has contributed to empirical state failure. Empirical state failure is characterized by intra-elite struggle, endemic political violence, and insecurity including the threat posed by Islamic extremism. Contributing to the study of political settlements, political clientelism, and business–state relationships in Africa, findings from this study offer new insights for understanding how the dominance of logistics rents and lead firms within a political system may prevent the establishment of legitimate, centralized authorities. These findings contribute to the broader study of Africa’s political economies which have experienced protracted civil war and post-conflict reconstruction. In conclusion, it argues how economic development, procurement reform agendas, and efforts to withhold or withdraw aid through economic sanctions fail to resolve endemic conflict and governance issues due to vested interests, elite fragmentation, and polycentric aid practices. Instead, both government policy and foreign interventions continue to empower lead logistics firms (as skilful political entrepreneurs) that destabilize the Federal Government of Somalia.

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### Introduction

GLOBALLY, RESEARCHERS ON REBEL GOVERNANCE, CIVIL WARS, AND INTERNATIONAL STATE-BUILDING have noted how logistics rents in war and post-war economies are often the main 'loot on offer' for elites to finance their military and political activities.<sup>1</sup> These logistics rents include foreign aid and public contracts for small infrastructure, reconnecting interrupted water supplies, rebuilding rail and road networks, transporting of food and defence equipment, fuel and food supplies, and other humanitarian and development projects. Yet, no studies to date have theorized about how this common characteristic of war and post-war economies may inhibit the long-term formation of effective and accountable government. This study fills this gap by contributing to theories of empirical state failure<sup>2</sup> that do not account sufficiently for economic connections and rents. Key analysis from the state failure literature highlights the state's inability to control non-state actors; endemic corruption and collusion amongst governing elites and strongmen; and how state's decentralization efforts are hijacked by national and local elites.<sup>3</sup> As William Reno argues, state failure occurs when patronage networks fragment as state resources decline, and loyal strongmen attack centralized authority.<sup>4</sup> Yet, no further clarity has been provided on what economic factors or conditions may actually trigger and reproduce state failure. Instead, prevailing assumptions of state failure look primarily at bad policy, corrupt leaders, separatist tensions, clan and 'tribal' rivalries, and the diversion of state revenues to private purposes. By examining the political economy of logistics in Somalia, this study looks afresh at the political economy of state failure, providing an alternative interpretation of protracted political violence, insecurity, and limited statehood. In doing so, it provides an explanation of contemporary Somali politics beyond prevailing narratives of clan animosities, ideological

1. Jennifer Murtazashvili, 'Gaming the state: Consequences of contracting out state building in Afghanistan', *Central Asian Survey* 3, 1 (2015), pp. 78–92; John D. Ciorciari and Stephen D. Krasner, 'Contracting out, legitimacy, and state building', *Journal of Intervention and Statebuilding* 12, 4 (2018), pp. 484–505.

2. The quotations here acknowledge the fraught nature of the 'state failure' debate as a Western concept born of the security concerns of government and of multinationals, used often as a cover for military intervention. Yet, in the absence of others, it remains an important and widely used concept. See Jaimie Bleck and Kristin Michelitch, 'The 2012 crisis in Mali: Ongoing empirical state failure', *African Affairs* 114, 457 (2015), pp. 598–623; Jonathan Fisher, 'AMISOM and the regional construction of a failed state in Somalia', *African Affairs* 118, 471 (2019), pp. 285–306.

3. See, amongst others, Bleck and Michelitch, 'The 2012 crisis in Mali', p. 598; William Reno, *Warlord politics and African states* (Lynne Rienner Publishers, Colorado, CO, 1998); Robert Jackson and Carl Rosberg, 'Why Africa's weak states persist: The empirical and the juridical in statehood', *World Politics* 35, 1 (1982), pp. 1–24.

4. William Reno, 'African weak states and commercial alliances', *African Affairs* 96, 383 (1997), pp. 165–186.

divisions, and money politics with comparative relevance for the study of other post-war and crisis-affected contexts.<sup>5</sup>

As such, this study makes five key contributions to the study of African politics. First, it fills a key gap in the existing scholarship on 'state failure' that does not account adequately for economic connections and rents. Second, it advances the limited study of variegated political clientelism that looks beyond dominant rational choice perspectives that provide often overly reductionist characterization of neopatrimonialism, corruption, and political strategy that relegate complex interactions to a cynical process of instrumentalization, rent-seeking, and greed.<sup>6</sup> Third, it contributes to theorizing about the complex relationships between political and economic elites particularly in post-war economies where they are often hostile and rivalrous, advancing the still-nascent business–state relations scholarship.<sup>7</sup> Findings of this study challenge assumptions about business actors in fragile states as apolitical, ruthless actors, identifying instead political ideologies and contributions to effective commercial governance in the absence of a functioning state. Fourth, it contributes to scholarship in African politics that seeks to understand the profoundly unproductive consequences of certain economic rents, advancing the study of political disorder. Scholars of African politics still largely look at how instrumentalization of disorder has helped modern leaders to establish distinct and effective forms of system and elite domination rather than considering how it may generate dysfunction and state failure. Fifth, it establishes a new comparative research agenda for examining how public and foreign aid contracting through the logistics economy can assist our understanding of state failure in other crisis-affected and developing states.<sup>8</sup>

The article starts by detailing its case, data, and methods and then outlines the analytical and theoretical framework for establishing the links between logistics contracts and empirical state failure. It then presents a detailed analysis of the patterns of struggles within subsequent Somali

5. For key examples of this perspective, see Lidwien Kapteijns, *Clan Cleansing in Somalia: The Ruinous Legacy of 1991* (University of Pennsylvania Press, Philadelphia, 2012). On money politics, see Alex de Waal, *Real politics of the Horn of Africa: Money, war and the business of power* (Polity Press, Malden, MA, 2015).

6. This study is thus a critique of both the 'political marketplace' theory, see Alex de Waal, *Real politics of the Horn of Africa: Money, war and the business of power* (Polity Press, Malden, MA, 2015), and the deals and development framework proposed by Lant Pritchett, Kunal Sen, and Eric Werker (eds), *Deals and development: The political dynamics of growth episodes* (Oxford University Press, Oxford, 2017), pp. 342–343.

7. Prithvi Behuria, 'The curious case of domestic capitalists in Africa: towards a political economy of diversified business groups', *Journal of Contemporary African Studies* 40, 1 (2022), pp. 1–17; Antoinette Handley, 'Varieties of capitalists? The middle-class, private sector and economic outcomes in Africa', *Journal of International Development* 27, 5 (2015), pp. 609–627.

8. Lotje de Vries and Andreas Mehler, 'The limits of instrumentalizing disorder: Reassessing the neopatrimonial perspective in the Central African Republic', *African Affairs* 118, 471 (2019), pp. 307–327.

administrations, revealing the interplay of the logistics economy, intra-elite conflict, and state failure. Finally, it concludes by explaining why procurement reform efforts have failed to eradicate corruption and increase public confidence in the state due to the fragmentation of elite power, the nature of vested interests, and polycentric aid practices. More effective measures to resolve endemic insecurity and political violence may come from elections and other social forces emerging in Somalia demanding elite accountability and through more effective forms of horizontal monitoring that should involve allies within the business community who are not logistics contractors and who seek to benefit from improved security and state regulation.

