



Contested commerce

*Revenue and
state-making
in the Galkayo
borderlands*

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Khalif Abdirahman
Rift Valley Institute

Cover image: *Galkayo town. Credit: Khalif Abdirahman.*

Khalif Abdullahi Abdirahman is an independent researcher working in Somalia and the Horn of Africa. He is an RVI Fellow and also a member of LSE's Conflict Research Programme Somalia team. He is the co-author of 'Mobility Trust and Exchange: Somalia and Yemen's Cross-border Maritime Economy', also for the XCEPT programme.

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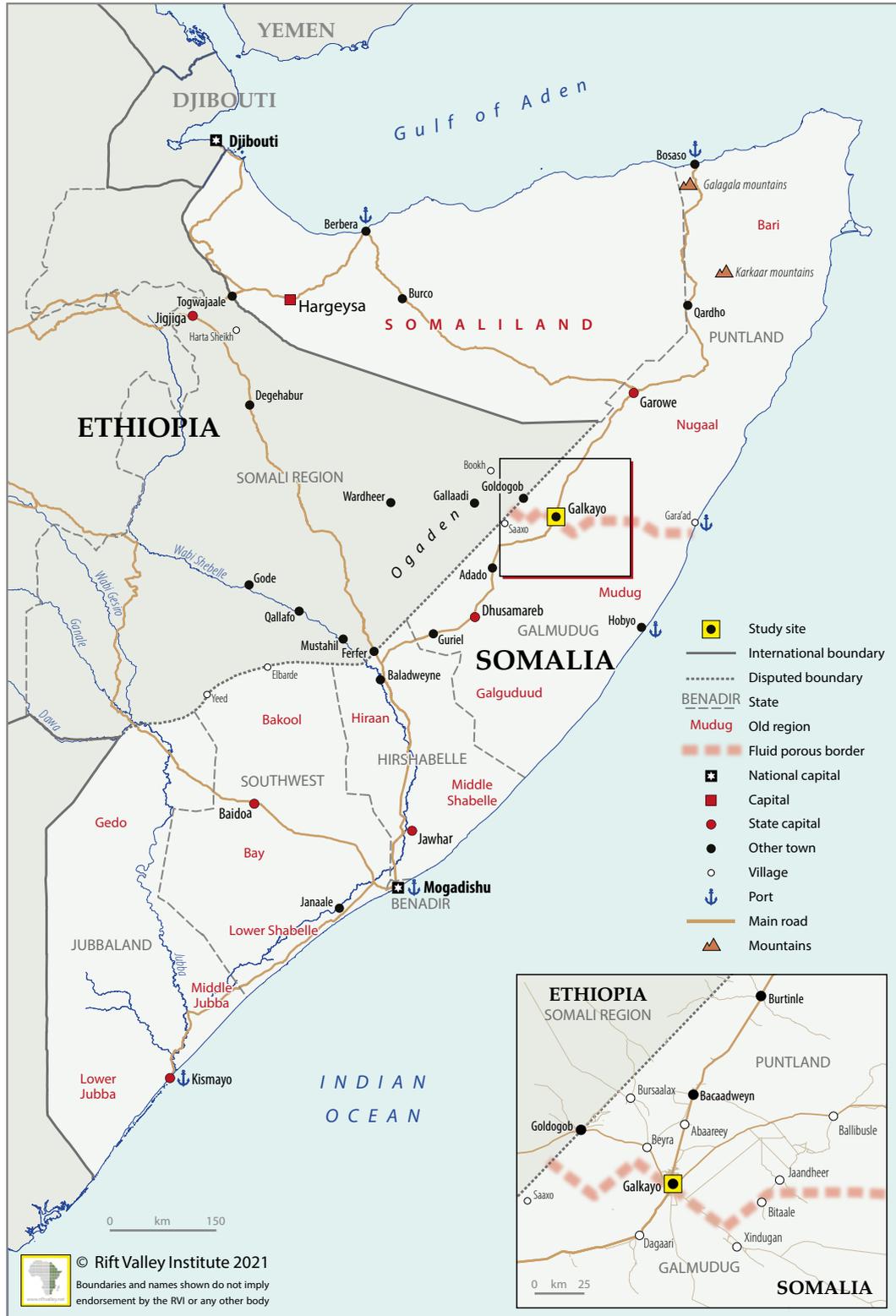
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Map: Galkayo and its environs



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Executive summary

- Situated between Somalia's Federal Member States of Puntland and Galmudug, the city of Galkayo forms an administrative and social boundary within the broader Bosaso trade corridor, which encompasses Puntland, Galmudug and Hirshabelle. Located at the edge of Puntland but at the heart of the Bosaso corridor, Galkayo is a geographical paradox. The city is simultaneously peripheral and central to the economy of both states.
- Galkayo has a violent history of recurrent political and clan-based conflicts, which have limited the development of its full economic potential. Despite this, its location at the geographical centre of Somalia, as well as its political, cultural and business connections with other Somali territories, make this divided city a vital conduit between various trade corridors and transport networks.
- Confronted with restrictive borders, multiple tax regimes and security problems, Somali businesses are finding innovative solutions to overcome these obstacles. These include using technology for remote shopping and payments, and developing unwritten, yet well-known terms and modalities to transport goods across borders, thus creating a relatively stable business environment.
- For the last two decades, the Bosaso corridor has been shrinking, yet still serves large swathes of territory beyond Puntland's border, most visibly the Galmudug and Hiiraan regions. This dependence benefits Puntland, generating significant revenue and enhancing its economy.
- Traders view Galkayo, its political boundaries and checkpoints, as chokepoints limiting the free movement of goods, and benefitting the officials who serve the Puntland and Galmudug authorities. These chokepoints increase the burden on the hinterlands, making their produce too expensive to export while simultaneously increasing the price of imports, hence marginalizing them further.
- State governance systems and the monopolization of power through sub-clan militias have resulted in the marginalization and internal displacement of the majority of Somalia's population, many of whom are excluded from political and economic activity. In order for the Bosaso trade corridor to gain optimal functionalization, not only goods but people must be able to move freely within it.

