Strengthening the Knowledge Base of Somali Financial Flows and Institutional Accountability

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BACKGROUND

Since the establishment of the Federal Government of Somalia (FGS) in 2012, the international community has mobilized to support the nation in further developing its foundations and establishing accountable institutions. The 2012 and 2013 FGS-HM Government conferences in London on the future of Somalia and the 2013 FGS-EU conference “A New Deal for Somalia,” as well as the resulting New Deal Compact, are just a few examples of the FGS’s commitment to reconstructing national infrastructures, earning public trust, and rebuilding external partnerships.

The majority of Somalis rely on private sector financial institutions, such as remittance companies, import/export companies, and other trading companies, to conduct necessary financial transactions. These services act as the backbone of the Somali economy, but transactions made via these channels are difficult to track due to the limited availability and accessibility of public and private financial data. A deeper understanding of Somalia’s financial flows will ensure that resources support worthwhile development, humanitarian, and stability programming and are not otherwise diverted toward corruption, crime, or terrorism.

International organizations and foreign development agencies have sought to gain insight into the Somali financial landscape including its political economy, but their reach has been limited due to their foreigner status and constraints on in-country mobility. As these international actors look to develop effective interventions and draft informed policy relevant to Somali financial institutions, there remains a dearth of evidence regarding the context in which these systems operate, including Somali financial and political interactions with the broader region.
ABOUT THIS PROJECT

In June 2014, the Global Center on Cooperative Security launched an eight-month research project, *Strengthening the Knowledge Base of Somali Financial Flows and Institutional Accountability*, designed to fill the evidence gap on Somali financial flows and to examine relevant political and financial activity within the country. This project will build on the research and findings of the Global Center’s Danish-supported 2012 exploratory report, titled *Capitalizing on Trust: Harnessing Somali Remittances for Counterterrorism, Human Rights and State Building*. The current research program, supported by the UK Department for International Development (DFID), will contribute to a report that will present the following:

- A baseline qualitative and quantitative survey on financial and value transfers flowing within and outside of Somalia;
- A highlighting of recent typologies and trends related to financial and trade flows between Somalia and the greater Horn of Africa region, including the United Arab Emirates;
- An identification of trends that could potentially impact interclan relations, political stability, regional security, and financial accountability; and
- Practical recommendations to inform future international stakeholder interventions targeted at improving the accountability and viability of Somali institutions.

A key component of this report will be a set of tailored recommendations for future short-, medium-, and long-term interventions to further support financial institution and infrastructure development within Somalia. To achieve these objectives, the research team will conduct interviews and administer surveys to in-country stakeholders, including representatives of remittance and trade companies, regulators, political officials, and other relevant community members in the greater Horn of Africa region and the UAE, as well as with Somali diaspora communities in the United States. The data collected during this initial research will be developed to inform a more robust, longitudinal report on financial management and accountability of Somali institutions.

ABOUT THE GLOBAL CENTER ON COOPERATIVE SECURITY

The Global Center on Cooperative Security works with governments, international organizations, and civil society to develop and implement comprehensive and sustainable responses to complex international security challenges through collaborative policy research, context-sensitive programming, and capacity development. In cooperation with a global network of expert practitioners and partner organizations, the Global Center fosters stronger multilateral partnerships and convenes key stakeholders to support integrated and inclusive security policies across national, regional, and global levels.

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