### *Case, data, and methods*

Somalia is an obvious case for examining the link between logistics rents and state failure as it is deemed the paradigmatic ‘model of a collapsed state...the classical failed...state’.<sup>9</sup> The now internationally recognized state (as of 2012) continues to face a protracted insurgent threat perpetrated by the Islamist militants of *Harakat Al Shabaab Al Mujahidiin* (*Al Shabaab*) and exerts only limited governmental control over its territory.<sup>10</sup> Somalia is also located in the world’s largest shipping lines in the Red Sea and the Indian Ocean, where the country has since 2017 been the site of fierce superpower rivalry over the geoeconomics of ports, logistics corridors, and military bases in the Horn of Africa and the Arabian Peninsula that have increased capital injections into the logistics economy alongside post-conflict reconstruction aid.<sup>11</sup> As a high-level businessman explained in the aftermath of Al Shabaab’s assassination of the Mayor of Mogadishu in July 2019, ‘understanding any incident of insecurity or political violence in Somalia requires tracking the value of key logistics contracts (*mashruc*); percentage different parties get; when it ends and when it

9. Based on the definition from Robert Rotberg, ‘Failed states in a world of terror’, *Foreign Affairs* 81, 4 (2002), pp. 127–140; Stephen Krasner and Thomas Risse, ‘External actors, state-building, and service provision in areas of limited statehood: Introduction’, *Governance* 27, 4 (2014), pp. 545–67.

10. Tobias Hagmann and Markus Hoehne, ‘Failures of the state failure debate: Evidence from the Somali territories’, *Journal of International Development* 21, 1 (2009), pp. 42–57; Ken Menkhaus, ‘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, 1 (2014), pp. 154–172.

11. See Laleh Khalili, *Sinews of war and trade: Shipping and capitalism in the Arabian Peninsula* (Verso Press, London and New York, 2020). See Ronen Bergman and David D. Kirkpatrick, ‘With guns, cash and terrorism, Gulf states vie for power in Somalia’, *The New York Times*, <<https://www.nytimes.com/2019/07/22/world/africa/somalia-qatar-uae.html>> (5 October 2021).

comes up for tender'.<sup>12</sup> In Somalia's economy, the country's main strategic assets—ports, airports, marine resources, and areas with promising oil and mineral wealth—are intricately tied to lucrative sectors, especially security, infrastructure/construction, and service provision through the logistics economy. As the findings of this study unveil: for decades, logistics contracts have served as the primary way in which business actors, and local and state elites negotiated power and protection—what Somali politicians call *hawol fududayn* or 'what helps to work'.<sup>13</sup> A brief, interview-based survey I conducted in 2018–2019 surrounding the national elections found that 70 percent of interviewed parliamentarians had either been offered a logistics contract at some point during their political career or owned stakes in logistics companies.<sup>14</sup>

This article draws on 75 in-depth semi-structured interviews with business actors (including traditional or indigenous business actors as they differ in terms of business ethos, identity, and relationship with the state from bureaucratic bourgeoisie and political entrepreneurs). Additional interviews with former warlords, current or former presidents, vice presidents, ministers, governors, African Union Mission in Somalia (AMISOM), and United Nations (UN) officials, journalists, and local activists, as well as other source material, were collected from 2017 until 2021 in Mogadishu and Bossaso including more extensive field-based knowledge of the Somalia context gathered over the past 9 years. Additional source material includes case study material from two lead firms (Banadir Group and Puntland Development Group (PDG)) where contract details and negotiations, including accounting sheets and ownerships schemes, provided unique insights into how the system of socio-political coordination operated across informal and formal markets and interest and clan groups. This access to business individuals was acquired by building up networks and relationships over time and conducting semi-structured and many more lengthy, informal, repeat conversations over meals or drinking tea, including 'sitting down' with and engaging in long-standing digital conversations over 5 years of documenting business and life histories.

Importantly, the starting point of the conversation was never corruption but the multifaceted difficulties of conducting business in fragile states. Other cited documents include official government documents and audits, analysis by non-government organizations (NGOs), and donor and media reports. In these complex research spaces where all elites are interested

12. Interview with high-level businessman, Mogadishu, July 2019.

13. Interviews with advisors to the president and ministry of foreign affairs, Mogadishu, November 2020.

14. Of Somalia's 275 federal parliamentarians, information on 195 parliamentarians was gathered directly by interview or carefully triangulated in terms of publicly available data and reports including on ownership.

in managing information and reputation and where there is considerable political shadow-play in the ‘naming’ and ‘shaming’ of actors and behind personal and media accounts of corruption, information about events is carefully triangulated and all business interviews are anonymized. Many business respondents offered to speak wholly on the record—not least because many viewed the discussion as an opportunity to ‘set the record straight’ and put forward an alternative version of events. Narratives of corruption, criminality, and terrorism based on spurious data have been used for decades by foreign and government actors to justify seizing and redistributing resources and assets in ways that have not supported the course of justice or social welfare. Anonymity except for the two listed case studies is also based on the author’s own judgment of the relative risks to the respondents today, or in the future, by citing them by name. Interviews with politicians and public figures are all cited.<sup>15</sup>

### *Logistics rents and state failure*

‘Logistics’ has become an increasingly popular topic in global political economy research for studying the perils of contemporary global capitalism (frenetic circulation, organized violence, and high-yield and high-risk opportunities).<sup>16</sup> There has however been a paucity of critical research that looks at how the glut of global finance in logistics<sup>17</sup> interacts with and shapes domestic politics in the Global South and, in particular, Africa. In many African states, where capitalist development stalled following decolonization, and the rise of public investiture coincided with the eruption of war and political fragmentation, the logistics economy became embedded in the institution of political clientelism. For some states, this dominance came to an end as states diversified economically and asserted control over the economy.<sup>18</sup> In *Deals and Development*, Lant Pritchett, Kunal Sen, and Eric Werker (2018) theorize about this transition and the negative political effects of what they call dominant powerbroker sectors (that include logistics) in post-independent African governments as they generated ‘bad

15. Jan Kees van Donge, ‘The plundering of Zambian resources by Frederick Chiluba and his friends: A case study of the interaction between national politics and the international drive towards good governance’, *African Affairs* 108, 430 (2009), pp. 69–90.

16. Deborah Cowen, *The deadly life of logistics: Mapping violence in global trade* (University of Minnesota Press, Minneapolis, 2014), p. 11; W. Bruce Allen, ‘The logistics revolution and transportation’, *Annals of the American Academy of Political and Social Science* 553, 1 (1997), pp. 106–116; Sandor Mezzadra and Brett Neilson, *The politics of operations: Excavating contemporary capitalism* (Duke University Press, Durham and London, 2019).

17. Neil M. Coe, ‘Missing links: Logistics, governance and upgrading in a shifting global economy’, *Review of International Political Economy* 21, 1 (2014), pp. 224–256.

18. Lant Pritchett, Kunal Sen, and Eric Werker (eds), *Deals and development: The political dynamics of growth episodes* (Oxford University Press, Oxford, 2017), pp. 342–343.

rules' politics and 'hyper-disorder'.<sup>19</sup> These sectors, as they argued, relied on differential advantages and friends in high places, i.e. intra-elite cleavages, that created 'top-down uncertainty and bottom-up predation and chaos', eroding bureaucratic professionalization and economic productivity.<sup>20</sup> This framework does not however account for the experience of many states (like Somalia) that arguably never transitioned out of powerbroker dominance nor does it seek to understand how enduring powerbroker dominance may entrench state failure. A particular oversight is in understanding how the formation of a foreign aid industrial complex – the broad internalization of market imperatives within supply-chain humanitarianism, the privatization of war, and the contracting out of services – converged around the logistics economy. The privatization of war began in the 1980s and peaked during the US-led War on Terror, and the contracting out of services has become a cornerstone of new public management reforms undertaken across Africa since the 1990s.<sup>21</sup> Together, as this study argues, these developments in the political economy of foreign aid and post-conflict reconstruction contributed to a violent politics of logistics contracting as a system of 'graft' endogenous to state-building.