Introduction

Sitting in downtown Galkayo, where the earth shakes as heavy trucks move goods across the border and travelers transit to different corners of the Somali territories, it is easy to forget the city's violent past, precarious present and uncertain future. Despite the smiling confidence of the local traders profiting from the booming economy, the wreckage of a recently bombed police car on one of the city's main roads quickly brings one back to reality.¹ Over the past three decades, Galkayo has experienced more than its fair share of violence.² During the 1990s, the city was an epicentre of the Somali civil war, situated on a dangerous fault-line that divided both country and society. It is the only town in Somalia contested by two Federal Member States—Puntland and Galmudug. In spite of this, trade has remained Galkayo's lifeline and the flow of commerce through the city never stops.

Galkayo's position close to the permeable Ethiopia-Somaliland border, in the middle of the Bosaso corridor, makes it a unique location to study the nexus between trade, taxation and governance in the Somali territories. Galkayo provides valuable insights into how commodity traders and transporters do business across borders between the different Federal Member States of Somalia. Developments in Galkayo, where political institutions and security are fluid, have an impact across the Bosaso corridor and the trade flowing through the city generates large revenues for Puntland and Galmudug states.

This report examines how continuing political conflicts and the fragile security situation affect cross-border trade in this region. The questions it seeks to answer include: What are the impacts of recurrent conflicts on trade networks? What is the relationship between the 'trade border' and the 'trade corridor'? How will competing statebuilding projects and competition over revenue affect the trade corridor?

Division and conflict

Galkayo and its people are familiar with political division and violent conflict. As a result, its traders have developed ways of working that have enabled them to negotiate various different impediments to trade. These have generally involved close cooperation between traders, transporters, militias and multiple authorities who, over the years,

1 The head of the Criminal Investigation Department (CID) of North Galkayo was attacked and killed on one of the city's main roads during our visit to Galkayo.

2 'Galkayo and Somalia's dangerous faultlines', Commentary, International Crisis Group, 10 December 2015. (<https://www.crisisgroup.org/africa/horn-africa/somalia/galkayo-and-somalia-s-dangerous-faultlines>)

have developed different rules and norms that have allowed commerce to continue. Ali Said Muhyiddin, a trader in Galkayo, describes the strong ties that bind business people together:

The business community isn't as affected by clan warfare as politicians are. We just go around where there is fighting and the relationship [between businessmen] continues even if your clansmen are killing each other.³

The border that runs through Galkayo—between Puntland and Galmudug states—has not always been there. It began as the un-marked boundary between warring clans, separating the city into a northern part dominated by the Majerteen clan family, and a southern part inhabited by members of the Hawiye.⁴ Although the boundary that runs through Galkayo is not accurately mapped in official documents, every piece of land and property belongs to either Puntland or Galmudug. At times, this determination is based on the owner's clan affiliation, rather than a physical boundary line.

The border between Puntland and Galmudug that runs through Galkayo was established after clan fighting in 1991. Each side erected multiple checkpoints that were controlled by militias. The militias would request payment from any passing vehicle, using the justification that they were securing the area. Within a short time period these checkpoints became a source of revenue for Galkayo's three main clans—the Omar Mahmoud, Sa'ad and Lelkase. These checkpoints still exist, but they are now reduced in number as state authorities have developed on both sides.⁵

The boundary between Puntland and Galmudug—known as the Green Line—runs through the city centre. It starts at Mansuur store and runs eastwards through a number of important locations in the city. These include: the currency exchange market, abat-toir, shoats (a sheep-goat hybrid) market and Darhumo Market. From there the border is marked by what has become known as 'the dividing tree', later renamed 'the peace tree', from which point it goes out of town through Puntland Security Forces base and joins the eastward Wadaagsin Road. To the west the border runs from the back of Mansuur store to Cagaarweyne area in Garsoor neighbourhood, the Lelkase checkpoint and Taar Roge, and is then marked by the Westward Wadaagsin road.

3 Interview with Ali Said Muhyiddin, trader, Galkayo, 11 March 2021.

4 The Darod, mainly Majerteen from the Cumar Maxamuud sub-clan, dominate Puntland's north Galkayo while the Hawiye, specifically the Habargidir- Sacad sub-clan, dominate south Galkayo.

5 Four checkpoints are found in Galkayo today, three on the Puntland side and one on the Galmudug side.



Figure 2: The 'dividing tree' or 'peace tree', Galkayo town. Photo: Khalif Abdirahman.

Political and economic hub

Despite the political and clan-based divisions, Galkayo functions as a single entity with respect to trade. Traders in different sides of the city readily send goods to the other without passing through customs. The shops in the town centre, which may technically be in different federal states, are still able to send items between each other in small loads—mostly by wheelbarrow. In contrast, the municipalities of North and South Galkayo tax lorries when they are being unloaded in the city. Transiting goods, which are destined for markets beyond Galkayo, have to go through customs on both sides and thus pay taxes to both Puntland and Galmudug states.

Galkayo is the largest city in central Somalia and its physical proximity to the border with Ethiopia provides easy access to markets within Ethiopia's Somali Regional State (SRS). The entire Somali inhabited region, which includes Ethiopia's Somali region, north-east Kenya, and Somalia and Somaliland too, acts as a single market made up from a number of conflicting administrations. Mohamed Abdullahi Ali, Inland Revenue manager for Puntland's Mudug Region, notes:

Since it is a single market, any Somali person uses any port and region to get his goods from anywhere in the world, considering only two things: cost and security. Given good security, they will just look at where it is cheaper.⁶

Galkayo's population is divided between the Darod and Hawiye clans—politically the two most important clan families in Somalia. Among its political elites are the leaders

⁶ Interview with Mohamed Abdullahi Ali, Puntland Inland Revenue, Galkayo, 15 March 2021.

of Puntland, Galmudug and the federal government. Although Galkayo can be seen as a Darod-Hawiye and Puntland-Galmudug borderland, it is also the political centre of Somalia.

Galkayo is a pivotal revenue collection point for Puntland and Galmudug states and an important theatre for the federal government's security operations, particularly against al-Shabaab. It is also an important location for international security engagement in Somalia. The United States has conducted anti-terror operations in and around Galkayo using its own and allied Somali forces, including the Puntland Security Forces (PSF) and Galmudug's Danab Brigade—an elite counter-terrorism unit trained and supported by the US.⁷ At the time of research, the Ethiopian military also had forces stationed close-by across the border in its Somali Region, which acted as a further deterrent to al-Shabaab (more recently, the conflict in Ethiopia's Tigray region resulted in these troops being redeployed further north).

The Bosaso corridor

Galkayo is the most important economic node and distribution centre in the Bosaso corridor—an important trade route that stretches through Puntland, Galmudug and Hirshabelle mostly under the control of the Majeerteen, Habargidir and Hawadle clans. Galkayo is at the crossroads of several important trade and transport corridors connecting Bosaso, Berbera and Mogadishu. With the ongoing development of two new sea-ports—Gara'ad and Hobyo—which are both located nearby, another major trade corridor may develop focused on Galkayo itself.

Trading across the Galkayo border has been instrumental in connecting Galmudug and Hiiran regions to the Bosaso corridor. However, if the federalization of Somalia continues, and its federal member states continue to develop their own trade routes and sources of revenue (through customs and taxation), there is a risk that the Bosaso corridor will extend to northern Galkayo, reducing trade-derived revenues for Puntland. While Puntland currently taxes goods destined for the Bosaso corridor and beyond, including Galmudug and Hirshabelle, the revenue is not shared equally between the states. It is therefore likely that Galmudug and Hirshabelle will build their own ports to increase their revenue and protect this by raising tariffs on goods coming from Puntland. This means that the Bosaso corridor may shrink and become increasingly less important to cross-border trade dynamics. Practical policy recommendations to preventing this from happening are included at the end of this paper.

⁷ For more on the Danab Brigade see 'The Danab Brigade: Somalia's Elite, US-Sponsored Special Ops Force', *Mail and Guardian*, 11 August 2020. (<https://pulitzercenter.org/stories/danab-brigade-somalias-elite-us-sponsored-special-ops-force>)

Conflicts and connections at the Galkayo trade border

A brief review of Galkayo's political history illustrates the outsized role that it has played in shaping Somalia's past and present. In particular, the way in which the city has integrated, and divided, sub-groups of the Majerteen and Hawiye—who compete for power in the Mogadishu, as well as Galkayo—continues to shape national political dynamics.

At the turn of the twentieth century Galkayo represented an oasis in the dry pastureland of the Eastern Haud—part of the Hobyo sultanate established by Sultan Ali Yusuf Kenadid in the 1870s.⁸ The sultanate encompassed areas populated by various important Darod and Hawiye sub-clans, including the Majerteen, Habargidir, Abgal, Murasade and Hawadle. Since it was unusual in this particular area for Somali clans to submit to a ruler from a different clan, the Hawiye look back on this era today with a sense of shame and bitterness. In contrast, the Majerteen (the Sultan's clan) reflect on the past with pride and consider the Hobyo Sultanate a symbol of their supremacy. These contested historical memories are part of the unrelenting conflict that exists in the Mudug region today. However, the sultanate has also created a shared history, as well as intermarriages, partnerships and other interactions among local clans, which continue to play an important role in Somalia's political scene.

The sultanate became an Italian protectorate in 1888 and was then occupied by the Italian colonial administration in 1927.⁹ Galkayo was quickly made the capital of the Mudug region, replacing Hobyo as the most important town in the region. Soon after, political elites of the former sultanate moved to the capital Mogadishu where they began to dominate its business and politics—playing a crucial role in the independence movement and trusteeship administration, and subsequent post-colonial governments.

Meanwhile, Galkayo grew in size and importance as it drew in populations from the adjacent countryside. It became the base for two important, rival sub-clans—the Majerteen's Omar Moahmaoud clan and the Habargidir's Sa'ad clan. Other smaller clans such as the Lelkase, Dir, Sheekhaal and Madhibaaan also have a strong presence in and around Galkayo. Conflict between the Omar Mohamoud and Sa'ad clans continued under Italian rule—described in a famous chain of Somali poems known as Guba, which mention the shifts in this conflict at different times.

8 Lee V. Cassanelli, *The Shaping of Somali Society: reconstructing the history of a pastoral people, 1600-1900*, Philadelphia: University of Pennsylvania Press, 1982, 75.

9 Abdisalam M. Issa-Salwe, *The Collapse of the Somali State: The Impact of the Colonial Legacy*, London: Haan Associates, 1996, 34–35; 54.