The omitted study of the logistics economy is not surprising given the nascent and underdeveloped study of business–state relationships and variegated political clientelism in African politics. The latter refers to the study of political clientelism beyond the allocation of public office and money politics.<sup>22</sup> It has long been understood that 'corruption and class formation rest on prebendalism, on the control and use of state positions',<sup>23</sup> as 'the cement that holds together the entire system of political and class domination'.<sup>24</sup> Yet, while scholars have acknowledged that 'procurement is political power', no studies have examined the elite networks, systems of accumulation, and intra-elite struggle linked to capitalist development that has defined this dominant system of political clientelism.<sup>25</sup> Instead, 'tenderpreneurship' is presented largely as the transaction of political capital, the absence of 'true entrepreneurship', and the partisan character

19. *Ibid.*

20. *Ibid.*

21. Graham Harrison, 'Economic Faith, Social Project and a Misreading of African Society: The Travails of Neoliberalism in Africa', *Third World Quarterly* 26, 8 (2005), pp. 235–245.

22. Ward Berenschot and Edward Aspinall, 'How clientelism varies: Comparing patronage democracies', *Democratization* 27, 1 (2020), pp. 1–19.

23. Morris Szeftel, 'Between governance and underdevelopment: Accumulation and Africa's "catastrophic corruption"', *Review of African Political Economy* 27, 84 (2000), pp. 287–306.

24. Ernest Harsch, 'Accumulators and democrats: Challenging state corruption in Africa', *The Journal of Modern African Studies* 31, 1 (1993), p. 37.

25. Daniel Appiah and Abdulai Abdul-Gafaru, 'Competitive clientelism and the politics of core public sector reform in Ghana' (ESID Working Paper No. 82, Manchester, 2017).

of the private sector and poor institutions in African countries. Logistics contracting is used often to describe the extent of state corruption of government-affiliated parties linked to the lens of ‘grand corruption’<sup>26</sup> and authoritarianism. This study provides an alternative perspective where the study of logistics contracting offers a correction to dominant rational choice perspectives that provide often overly reductionist characterization of neopatrimonialism, corruption, and political strategy that relegate complex interactions to a cynical process of instrumentalization, rent-seeking, and greed.

For instance, one long-prevailing assumption in African politics is about how the rise of the ‘bureaucratic bourgeoisie’—a stratum of state-affiliated elites in the post-independent era—displaced indigenous business actors (a class of lower ‘petty bourgeoisie’ comprising traders, businessmen, and white-collar formal sector workers).<sup>27</sup> Recent scholarship however shows that this process was rather more contested and less absolute. As Rebecca Simson argues, contemporary dominant parties never displaced indigenous business actors fully as the former was an insecure and dependent group with little collective bargaining power.<sup>28</sup> Findings from Somalia show how this uneven or incomplete transition was rooted in the nature of public and foreign aid contracting through the logistics economy as a deeply unstable and volatile system of political clientelism that entrenched co-dependence between political and economic elites, harmful competition, and clan and class conflict, demarcating and constituting the boundaries of moral politics.<sup>29</sup> In other words, in Somalia like in many crisis-affected countries, studying the logistics economy unveils a system of ‘interactive disorder’ whereby it financially engineered a toxic politics and state failure.<sup>30</sup> In proposing the study of ‘interactive disorder’, this study draws insights from Mushtaq Khan’s recent theorizing about political settlements<sup>31</sup> as ‘interactive orders’—‘a complex and dynamic set of horizontal interactions between organizations (networks and coalitions), changes in production and rent-seeking strategies’.<sup>32</sup>

26. Hazel S. Gray, ‘The political economy of grand corruption in Tanzania’, *African Affairs* 114, 456 (2015), pp. 382–403.

27. Issa G. Shivji, *Class struggles in Tanzania* (Heinemann, London, 1976).

28. Rebecca Simson, ‘The rise and fall of the bureaucratic bourgeoisie: Public sector employees and economic privilege in postcolonial Kenya and Tanzania’, *Journal of International Development* 32, 5 (2020), pp. 607–635.

29. Steven Pierce, *Moral economies of corruption: State formation and political culture in Nigeria* (Duke University Press, Durham, NC, 2016), p. 282.

30. This departs from political science scholarship that has been concerned mainly with the transition from a patronage-based political system to an institutionalized one. See Douglass North, John Joseph Wallis, and Barry R. Weingast, *Violence and social orders: A conceptual framework for interpreting recorded human history* (Cambridge University Press, Cambridge, 2009).

31. Prithish Behuria, Lars Buur, and Hazel Gray, ‘Studying political settlements in Africa’, *African Affairs* 116, 464 (2017), pp. 508–525; Mushtaq H Khan, ‘Power, pacts and political settlements: A reply to Tim Kelsall’, *African Affairs* 117, 469 (2018), pp. 670–694.

32. Mushtaq Khan argues that the deal-making perspective overemphasizes agency, enforceability, inclusivity, and durability of discrete agreements. See Khan, ‘Power, pacts

In addition, the study employs robust ethnographic methods and brings together the work of Jean-Pascal Daloz on ‘elite distinction’ and Marcel Mauss’s analysis of ‘gifts’<sup>33</sup> to look at how the entanglements of formal and informal markets and the political authority of logistics contractors contributed to state failure. This perspective requires understanding how public and foreign aid contracting creates a range of enforceability issues, principal–agent problems, downstream distributional conflicts, diffusion of authority, information asymmetries, and harmful competition. Contractors described a landscape of unbalanced chances, opportunism, default and free-riding, hurt pride, expectations of getting more from the relationship, and ambiguity of ever determining when debts have been settled.<sup>34</sup> This study exposes the devastating role of post-conflict reconstruction aid paradigms that have sought to deliver ‘quick wins’ through the ‘efficient’ movement of commodities and value-for-money concerns<sup>35</sup> and supported lead logistics firms not to become better as organizations or institutions—i.e. transparent and accountable, or tax contributors—but to bypass the state and deliver outputs (humanitarian, security, and public services). This perspective also elucidates the complex financial transactions that traverse social exchange and debt economies, including through the allocation of gifts<sup>36</sup> that bind elders, soldiers, and affiliated kin as obliged supporters while generating dependency, social hierarchies, and structures of violence. At the top logistics contracting entrenched a politics of score-settling, blame-shifting, back-scratching, and one-upping that led to elite fragmentation, frequent government reshuffles, sycophantic politics, and ambiguous outcomes in the absence of any outright victory for an elite group. It also created a system of bottom-up uncertainty and violence that moved up the subcontracting chain as liquidity was centralized at the top and smaller companies, military actors, and clan elders sought to renegotiate the terms of debt relationships.

Such violence and insecurity inherent to the system both prevented access to diversified economic investment and increased reliance on foreign aid in turn reproducing the cycle of logistics dominance and state failure. Important also are the politics and ideologies of these actors, and

and political settlements’, and recent *African Affairs* debate with Tim Kelsall, ‘Towards a universal political settlement concept: A response to Mushtaq Khan’, *African Affairs* (2018), p. 663.