Galkayo straddles the so-called Tomaselli line—a boundary line drawn by the Italian trusteeship administration in 1955 to manage land conflict between the Darod and the Hawiye clans.¹⁰ This line was drawn across Somalia from the Indian Ocean to the Ethiopian border and forms the basis for the current inter-state border between Puntland and Galmudug states, with the notable exception of territory claimed by the Marehan clan, which is now largely part of Galmudug.¹¹

Mudug's elite became dominant in Somalia following independence in 1960, as many of the top officials, both in the civil service and armed forces, were from the region. The 1969 coup and Mohamed Siyad Barre's government undermined this dominance during the 1970s and 1980s.¹² As a result of its waning influence at the national level, Galkayo's main clans both produced notable individuals who strongly opposed Siyad Barre's government. These included Abdullahi Yusuf Ahmed, a former colonel in the Somali National Army (SNA), and Mohamed Farah Aidid, a former General in the SNA, who were both from Galkayo and who were subsequently imprisoned for long periods before playing leading roles in Somali politics during the 1990s and 2000s.

The failed coup against Siyad Barre in 1978 was led by Mahamoud Sheikh Osman 'Irro', who was also from Galkayo. The surviving coup-plotters and their supporters regrouped in Ethiopia where they established the Somali Salvation Front (SSF)—the first armed front opposing the Somali government. They were later followed into rebellion by the Issaq-dominated Somali National Movement (SNM) and the Haawiye-dominated United Somali Congress (USC), led by Mohamed Farah Aidid. The SSF later amalgamated with other groups to become the Somali Salvation Democratic Front (SSDF).¹³

These armed fronts, along with others, overthrew the government in 1991, but their failure to agree on an alternative to Siyad Barre's regime eventually resulted in the total collapse of the state. Immediately after the collapse of the government in 1991, Galkayo became a warzone between SSDF and USC militias. A month of fighting between the two groups resulted in a significant death toll, as well as infrastructure damage and population displacement. In 1993 the two sides signed a truce in which both the Galkayo and Mudug regions were divided into two parts, largely following the Darod-Hawiye clan divide.

¹⁰ Named after the Italian governor of the Mudug region of Italian Somaliland who held the position when the line was drawn.

¹¹ Mohamed J. Trunji, 'A short Note on the Administrative Order introduced in Somalia by the Italian Trusteeship Authorities (1950-1960)', *Hiiraan Online*, 25 July 2020. (https://www.hiiraan.com/op4/2020/july/179239/a_short_note_on_the_administrative_order_introduced_in_somalia_by_the_italian_trusteeship_authorities_1950_1960.aspx); 'Galkayo and Somalia's dangerous faultlines', Commentary, International Crisis Group, 10 December 2015. (<https://www.crisisgroup.org/africa/horn-africa/somalia/galkayo-and-somalia-s-dangerous-faultlines>)

¹² I. M. Lewis, 'The Politics of the 1969 Somali Coup', *Journal of Modern African Studies* 10/3 (1972).

¹³ Mark Bradbury, *The Somali Conflict. Prospects for Peace*. Oxford: Oxfam UK, 1994.

Puntland was established in 1998, and north Galkayo as well as the Jarriban and Goldogob districts (formerly a part of Mudug region) became assimilated into the region. Hawiye-dominated South Galkayo remained largely ungoverned until the first Galmudug state was established in 2006, led by Mohamed Warsame Ali 'Kiimiko'. The first Galmudug state consisted mainly of the Sa'ad territories—the southern half of the Mudug region. Mohamed Ahmed Alin became president in 2009 and was then succeeded by Abdi Hasan Awale 'Qeybdiid' in 2012.¹⁴

Abdullahi Yusuf Ahmed led Puntland from its creation in 1998 to his presidency of Somalia's Transitional Federal Government (TFG) in 2004. After a short interim period, Puntland's parliament elected Adde Muse Hirsi in 2005—a vehement opponent of Abdullahi Yusuf and former General in the Somali National Army. After reconciling with Abdullahi Yusuf, Adde Muse financially supported his bid for the Somali presidency. With Adde Muse's ascendancy, the rotation system between the three Mohamoud Saleebaan lineages of the Majeerteen began, strengthening the influence of traditional leaders and ending the violent contestation for power.¹⁵

All presidents of Puntland have been from three lineages of the Mahamoud Saleebaan sub-clan of the Majeerteen¹⁶—Omar Mohamud (dominant in Galkayo), Issa Mohamud (dominant in Garowe) and Osman Mohamud (dominant in Qardho). In neighbouring Galmudug, the three main Habargidir clans—the Sa'ad, Saleebaan and Ayr—similarly began rotating the presidency.¹⁷ This concentration of executive power is resented by other clans who are the numerical majority in both the Puntland and Galmudug parliaments but have struggled to challenge these strong and influential families, who have tended to be better organized and resourced. In Puntland, the three Mahamoud Saleebaan clans have 12 seats out of 66, while the Habargidir have less than 40 per cent of the seats in Galmudug's legislature.

In 2015, Galmudug (based in Galkayo and led by the Sa'ad) united with the Ximan and Xeeb administration (based in Adado and led by the Saleebaan), Ahlusunna (based in Dhuusamareeb and led by Eyr), and the rest of Galgaduud region, to form the current Galmudug state under the leadership of Abdikarim Hussein Guled. At the time, the federal government supported this move, signifying a part of the state formation process after the federal government's opposition to the establishment of Jubbaland ended in failure. This exacerbated tensions with Puntland and escalated into a fully-fledged conflict in

14 'Galmudug Reconciliation: Processes, Challenges, and Opportunities Ahead', *Somali Public Agenda*, February 2021. (<https://somalipublicagenda.org/galmudug-reconciliation-processes-challenges-and-opportunities-ahead/>)

15 Markus V. Hoehne, 'Mimesis and mimicry in dynamics of state and identity formation in northern Somalia', *Africa* 79/2 (2011).

16 Abdullahi Yusuf Ahmed (1998-2004); Adde Muse Hersi (2005-2009); Abdirahman Mohamud Farole (2009-2014); Abdiwali Mohamed Ali Gaas (2014-2019); and Said Abdullahi Dani (2019 to present).

17 Abdikarim Guled (2015-2017); Ahmed Duale Gelle 'Xaaf' (2017-2020); and Ahmed Abdir Kariye 'Qoorqoor' (2020 to present).

Galkayo between Puntland and Galmudug in 2015, 2016 and 2017.¹⁸ Galmudug Federal Member State was formed on the basis of one-and-a-half administrative regions, falling short of the constitutional requirement of at least two regions to form a new Federal Member State.¹⁹ To overcome this, Galmudug claimed the entirety of the Mudug region. This enraged Puntland as half of the Mudug region, including Galkayo, was already part of Puntland.

To further complicate matters, Puntland state has generally had a poor relationship with the federal government, while the newly elected president of Galmudug, Abdikarim Hussein Guled, was a core member of the FGS, enjoying the support of President Hassan Sheikh Mohamoud. Puntland wanted the one-and-a-half regions of Galmudug to be part of a larger Federal Member State including Hiran and Middle Shabelle—two adjacent regions that are strongholds of the Hawiye clan family. However, with the creation of a predominantly Darod-dominated federal member state in Jubaland to the south, the Hawiye wanted to have two states as well.²⁰ The only possibility was to split the three and half central regions into two Federal Member States.

On 7 November 2016, war broke out in Galkayo between Galmudug and Puntland over road construction and qat taxation. This was a local war between the two sides of Galkayo, triggered by distant political dynamics originating in Mogadishu and Garowe.²¹ The conflict was also a feud between the two presidents of Galmudug and Puntland, Abdikarim Hussein Guled and Abdiwali Mohamed Ali Gaas respectively. The international community, led by the UN, intervened. As a result, the Galkayo peace accord was signed in 2016 by elders, youth and women, as well as the two states.²²

As part of the peace accord, a security arrangement for central Galkayo was put in place for the first time since its division in 1993. A dedicated federal army unit consisting of soldiers from different clans took over the security of central Galkayo, and a mixed police force was established to pursue criminals across the border between Puntland and Galmudug.²³ This resulted in improved security in Galkayo and, within a short time period, brought in huge investment in the centre of town, in the form of renovations and the construction of new buildings. International donors also invested in the

18 'Gaalkacyo Conflict: Drivers, Contributors and Potential Solutions', The Heritage Institute for Policy Studies, December 2016. (<http://www.heritageinstitute.org/wp-content/uploads/2016/12/Gaalkacyo-Conflict-Drivers-Contributors-and-Potential-Solutions-.pdf>)

19 See Article 48 of the Federal Republic of Somalia's Provisional Constitution adopted August 12, 2012.

20 'Jubaland in jeopardy: the uneasy path to state-building in Somalia', Commentary, International Crisis Group, 21 May 2013. (<https://www.crisisgroup.org/africa/horn-africa/somalia/jubaland-jeopardy-uneasy-path-state-building-somalia>)

21 Nisar Majid, Khalif Abdirahman and Ilhan Gasar, 'Finding Peace in Somalia – the Galkaio 'local' agreement', panel discussion audio recording, London School of Economics Conflict programme research, 10 November 2020. (<https://www.lse.ac.uk/lse-player?id=b74c5aa1-24b6-431d-b2a2-04c8cd968944>)

22 'Galmudug Reconciliation'.

23 'Somalia: 200 officers complete joint training in Galkayo', *Garowe Online*, 22 December 2017. (<https://www.garoweonline.com/en/news/press-releases/somalia-200-officers-complete-joint-training-in-gaalkayo>)

town to reward communities, implementing peace dividend projects, building roads in South Galkayo and supporting youth and women who were instrumental in peace promotion processes.

The instalment of another pro-FGS president, Ahmed Abdir Kariye ‘Qoorqoor’, as the new head of Galmudug State in 2020 further improved security in Galkayo. The Galmudug government (based in Dhuusamareeb) is now much more effective and is in control of the entire asphalt road between Galkayo and Mataban. Qoorqoor removed the clan militias who had frequently disturbed the peace in Galkayo and improved relations with Puntland. South Galkayo is now run by an elected council and mayor for the first time and is relatively at ease with its northern half. This marks a considerable improvement of social and political relations within Galkayo.

During the early 2000s, Northern Galkayo had its share of administrative turmoil when Puntland’s government was notably unstable. During this period, Abdullahi Yusuf Ahmed, then president of Puntland, temporarily lost jurisdiction over Bosaso and Qardho to elders who had rejected the extension of his leadership in July 2001.²⁴ Abdullahi Yusuf based himself in Galkayo, from where he reclaimed the whole of Puntland the following year, installing himself as president and serving a new term until he became President of Somalia in 2004. During Abdullahi Yusuf’s second term, the situation in North Galkayo stabilized.²⁵ Southern Galkayo, on the other hand, became the main source of the city’s insecurity.

Galkayo is an important location for the administrations of Puntland and Galmudug. For Galmudug, it is its biggest source of tax revenue, while for Puntland it is the second after Bosaso. Both federal member states therefore have a major interest in securing and governing Galkayo. With regard to security, Galkayo is the chief frontline for both Galmudug and Puntland, as well as the main base of their local forces. The reasons behind this are not merely economic: Galkayo is a faultline between two major clans—the Hawiye, and the Darod—which are both politically and economically dominant in their clan grouping.

24 At the same time, Puntland’s chief justice, Yusuf Haji Nur, installed himself as an interim president. In November 2001 the elders elected Jama Ali Jama as the president.

25 North Galkayo has a council and a mayor that is appointed by the president of Puntland as well as the governor of Mudug region who is also based in North Galkayo and who is appointed by the president of Puntland. Sahra Ahmed Koshin, ‘The Political Economic Analysis of Urban Networks and Centres in Somalia’, Galkayo City Report, Tilitonse Foundation, 2018.