33. Jean-Pascal Daloz, *The sociology of elite distinction: From theoretical to comparative perspectives* (Palgrave/Macmillan, New York, NY, 2009). See also Clemence Pinaud, ‘South Sudan: Civil war, predation and the making of a military aristocracy’, *African Affairs* 113, 451 (2014), pp. 192–211. Marcel Mauss, *The gift: Forms and functions of exchange in archaic societies* (Cohen & West, London), pp. 35–36.

34. Accounts from interviews with contractors, Bosasso and Mogadishu, April and October 2019 and 2020. On principal–agent issues, see Elke Krahnemann, ‘NATO contracting in Afghanistan: The problem of principal–agent networks’, *International Affairs* 92, 6 (2016), pp. 1401–1426.

35. Rita Abrahamsen and Michael Williams, *Security beyond the state: Private security in international politics* (Cambridge University Press, Cambridge, 2010).

36. Mauss, *The Gift* (1967), pp. 35–36.

particularly lead firms that developed in the wake of post-independent state predation and then state failure, as they became ideologically driven strongmen and kingmakers of domestic politics, as brokers and gatekeepers of clan politics, proxy interventions, and financial markets. As the following sections show, these lead firms would denounce the national government and their state-affiliated bureaucratic bourgeoisie as an ‘an empty corrupt shell’ reliant on public embezzlement. Lead firms would argue how they contributed more locally (to employment, local development, and investment) championing federalism, devolved governance and social sovereignty, and vehement anti-authoritarianism. They could trigger collective mobilization against any attempt to assert ‘dominance’ and ‘favouritism’ which remain the primary *raison d’être* for political transitions and violence in Somalia.<sup>37</sup> They relied on intra-elite cleavages, weak institutions, and ‘top-down uncertainty and bottom-up predation and chaos’ to achieve competitive advantage creating a *de facto* advanced protection economy that prevented the return of a dominant political system in the absence of any guarantees around access to resources or security—both of which are required to move from a protection economy to legitimate statehood.<sup>38</sup> The implications for a destabilized politics are clear. Every Somali political leader from 1969 until 2021 tried to rein in the opportunism of logistics contractors but struggled to consolidate state power, highlighting a paradox in using contracting to build a state. The politics of high patronage was always seen as redistributive and thus delegitimizing for political leaders. Also, because of downstream distributional consequences, political leaders could never expect a return on their investment—contractual wealth was dispersed, often delayed or disrupted, and created further conflict fault-lines inhibiting the enforcement of political contracts. Finally, obsessive rumour-mongering around the logistics economy preoccupied public and political discourse and allegations of nepotism, tribalism, and mass corruption that contributed to an environment of insecurity and aggravated the threat posed by Al Shabaab.

These findings are important also as they distinguish the effects of logistics rents from other business activities in Somalia on domestic politics. There is a widely held assumption that because businesses did well under a weak state (in the absence of public institutions and regulations), they

37. Nisar Majid, Aditya Sarkar, Claire Elder, Khalif Abdirahman, Sarah Detzner, Jared Miller, and Alex de Waal, ‘*Somalia’s politics: The usual business? A synthesis paper of the Conflict Research Programme*’ (Conflict Research Programme, London School of Economics and Political Science, London, UK, 2021).

38. See Charles Tilly, ‘War making and state making as organized crime’, in Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds), *Bringing the state back* (Cambridge University Press, Cambridge, 1985), p. 170.

have become ‘collectively’ the biggest hurdle to improved state governance and regulations and thus have contributed to state failure.<sup>39</sup> This is a prevailing but problematic narrative. Large diverse business groups (DBGs)<sup>40</sup> in telecommunications and finance, like Hormuud Telecom and Dahabshiil, differ from lead logistics firms in their politics and ideologies. DBGs have over time aligned more closely with the state in mutual interests around national growth, projection of ‘clean’ alliances, and the expansion of state authority (and security).<sup>41</sup> By contrast, logistics contractors remain deeply embedded in the dirtiness of domestic politics. DBGs have actually reported a *de facto* policy of non-engagement with the contracting economy given pervasive corruption and fearing social backlash and targeting (including by Al Shabaab).<sup>42</sup> DBGs instead work with whichever government is in power, stepping into financing funding gaps (including topping up tax collections so the current government can qualify for debt relief).<sup>43</sup> This distinction is important for the study of African political economies and business–state relations more broadly where little research has sought to disaggregate amongst business interests.

#### *How the logistics economy failed the Somali state, 1991–2009*

In post-independent Somalia after 1960, a small class of firms morphed from livestock and transporters in *bagaash* (mixed goods), with roots in the livestock and import/export trade, to logistics contractors. They benefitted from a first-mover advantage with little initial competition and low start-up cost during Italy’s ‘limited franchise’<sup>44</sup> project expanding under post-colonial public investiture and multinational investments (in banana plantations, oil, and energy). These contractors used trade, capital assets, and brokerage with foreign partners and companies to negotiate power and autonomy vis-à-vis the newly independent state. When Siad Barre came to power in 1969, he tried to constrain the autonomy of these actors and ‘*dilaal* capitalism’ more generally as it resided outside his control and

39. Point made by an anonymous reviewer. See also Anette Hofmann, Claire Elder, Jos Meester, and Willem van den Berg, ‘Somalia’s business elites—Political power and economic stakes across the Somali territories and in four key economic sectors’ (Clingendael Conflict Research Unit, The Hague, 2017), p. 49.

40. Pritish Behuria uses this designation to refer to the majority of businesses in Africa. See ‘The curious case of domestic capitalists in Africa’, p. 10.

41. *Ibid.*

42. Interview with manager at Al Buruuj, Hormuud, and Mogadishu, July 2019.

43. Interviews with advisor, Ministry of Finance, Mogadishu, October 2019.

44. On ‘limited franchise’, see Abdi Ismail Samatar, *Africa’s first democrats: Somalia’s Aden A. Osman and Abdirazak H. Hussen* (Indiana University Press, Bloomington, 2016), p. 56.

posed a direct political threat to his regime.<sup>45</sup> *Dilaal* means literally ‘deal’ in Somali. *Dilaal* capitalism is the term I use to describe Somalia’s informal capitalist system that mediates formal financial markets through social exchange and networks with origins in Somalia’s pre-colonial pastoralist and livestock economy and which arguably continues to drive economic activity and politics.<sup>46</sup> Clan groups have unequal access to *dilaal*. Historically, those with access to ports, airports, and roads had more access to *dilaal* and could accumulate wealth within the logistics industry quickly including through intermarriages and shared borders with other clans relying on reduced transaction costs through *abaans* or protectors for the transport of goods across territories.<sup>47</sup> For a time, Barre was able to effectively use market control to centralize the exercise of violence, disciplining strongmen (rewarding a new class of ‘bureaucratic bourgeoisie’ through contracts) and bringing resources under exclusive regime control. During this time of state socialism, these traditional business actors (traders-turned-contractors) withdrew further into *dilaal* networks, building defensive and expansive networks. Barre lost control as rising inflation amidst failing nationalization programmes prompted a quick but haphazard shift to ‘hyper-liberalisation’ and externally implemented structural adjustment (1971–1989).<sup>48</sup>

Loosened state control over the economy ‘unleashed’ the power of lead firms to overthrow his regime along with the injection of \$2.8 billion in foreign aid including the allocation of 14 Fondo Aiuto Italiano public work and construction projects.<sup>49</sup> Barre tried but failed to use these contracts to coup-proof his regime. Instead, contractors both inside and outside of patronage circles now had the resources and grievances to move against his weakened government financing political-military organizations. Control of the logistics economy became the *raison d’être* of the civil war. As the war quickly unfolded, factional infighting within the United Somali Congress (USC) in Mogadishu, and between different organizations, became known locally as *Dagaalki Bayac Mushtarka* (the ‘war of the businessmen’).<sup>50</sup> In Mogadishu, lead firms who controlled different parts of the logistics economy fought for control of the entire supply chain. The Banadir Group of Companies led by Abukar Omar Adani controlled the Banadir port and

45. On *dilaal*, see Roland Marchal, *Final report on the post-civil war Somali business class* (Working Paper for European Commission/Somali Unit, 1996), p. 56. This occurred by cancelling *franco valuto* in 1973 and by diverting foreign aid through trusted corridors (over land from Kenya through his clan communities).

46. *Ibid.*

47. Interviews, logistics contractors, Mogadishu, October 2019 and 2020.

48. For an in-depth account of economic transformations, see Peter D. Little, *Economic and political reform in Africa: Anthropological perspectives* (Indiana University Press, Bloomington, 2014).

49. Interview, former governor of the central bank, Mogadishu, August 2019.

50. Interviews, traders and contractors, Bosasso, August 2018.

thus ‘chokepoint sovereignty’,<sup>51</sup> fighting against other rival powerbrokers in the Harti-Abgaal and Haber Gedir.<sup>52</sup> Within the Harti-Abgaal, Adaani denounced Muhammad Ali Mahdi, self-proclaimed President after 1991, as a warlord who represented the Italian-backed ‘Rome faction’, and owed his status and business empire to ‘easy money’ and state patronage rather than to clan support or *dilaal*.<sup>53</sup> This was part of an important politics of ‘elite distinction’ and reputational branding that would continue to demarcate the moral boundaries of politics for decades. The third faction was comprised of the Sacad/Habar Gedir who had long dominated the transport and logistics routes throughout much of East Africa and the Great Lakes Region using superior access to *dilaal*.<sup>54</sup> Not surprisingly, the latter dominated the logistics economy for the first phase of the war as they were able to garner regional support by providing security and intelligence knowledge in exchange for contracts. Ali Mahdi was able to turn the tables by publicly denouncing in 1993 the UN for singlehandedly funding Aideed’s faction through contracts. He would successfully redirect logistics contracts to bolster his own faction.<sup>55</sup> In this transnational politics of recognition and courtship, Adaani’s Banadir was also able to court Gulf allies, securing logistics rents by appealing to the need to protect clan and religious minorities, successfully moving to cartelize the logistics economy when foreign aid was withdrawn in 1995.

Banadir was able to de-court warlords and reduce opportunism within the economy by quickly integrating formerly independent logistic contractors by standardizing protection and extending administrative controls using security and justice mechanisms (including Islamic sharia courts) to reduce transaction costs and build trust.<sup>56</sup> Cartelization occurred not due to market failures, or elite alliances and rivalry, as previous theories of cartels in Africa suggest,<sup>57</sup> but because of access to informal and *dilaal* capitalism. Banadir quickly exerted control over access routes and ports in and around Mogadishu successfully forming a political pact amongst a first generation of contractors from across the USC factions—previously

51. Coined by Jatin Dua, ‘Ambergris, livestock, and oil: Port-making as chokepoint making in the Red Sea’, *Ethnos: Journal of Anthropology* (2020).

52. Interviews with Muse Sudi, Yusuf Madaye, and Bashir Rage outlined the movements and contestation around the logistics economy, Mogadishu, October 2019.

53. Interview material from interview with Ali Mahdi. See also William Reno, ‘Somalia and survival in the shadow of the global economy’ (Working Paper, Queens Elizabeth House, 2003), p. 21.

54. See Marchal, *Final report on the post-civil war Somali business class*, p. 50.

55. Interview material from interview with Ali Mahdi.

56. Interviews about company structure and self-perception of business impact outlined in discussions with, owners of Banadir, November 2019 and 2020.

57. Thando Vilakazi and Simon Roberts, ‘Cartels as “fraud”? Insights from collusion in southern and East Africa in the fertiliser and cement industries’, *Review of African Political Economy* 46, 161 (2019), pp. 369–386.

warring sides—succeeding where no national peace processes had in bringing an end to hostilities, also building schools and hospitals.<sup>58</sup> In Puntland and Somaliland, similar lead logistics firms emerged during this time contributing to the formation of more effective oligopolistic systems due to the nature of a more restricted market and clan hegemony.<sup>59</sup> Across the Somali regions emerging were effective forms of commercial governance through forms of relational contracting that were never acknowledged or accommodated in the liberal state-building model that dominated peace processes thereafter including the 2000 Arta Process and put in power transitional administrations that did not represent the actual stakeholders of the conflict empowering instead a large group of bureaucratic bourgeoisie (expanded competition by the 4.5 clan quota system) who used access to state resources and counter-terrorism policy to dispossess and disempower lead firms.<sup>60</sup>

Under both the Transitional National Government (2000–2004) and the Transitional Federal Government (TFG) (2004–2008), Western allies and Ethiopia, deeply suspicious of Islamism, endorsed a ‘warlord strategy’ against contractors under the banner of counter-terrorism, pro-democracy, and clan federalism.<sup>61</sup> Many lead firms fled to Kismayo, Oman, Nairobi, and elsewhere in the Gulf and parts of the Middle East and South East Asia moving money offshore, forming sprawling construction and real estate empires (practices also facilitated by the foreign aid industrial complex),<sup>62</sup> and en-masse supported the Islamic Courts Union (ICU) as a more legitimate political entity.<sup>63</sup> When the ICU successfully moved on Mogadishu in June 2006, the ICU symbolized the second cartelization of the logistics economy as external aid rents remained low and opportunism within the logistics economy was reduced.<sup>64</sup> Banadir could rely on its expansive business networks to successfully disarm militiamen, remove roadblocks operated by gunmen, reopen the Mogadishu port, and police the streets.<sup>65</sup> The ultimate military defeat of the ICU in the ‘name of

58. *Ibid.*

59. See Claire Elder, ‘Somaliland’s authoritarian turn: Oligarchic–corporate power and the political economy of de facto states’, *International Affairs* 97, 6 (2021), pp. 1749–1765.

60. Analysis and conclusions based on interviews with business actors including Banadir-affiliated companies, Mogadishu, October and November 2019.

61. See Professor Said S. Samatar, ‘The Islamic Courts and Ethiopia’s intervention in Somalia: Redemption or adventurism?’ *Chatham House*, <<https://www.chathamhouse.org/sites/default/files/public/Research/Africa/250407samatar.pdf>> (1 July 2021). Insights on the warlord strategy based on interviews with contractors and government officials, Mogadishu, October and December 2019 and 2020.

62. Interviews with contractors, Mogadishu, December 2020 and January 2021.

63. For the most comprehensive engagement with the economic ideology of the ICU, see Aisha Ahmad, *Jihad & Co: Black markets and Islamist power* (Oxford University Press, Oxford, 2017).

64. Interviews with contractors, Mogadishu, December 2020.

65. Stig Larrsen, ‘Civil war economies, the hunt for profit and the incentives for peace: The case of Somalia’, 2007 (AE Working Paper, Oslo, 2007), p. 8.