The Galkayo crossroads: shifting trade corridors and networks

Located midway between Somalia's three most important seaports—Berbera, Bosaaso and Mogadishu—Galkayo is an important business hub and logistics centre. It is also on Somalia's main north-south artery route, which passes through several large population centres. The north-south route is a combination of the Chinese built Baladweyne-Burao road and the Italian constructed Garowe-Bossaso road—one of the last road projects completed under the Siyad Barre government in the late 1980s.²⁶ Each town along the north-south road represents a node from which bush roads lead to coastal villages and towns, or extend towards the Ethiopian border. The asphalted road continues to Somaliland, reaching Burao and Berbera.²⁷ Coastal communities along the Indian Ocean to the Gulf of Aden are all served by this corridor. This is particularly important due to the lack of a coast road (in many locations coastal populations find it easier to travel by boat).²⁸



Figure 2: Lorries in central Galkayo. Photo: Khalif Abdirahman.

26 This is an all-weather asphalted road, though some parts are in disrepair given that they are over 55 years old.

27 An unpaved trunk road enters the Sanaag region some 90 km west of Bosaso, passing through towns in the foothills of the Golis mountains until it reaches Erigavo, an important town in eastern Somaliland.

28 See Nisar Majid and Khalif Abdirahman, *Mobility, Trust and Exchange: Somalia and Yemen's Cross-border maritime economy*, London: Rift Valley Institute, June 2019. (<https://riftvalley.net/publication/somalia-and-yemens-cross-border-maritime-economy>)

The westward Goldogob and Saaxo routes connect Galkayo to Ethiopia's Somali Regional State, while the eastward Gara'ad and Hobyo routes connect it to the coastal region and the Indian Ocean. Both the Gara'ad and Hobyo ports, in Puntland and Galmudug respectively, are currently being developed, and roads to them are being constructed. Galkayo is also linked to the southern coastal road, a shorter and rougher route to Mogadishu that goes through Galgadud and Middle Shabelle regions, bypassing Hiiraan region. While the eastern and western routes primarily carry goods from Galkayo, the main north-south artery road carries commodities to and from Galkayo, as well as transiting goods for the rest of the country.

Each of the four main Somali ports—Berbera, Kismayo, Mogadishu and Bosaso—has a catchment area for which they serve as a main outlet, connected by a trade and transport corridor. Bosaso port was built in the late 1980s, shortly before the collapse of the Somali state.²⁹ Prior to the collapse of the state, Berbera and Mogadishu were the main seaports for the Somali region. At the time, the recently constructed Bosaso port was not well known. Instead, most of Galkayo's imports and exports were transferred through Berbera seaport. Soon after the collapse of the state, Berbera and Mogadishu were badly affected by insecurity. As a result, the Majeerteen elites living in Mogadishu were forced to return to their home territories in present day Puntland.

In the absence of a functioning national government, the management of Bosaso port was initially directed by Al-Ittihad Al-Islami (AIAI), an Islamist organization that drew members from all over the country.³⁰ With the ports at Berbera, Mogadishu and Kismayo being fought over by warring clans, Bosaso, which was then relatively stable, became the main gateway for commodities being brought into Somalia. These strong commercial links between Bosaso and the rest of the country continued to grow in the 1990s.

Due to the lack of functioning local or sub-national authorities—including in neighbouring Somaliland—trade patterns evolved largely without state interference. Burco—a city in eastern Somaliland and capital of the Togdheer region—was a major market connected to Bosaso. Here, goods travelled from the Somali coast to the Ethiopian-Somaliland region via the border town of Harta Sheikh, which became a hub for cross-border trade in the 1990s.³¹ The use of Bosaso as a key port for the entry of goods into Somalia continued until the stabilization of Somaliland in the early 2000s, leading to the increased use of Berbera port, and concomitantly the start of operations at the El Ma'aan beach port north of Mogadishu. Over the past 15 years, Berbera port has expanded its catchment

29 Jatin Dua, Abdideeq Warsame and Ahmed Shire, *Bosaso and the Gulf of Aden: Changing Dynamics of a Land-Sea Network*, London/Nairobi, Rift Valley Institute, July 2020. (<https://riftvalley.net/publication/bosaso-and-gulf-aden-changing-dynamics-land-sea-network>)

30 After a conflict with the SSDF, Al-Ittihad was removed from the port and driven out of Puntland in 1992. See Hoehne, 'Mimesis and mimicry'.

31 Mustafe M. Abdi, 'Regularly irregular: Varieties of informal trading in the Ethiopia-Somaliland borderlands', London/Nairobi: Rift Valley Institute, October 2021. (<https://riftvalley.net/publication/regularly-irregular-varieties-informal-trading-ethiopia-somaliland-borderlands>)

area to the east and is now servicing markets in Sool and Sanaag, as well as Ethiopia's Somali Regional State.³² Bosaso continued to dominate commodity imports for southern Somalia until the reopening of the modernized Mogadishu port in 2015.

The three major urban centers in the Bosaso trade corridor are Galkayo, Beledweyne and Bosaso itself. Bosaso has developed into one of the most populous urban centres in Somalia, swelled by the large number of returnees—particularly from the Darod clan—from Mogadishu after 1991, and migrants from other states and Ethiopia's Somali Regional State. The city's population was estimated to be between 15,000 and 25,000 in 1991, but by 2014 this had grown to 470,000 with around 49,000 IDPs.³³

Improvements in Galkayo's security have also led to population growth, stimulating immigration from all Somali regions. Ali Muhyiddin, a native of Galkayo and a trader, notes:

Many people you see in Galkayo today are newcomers to the town and were nomads before the civil war. The city centre where many people lived together [which was] very mixed before the war is now [just] a small part of the town.³⁴

Thanks to its central location, Galkayo is a major distribution and storage center. The United Nations World Food Programme (WFP) maintains a large depot in South Galkayo, supplying south-central Somalia during humanitarian emergencies. WFP also runs a safety-net programme for IDPs and poorer families, and a feeding programme for Galkayo's schools. This translates into significant business activity and revenue for local authorities. Taxation from WFP transport is significant as hundreds of lorries move goods from the Galkayo depots to the various regions. WFP support for the large permanent IDP population, as well as other severely impoverished communities, increases sales for selected businesses too.