“cartels” capitalising on UN security and aid contracts, running state-like structures and funding terrorism’ that failed to recognize any valid grievances they may have had pushed many lead firms underground but did not remove their political authority.<sup>66</sup>

The next phase (post-2009) under the extended mandate of the transitional administration and a brokered power-sharing arrangement between the ICU, TFG, and other interested parties was a period of elite accommodation including lead firms that sought to reclaim debts. They also entered political office (as parliamentarians, advisors, and cabinet officials) to secure access to new state rents office and competitive advantage against newcomers. Allegations of the link between foreign aid and powerful logistics contractors did not lead to any shift in foreign policy, and poor confidence in the state meant the majority of logistics rents were still being channelled directly to non-state actors.<sup>67</sup> When questioned later, third-party actors reported how they had to make a trade-off at the time between immediate security stabilization (including through the AMISOM mission after 2009) and longer-term state-building threats.<sup>68</sup> They did not appreciate the extent to which aid allocation practices in the next period, through the 2013 New Deal Compact and the federal agenda, would directly empower lead firms in new political roles to undermine the authority of the national government. Within the new federal system, these lead firms championed devolved governance and federalism, denouncing state expansionism, and remained indispensable allies of the state-building process.<sup>69</sup> The state relied on these contractors to run the day-to-day state tasks that included resolving conflicts and negotiating between the government and clans; protecting the property and assets of government officials; and even conducting day-to-day tasks for the ministries including garbage collection.<sup>70</sup>

#### *Managed accommodation of lead firms, 2009–2017*

When President Sheikh Sharif took power in 2009, his government was exceedingly cash-poor as foreign donors still largely circumvented the state and he was unable to centralize control over the logistics economy and reign in opportunism that would ultimately bring down his regime.<sup>71</sup> For

66. Interview reports from contractors, Mogadishu, December 2020 and January 2021. On mention of ‘cartel’, the UN was reiterating the government line, see ‘UN Monitoring Group Report on Somalia addressed to the Chairman of the Security Council Committee established pursuant to resolution 751 (1992)’, <<https://www.undocs.org/S/2006/229>> pp. 18–20.

67. Hoffman et al. ‘Somali Business Elites’, p. 42.

68. Interviews, UN officials, Mogadishu and Nairobi, November 2020 and January 2021.

69. Analysis and conclusions based on extensive interviews with business actors, Mogadishu, September–December 2017, October and November 2019.

70. Interview accounts, contractors, Mogadishu, June and July 2019.

71. Interview, former President Sheikh Sharif, Mogadishu, June 2019.

instance, Banadir who claimed responsibility for singlehandedly bringing the newly mandated transitional government into existence would remain in *de facto* control of Mogadishu port as manager, securing a series of large AMISOM and Turkish infrastructure contracts.<sup>72</sup> Other contractors maintained autonomous links with regional actors (through the selling of security and intelligence knowledge in exchange for contracts) and remotely controlled clan militias.<sup>73</sup> Sharif understood the careful politics around allocating contracts and the need to balance competing interests—i.e. repayment of debts claimed by lead firms and forestalling any allegations of favouritism—but he did not have the political budget to support a larger tent. Sheikh Sharif commented on this paradox of contractor support, ‘they bring you to power and can just as easily remove you’.<sup>74</sup> Allah Sheikh party supporters—a group of religious scholars, intellectuals, and diaspora keen to see a new era of progressive (and non-warlord) politics—would ultimately accuse Sharif of ‘preoccupying himself with brokers rather than ideological and political reconciliation’.<sup>75</sup> When Sharif had finally fallen out of international favour, affecting prospects of large injections into the logistics economy through AMISOM and the new federal agenda, contractors moved against the incumbent bringing to power a president, Hassan Sheikh Mohamoud, who had also been a former contractor himself.

When he came to power in 2012, with a well-funded mandate, he quickly set about appointing lead firms and contractors as key cabinet ministers, prime ministers, and federal presidents, expecting them to effectively be able to manage finances, security, and clan relations.<sup>76</sup> Not surprisingly given delegitimizing effects of contracting, clan and public opinion turned quickly against Hassan Sheikh and his close-knit clientelistic network, the Damul Jadid, who were quickly accused of taking a large piece for themselves with the president also buying up ‘shares’ for himself and family including in oil depots.<sup>77</sup> Like both his predecessor and successor, he would accuse Western donors of empowering autonomous strongmen and undermining his authority, creating a system of contractor-led development and ownership of the federal agenda (*Aniga ayaa maal gashaday*,

72. Interviews, Banadir owners, Mogadishu, July and October 2019.

73. Interview and survey responses, October 2019 and 2020, Mogadishu. These include Sharif Hassan would serve as Speaker of Parliament, Ministry of Finance, before becoming president of the South West State (2012–2016). Ahmed Dualle Gelle ‘Haaf’ would become regional president (2016–2019). Both were later deposed by Farmajo.

74. Interview, former President Sheikh Sharif, Mogadishu, June 2019.

75. *International Crisis Group*, ‘Somalia: The transitional government on life support’, Africa Report No. 170, 2011.

76. Interview, contractor for South West State, Mogadishu, November 2018. These included PMs Abdiweli ‘Hiraane’ (Marehan) and Abdiweli Shirdon both having left the country after Siad Barre’s removal.

77. Hoffman et al. ‘Somali Business Elites’, p. 35.

'I invested in it and it is mine').<sup>78</sup> From 2013 until 2015, external actors had leveraged contracts directly to the Federal Member States (FMSs) as a carrot-and-stick practice to enforce 'good behaviour' and 'election reform' at the national level.<sup>79</sup> As has been widely documented elsewhere, federalism and decentralization created expectations amongst contractors that it was 'everyone's turn to eat'.<sup>80</sup> This proved devastating for federal negotiations also as FMSs benefitted directly from lucrative United Arab Emirates (UAE)-funded infrastructure programmes aimed to counter Qatar's influence at the national level throughout the Gulf Crisis.<sup>81</sup> The allocation of large amounts of money for port development and infrastructure projects increased the bargaining power of lead firms vis-à-vis the national government.

This political development is perhaps the clearest in Puntland, a case that further shows how profit-sharing arrangements created through the logistics economy mediated complex political and financial relationships.<sup>82</sup> In 2009, President Abdirahman Faroole secured a UAE-funded US\$192 million anti-piracy contract to provide resources for food supplies, diesel, transport, and salaries for the Puntland Maritime Police Force (PMPF), which was allocated to the PDG. This company was set up as a *de facto* political pact that shared profits amongst representatives of the *Araan Jaan* (political entrepreneurs associated with then-President Faroole's regime who were known colloquially as 'debt collectors'),<sup>83</sup> two lead logistics firms from the Ali Salebaan community in Bosasso (dominant in business who have been marginalized from politics), and a select group of Ali Salebaan elders.<sup>84</sup> PDG owners explained how they paid 20 percent of their profits to *dilaal* payments to mediate a complex informal debt economy amongst the Ali Salebaan, Dishisile, and Ali Jibril in Bosasso.<sup>85</sup> When President Gaas (Omar Mahmoud) came to power in 2014, he sought to eradicate the power of *Araan Jaan* associated with his former rival Faroole (Isse Mahmoud), and he slashed their shares of the contract giving more power to the other two primary owners (i.e. the Ali Salebaan) against the opposing political factions.<sup>86</sup> When Sacad Deni came to power in 2018, indebted to

78. Interview, MP and former deputy director-general for President Hassan Sheikh's office of president, Mogadishu, August 2019.

79. Interviews with UN officials and government ministers, Mogadishu, October 2019.

80. Michelle D'Arcy and Agnes Cornell, 'Devolution and corruption in Kenya: Everyone's turn to eat?' *African Affairs* 115, 459 (2016), pp. 246–273.

81. Majid et al., 'Somalia's politics: The usual business', p. 45.

82. Based on interviews with PDG owners and close analysis of the PDG contract, Mogadishu and Garowe, November 2020.

83. Based on interview reports, also see *International Crisis Group*, 'Somalia: Puntland's Punted Polls', Africa Briefing No. 97 Nairobi/Brussels, 19 December 2013.

84. Interviews with owners of PDG, Garowe and Nairobi, November 2019 and May 2020.

85. *Ibid.* Roland Marchal, 'The Puntland State of Somalia. A Tentative Social Analysis' (Working Paper for Sciences Po: Centre de Recherches Internationales, May 2010).

86. *Ibid.*

the *Aran Jaan*, he sought to renegotiate the profit-sharing agreement once again, trying to overturn the deal altogether, appointing new firms linked to his family. In the name of ‘anti-corruption’, he accused PDG’s owners of embezzling and bribing the Reer Bari elders in Bosasso.<sup>87</sup>

As the conflict over the contract escalated into a military confrontation in October and November 2019, the owner of PDG maintained his position, ‘I brought this company to Puntland, and I remain responsible for it, and also, I own the land that the PMPF reside on.’<sup>88</sup> While the company succeeded in renewing the contract directly with the UAE for another 10 years with some revisions,<sup>89</sup> the owners later left the deal ‘for President Deni and his people’, citing that they did not want to go to war with Deni over this business.<sup>90</sup> Deni was then able to use control of this deal to push his case for the presidential elections in May 2022. This case importantly exemplifies both the contemporary tools ambitious political leaders are using to seize control of the logistics economy (including anti-corruption platforms and access to international sovereignty) and the fierce intra-elite struggles between lead firms from the traditional business community and the bureaucratic bourgeoisie associated with the state. The withdrawal of lead firms in response to state authoritarianism by moving business opportunities abroad will by no means be a win for democracy or stability as these lead firms have also importantly served as important social institutions and checks against executive excesses providing order and support in times of need.

#### *All-out-war against lead firms, 2017–2022*

For President Mohamed Abdullahi ‘Farmaajo’, elected to power in 2017, eliminating lead firms from the political arena was a key tool of his authoritarianism. His authoritarianism included efforts to extend his presidential term that nearly brought the country to the brink of another civil war.<sup>91</sup> He used procurement reform as well as pre-emptive, technocratizing, and nationalization programme to crack down on political opponents and

87. Interviews, chief of staff and officials in auditor general’s office and Ministry of Finance, Garowe and Bosasso, July and September 2019. Interviews, Towfiq managers, Garowe and Bosasso, July and September 2019.

88. Interview, statement by PDG owner, Nairobi, June 2019.

89. *Somali Dispatch*, ‘Puntland forces clashes with militias in Bossaso’, November 2020, <<https://www.somalidispatch.com/featured/puntland-forces-clashes-with-militias-in-bosaso/>> (4 November 2021). Interview, PDG owner, Nairobi, January 2020 and confirmed by state officials.

90. Interviews, business associates of PDG, Bosasso and Nairobi, October 2021.

91. Mohamed Olad Hassan, ‘Amid Clashes in Mogadishu, Analysts Warn Somalia Could Slip Back into Civil War’, *VOA News*, 19 February 2021, <[https://www.voanews.com/a/africa\\_amid-clashes-mogadishu-analysts-warn-somalia-could-slip-back-civil-war/6202297.html](https://www.voanews.com/a/africa_amid-clashes-mogadishu-analysts-warn-somalia-could-slip-back-civil-war/6202297.html)> (5 October 2021).

intransigent regional actors likened to Barre's policies of the 1970s and 1980s.<sup>92</sup> His administration defended this all-out-war within the logistics economy as 'cleaning up a system that was out of control',<sup>93</sup> wielding anti-corruption and 'naming and shaming' campaigns to eliminate contractors from serving in various capacities as regional presidents, parliamentarians, and cabinet officials.<sup>94</sup> He was not seeking to structurally transform the system. In his efforts to bring the logistics economy under state control, he sought to reward a group of new 'diaspreneurs',<sup>95</sup> while also empowering corporations that may be more aligned with state interests.<sup>96</sup> As one old guard contractor reflected, 'it was no longer only powerful business people within the clan system who could have contracts, now it's just about being close to power and diaspora have an advantage, they can speak the language, have access to the Green Zone,<sup>97</sup> know about the opportunities before others, are able to share or provide information selectively and even influence the contract conditions to fit what they can do'.<sup>98</sup> They are 'able to better "work" the networks of MPs, civil servants, project leaders, and higher officials in the government to secure the allocation of contracts'.<sup>99</sup>

This became a critical tool of his 'diaspora state'<sup>100</sup> that did not seek to reform or democratize the system. As one former government chief of staff argues, Farmajo more than any of his predecessors, used contracts to orchestrate elections, subdue regional rivals and drive a wedge between contractors and their clan communities:

92. On state relations with business, see Majid et al., 'Somalia's politics: The usual business', p. 50.

93. Direct quote from government official in the Ministry of Finance, Mogadishu, June 2019.

94. Interview reports from five MPs and contractors expelled/having experienced losses under President Farmajo, Mogadishu, in August 2018. See also, 'Somalia: Federal government cancels all agreement with private companies', *Garowe Online*, August 2017, <<https://www.garoweonline.com/en/news/somalia/somalia-federal-government-cancels-all-agreement-with-private-companies>> (4 October 2021).

95. These diaspreneurs were also from minority clans and tied to Farmajo through kinship and marriage relationships.

96. For instance, he sought to put Hormuud Telecom in control of the chamber of commerce. Hormuud turned down this position due to opposition and threats from Al Shabaab. Interviews with government advisors, deputy and director of the chamber of commerce, Mogadishu, January 2021. See 'Somalia Chamber of Commerce should be independent but guard against Al Shabaab sympathisers', *Garowe Online*, 15 January 2021 <<https://www.garoweonline.com/en/editorial/editorial-somalia-chamber-of-commerce-should-be-independent-but-guard-against-al-shabaab-sympathizers>> (10 October 2021).

97. This refers to the 'safe' zone within the airport where foreign aid contracting predominantly occurs and is based on privileged access.