Beledweyne, with an estimated population of 67,000, is a large market town in the Shabelle riverine area. It supplies the entire Bosaso-Beledweyne corridor with fruits and vegetables.³⁵ It is also a collection area for livestock exports and a distribution centre for goods imported through Bosaso, supplying areas as far as Gode in Ethiopia's Somali Regional State and Yeed in the western parts of Somalia's Bakool region. While the volume of trade is greater in the ports of Mogadishu and Berbera, Bosaso port is accessed via secure roads leading across the country and has established itself

32 Ahmed M. Musa, *Lasanod: City at the Margins—The politics of borderland trade between Somaliland and Puntland*, London/Nairobi: Rift Valley Institute, October 2021. (<https://riftvalley.net/publication/lasanod-city-margins-politics-borderland-trade-between-somaliland-and-puntland>)

33 United Nations Population Fund (UNFPA), 'Somalia Population Estimation Survey: For the 19 pre-war regions of Somalia', Nairobi: UNFPA, October 2014.

34 Interview with Ali Said Muhyiddin, Galkayo, 11 March 2021.

35 UN Habitat, *Beledweyne Urban Profile*, Nairobi: UN Habitat, November 2020. (https://unhabitat.org/sites/default/files/2020/12/beledweyne_urban_profile.pdf)

as the main outlet of a large catchment area, ranging from the eastern tip of Somalia to the border with Ethiopia. This area spans six of Somalia's eighteen regions, including Somaliland, making it the seaport with the largest catchment area in the country.

Galkayo's border with Ethiopia is where goods from Bosaso port and Galkayo cross to Somali Regional State through Goldogob and Saho. Ethiopian districts such as Bookh, Gallaadi and Wardheer are supplied from Galkayo and have strong clan connections to the city, while Mustahil, Qallafo and Ferfer are connected to Beledweyne, further down the corridor.

Methods of transportation in the Bosaso corridor have changed over time. For a long time, ten-tonne trucks, such as the Nissan UD type, dominated motorized transport along the corridor. Today, lorries carrying 26 to 33-tonnes are mostly used. However, most of the roads have not been resurfaced or repaired, except for the stretch between Garowe and Bosaso, which had minor repairs in 2012. Furthermore, there are no transport companies with fleets operating in the corridor. Instead, large companies such as Tawfiq have their own lorries, and in some cases large dhows or ships to transport goods.³⁶ It is these ships and dhows that transport livestock to Oman and Dubai after offloading imported goods. Moreover, transport companies carry people and valuable goods between cities, from Mogadishu to Togwajaale. These are largely based in Galkayo and have offices located across the region. The only way to find transport for either goods or passengers, however, is through brokers who can identify a seat in a Landcruiser or space in a lorry, all with different owners. This highlights the informal, dynamic nature of the Galkayo crossroads and transport networks, which nevertheless form a vital artery of cross-border trade in Somalia.

³⁶ Interview with Tawfiq employee, Galkayo, 23 March 2021.

Galkayo commodity flows

Goods traded within the Bosaso corridor and across the Galkayo border can be divided into imports, exports and local commodities.³⁷ Liban Aw Adan, Galmudug’s Finance Coordinator in Galkayo (responsible for all tax collection and checkpoints) explains:

The trade is two ways where most of the imported food such as rice, pasta, wheat flour and sugar come from Bosaso and go all the way to Beledweyne, while the locally grown products such as fruits, vegetables and livestock are coming from Hiiraan and into Galkayo and Puntland.³⁸



Figure 2: Dry goods in the Mansour store, central Galkayo. Photo: Khalif Abdirahman.

Imports

Food stuffs, building materials, electronics, clothes, fuel and vehicles are the main commodities traded across the Galkayo border. With respect to quantity, the most important commodities are rice, sugar, wheat flour, pasta and cooking oil (collectively referred to as ‘staples’ from here onwards). Powdered milk and beverages are also significant food imports. Staples have long been the most important commodity in

³⁷ Interview with Abdirahman Issa, Finance Officer, Galmudug State, 10 March 2021.

³⁸ Interview with Liibaan aw Addan, Mudug Region Finance Coordinator, Galkayo, 10 March 2021.

Somalia.³⁹ Rice consumption is increasing as it continues to replace sorghum and maize in the countryside. It is second to sugar in value of imported commodities.⁴⁰ As with other commodities, it is difficult to gauge volumes of rice traded in Galkayo, since no data is kept locally. In terms of value, sugar is the most significant commodity imported to Somalia.⁴¹ The country had two government-owned sugar factories before state collapse, but even then, Somalia imported most of its sugar.⁴²

Pasta was introduced by the Italians and has become a staple food in all the Somali inhabited areas. There was one state-owned pasta factory in the country that was discontinued in the 1990s and Italy was historically the main source of pasta consumed in Somalia. In 2008, Tawfiq partnered with Omani shareholders and built a large pasta factory in Salalah, Oman, across the Gulf of Aden.⁴³ The factory was built in Oman because of the relatively secure environment, competitive electricity prices, and available finances and facilities for sourcing the large quantities of wheat needed.⁴⁴ While these factories managed to compete with their Italian counterparts for some time, they are now struggling as Turkish pasta dominates the market. Tawfiq was then led by the current president of Puntland and is one of the largest importers of foodstuffs and building materials in the state. All of the wheat flour consumed in Somalia is imported and there have never been mills for wheat flour production in the country. Somali companies, including Tawfiq, have partnered with Omani and Yemeni businesses to build factories in Oman and Yemen to supply the Somali market. A large mill is now being built in Somaliland.⁴⁵

Sesame oil is produced in Somalia, but it is not used for cooking. Hence, all cooking oil is imported, mainly from Southeast Asia. Staples traded along the Bosaso corridor are mostly imported by major Puntland-based companies such as Tawfiq, Alfadl, Red Sea, Mustaqbal, Mansur and Maruf. These importers have branches or partners in large towns such as Baladweyne and Galkayo, who distribute to local consumers. Furthermore, there are many independent, single store owners who sell goods in large towns and distribute them to other parts of the country.