98. Interviews, former subcontractor now construction mogul, Mogadishu, August 2019.

99. Interview, official at the auditor's office, ministry of planning and former subcontractor, Mogadishu, August 2019.

100. See Claire Elder, *Diaspora states in post-war Africa and beyond* (under review with OUP, forthcoming, 2023).

‘Contracts are [now] used as a powerful tool to manipulate both MPs and clan elders. For example, in 2019, one MP who owned a contract in the airport – given to him by the executive branch – became opposition and started challenging the government in parliament. Prime Minister Rooble talked to the elders of his clan, the MP, and informed them that he was about to appoint three individuals of their clan to certain posts in embassies and ministries but changed his mind. He told the elders of the MP clan, “I can’t continue doing good for your clan and giving your people more posts while your MP is giving us problems in the parliament”. Fear of losing his contract and pressure from his elders that he was blocking opportunities for his people, pushed the MP into silence’.<sup>101</sup>

Farmajo was however also rightly enraged by an unprincipled framework for logistics contracting that had long undermined the formation of legitimate, centralized authority. There were of course a range of other contributing factors to state failure but Farmajo viewed logistics contracting as central.<sup>102</sup> He accused the UN and AMISOM, following large capital injections tied to infrastructure,<sup>103</sup> of directly destabilizing his regime by courting known opposition forces.<sup>104</sup> The largest contracts for maintenance, fuel, and infrastructure from 2017 until 2019 were still being allocated to known contractors who held strong opposition lobbies in parliament.<sup>105</sup> Donors justified these decisions on the grounds of multilateral pressures to show ‘local economic impact’.<sup>106</sup> Global scandals of large-scale international contractors committing human rights abuses and mass corruption in Iraq and Afghanistan had also led to this ‘local’ turn in contracting but not greater oversight.<sup>107</sup> In this attack, Farmajo was highlighting gross contradictions in policy ideologies and practices around private sector development, pointing out that, at the same time, Somalia was undertaking complex taxation reform (including corporate) as a requirement to qualify for debt relief, donors had for decades allowed contractors to benefit from

101. Interview, former chief of staff, Mogadishu, August 2020.

102. Interviews, close government aides on domestic policy, Mogadishu, March 2021.

103. See Jan Bachmann and Peer Schouten, ‘Concrete approaches to peace: infrastructure as peacebuilding’, *International Affairs* 94, 2 (2018), pp. 381–398. Infrastructure commitments included in 2019 commitments of approximately \$340 million through the World Bank, African Development Bank Group, and Qatar Infrastructure Fund in addition to the \$460 million annual UNOPS budget.

104. Interviews, close government aides on domestic policy, Mogadishu, March 2021.

105. Interviews and review of contracts, in discussions with UNOPs, AMISOM, and receiving companies, Mogadishu, September 2018.

106. Interview, UN Acting Secretary-General for procurement, Mogadishu, August 2019.

107. In addition, UN Monitoring Group reports, see Kira Zalan and Emmanuel Freudenthal, ‘Private U.S. contractors part of the “kill chain” in East Africa anti-terrorist operations’, 14 August 2020, <<https://www.occrp.org/en/investigations/private-us-contractors-part-of-kill-chain-in-anti-terrorist-operations>> (10 October 2021).

tax exemptions from registration, customs/cargo, and processing fees free from any accountability.<sup>108</sup>

Farmajo's efforts to remove lead firms were ultimately not successful as lead firms continued to win parliamentary and more so senatorial seats around the 2021–2022 presidential elections (and ahead of prospective one-person-one-vote elections)<sup>109</sup> not least because they could rely on reputation and a track record of offering protection, security, and services.<sup>110</sup> They also capitalized on disappointment with a flood of diaspora candidates and the public desire for more 'socially-acceptable' or known actors—'better the devil you know'.<sup>111</sup> This electoral dynamic turned the cards against President Farmajo's re-election in May 2022 also due to the deterioration in security. Both the government and lead firms contributed to this deterioration through the construction of insecurity threats.<sup>112</sup> Both sides engaged in labelling and even orchestrating Al Shabaab attacks to prove they were the only ones who could govern.<sup>113</sup> Lead firms demonstrated their ability to unleash violence and their intransigence towards state power while the state sought to mobilize unity and support through the existence of a common enemy and denounce business complicity in terrorist activity.<sup>114</sup>

### Conclusion

This article provides a stark account of how the logistics economy has contributed to state failure in Somalia by provoking elite and clan conflicts and generating a system of 'interactive disorder'. Advancing understandings of contemporary Somali politics, this study moves analysis beyond the prevailing narratives focused on clan animosities, ideological divisions, and money politics. It seeks to understand how issues of class privilege and elite fractures traverse the post-war society, establishing a comparative research agenda to interrogate the economic connections and rents that contribute to state failure. These findings are of relevance for scholars studying crisis-affected contexts in Africa and elsewhere, including Democratic Republic of Congo, South Sudan, Central African Republic, Mali, and Libya, and

108. Interview, top official at Ministry of Finance, August 2019.

109. This survey was carried out by the author and research assistants from 2018 to 2019 through in-person conversations, over email and WhatsApp, relying also on phone interviews.

110. Interviews, contractors, Mogadishu, July and August 2021.

111. Interviews with activists and citizens, Mogadishu, October 2021.

112. Coding of violent incidents on ACLED data since 2015 as 'explosions/remote violence' involving 'Government of Somalia' and 'civilians' coded as an 'associate actor' where notes sections identify types of civilian actors.

113. Based on evidence and testimonials from interviews with contractors, Mogadishu and Garowe, November and January 2021.

114. Interviews, security officials and business actors, Mogadishu, October 2019.

for those studying Africa's most economically advanced states. For the latter, the study provides new insights for examining the politics and perils of 'mega-infrastructure' projects affected by practices of political clientelism and power dynamics within the logistics economy. In addition, for the study of African politics, findings contribute to important theorizing about variegated political clientelism and business–state relationships. For instance, the study identifies political ideologies of business actors, effective commercial governance beyond instrumentalized understandings of state weakness, and challenges of addressing grievances of the business sector within post-war liberal state-building. A key argument emerging from these findings is the paradox of post-conflict reconstruction where the building of physical infrastructure without justice, rules, and regulations in place will continue to destabilize states.

Central to breaking this cycle of logistics dominance and state failure will not be economic development, procurement reform efforts, or the withholding or withdrawing of aid or economic sanctions, but efforts to promote donor and elite accountability and horizontal monitoring. In terms of the latter, horizontal monitoring would include partnerships with business allies who seek to benefit from improved security and state regulation (like large, diverse business groups in telecommunications and banking). For the wrongdoings within the logistics economy, foreign donors must also be held accountable for decades of policy trade-offs and quick wins that have worsened long-term governance outcomes. This will require resolving massive spending in logistics, accompanied by marginal oversight, pervasive tender irregularities, and the instrumentalization of these relationships. Political economy analysis needs to be careful in how it identifies wrongdoing and responsibility, and how 'naming' and 'shaming' become tools to sway political settlements rather than aid justice mechanisms. There will however be no easy fix due to the nature of elite fragmentation, vested interests, polycentric aid practices, and the increasing pace of capital accumulation amongst Somali elite classes including through offshore holdings. Growing inequality and socio-economic differentiation will continue to accentuate competition over scarce resources within rapidly shifting models of the state.

In this vein, scholars and observers should not be quick to see President Hassan Sheik's return to power in May 2022 as starting a new era of reconciliation.<sup>115</sup> While he may deal more pragmatically towards powerbrokers in order to address urgent security and political concerns (including around federalism), these actions will not build democracy nor eliminate the

115. 'New president in Somalia, new opportunity for reconciliation', *International Crisis Group*, 27 May 2022, <<https://www.crisisgroup.org/africa/horn-africa/somalia/new-president-somalia-new-opportunity-reconciliation>>(1 June 2022).

advanced protection economy that has for decades contributed to state failure. Poor international confidence in the Somali state, a pronounced terrorist threat, and a new era of geoeconomics tied to port development and large infrastructure projects will ensure the centrality of the logistics economy to the country's political turmoil and violence, including virulent decentralization and competitive clannism. More comparative research is needed on the financing and logics of this sector, elite accumulation and consumption within it, and the political ideologies of these actors.