39 The fourteenth century traveller and scholar, Ibn Battuta, who visited the Somali coast, wrote that rice was part of the staple food in Mogadishu in his visit in late 1331. In the following centuries it increased in importance as a staple food until it replaced bread (kibis) to symbolize food in Somali language. Mohamed Ibn Abdallah Ibn Batuta, *Travels of Ibn Batuta* (Arabic: *تطوطب نبا ءل حر*), Slough, UK: Hindawi foundation, 2020, 180.

40 See Somalia Profile, Observatory of Economic Complexity, 2021. (<https://oec.world/en/profile/country/som>)

41 See Somalia Profile, Observatory of Economic Complexity, 2021. (<https://oec.world/en/profile/country/som>)

42 World Bank, *Somalia: Industrial Policies and Public Enterprise Reform*, Report No. 6639-SO, Washington DC: World Bank, 1987.

43 Phone interview with Tawfiq employee, 23 September 2021.

44 Phone interview with Tawfiq employee, 23 March 2021.

45 Brandon Moss, 'The first flour mill of Somaliland is installed by Alapala', *AgriFocus*, 18 May 2020. (<https://agrifocusafrica.com/2020/05/18/the-first-flour-mill-of-somaliland-is-installed-by-alapala/>)

Powdered milk is distributed by the same large companies importing staple foods. In contrast to staples, however, each company holds a monopoly for one or more powdered milk trademarks, for which they are the sole importer. For example, Tawfiq is the sole representative of Amis and Qamar, while Anchor and Bahja are distributed by Sagal only. Powdered milk is imported through Mogadishu and Bosaso ports. A large quantity of beverages cross Galkayo, coming from Bosaso as imports, or from Somaliland, where they are manufactured. Somaliland produced beverages can be found Galkayo North and South.

Building materials such as cement, timber and steel are imported and distributed by some of the same companies that dominate the market for staples, including Tawfiq. Cement is imported from Oman, Iran and Ethiopia, with the latter's cement being the cheapest and, paradoxically, the least popular. Mogadishu, on the other hand, produces no cement; this is therefore a product that travels in one direction. Ethiopian cement, which is directly exported from Ethiopia to all regions of Somalia, doesn't have to pass through Galkayo.

Vehicles are imported through Bosaso port, though the Hobyo and Garaad ports have recently begun receiving shipments. Both of these ports are close to Galkayo and Hobyo doesn't charge taxes on vehicles. Petrol and diesel are imported through Bosaso, while gas is imported through both Bosaso and Berbera. Petrol and diesel are also reimported from Ethiopia, which itself imports through Djibouti. Like other commodities from Ethiopia, it goes straight to its destination and doesn't cross the Galkayo border.

Clothes and electronics are more varied in terms of import routes and their final destinations. They are imported through all ports and can be transported from Mogadishu to Galkayo before being forwarded to Tog'wajaale on the Ethiopian-Somaliland border, and vice versa. Electronics are similarly imported from all ports, although Mogadishu has the advantage of being a large market, hosting big traders and having lower tariffs. This explains why businessmen in Tog'wajaale regularly source mobile phones from Mogadishu.

Table 1: *Main commodities traded across Galkayo border.*

Imports	Exports	Local goods	Imported through
Staples (rice, wheat flour, sugar, pasta, cooking oil)	Goats	Fruits	Bosaso
	Sheep	Vegetables	
Building materials (cement, timber, paint, steal, etc.)	Cattle	Sorghum	
	Camels	Maize	Bosaso/Mogadishu
Powdered milk	Fish	Beans	
Beverages	Sesame	Sesame oil	
Fuel (petrol, diesel, jet fuel, gas)	Lemon, dried	Sesame	Bosaso/Mogadishu
		Salt	
Vehicles			Bosaso/Berbera/Djibouti
Machinery			
Electronics			Bosaso/Hoby
Clothes			Mogadishu/Bosaso
Chicken			Mogadishu/Bosaso
Household cleaning materials			Berbera
			Bosaso
Utensils			Bosaso
Plastics			Mogadishu
Charcoal stoves (from Kenya)			Mogadishu

Source: Puntland customs, Galkayo, 16/03/2021, chairman of Galkayo business community, Galkayo, 10/03/2021

Exports

Livestock, fish, lemon and sesame are the main goods that cross the Galkayo border destined for international markets. Of these, the most significant is livestock, in particular shoats. Fish from the Hoby area transits Galkayo in refrigerated trucks destined for export through Bosaso or Berbera. These are not significant amounts, but they form a crucial part of the livelihoods of coastal communities. Dried lemon and sesame are sourced from the riverine areas of Hiiraan and are then exported through Bosaso port.

Livestock is gathered in major market towns in the corridor, either by small traders selling them to exporters in Puntland, or by the agents of exporters who are buying on their

behalf for a fee—in Galkayo this is currently USD 1.5 per sheep or goat.⁴⁶ Large market towns such as Beledweyne significantly contribute to the livestock trade, attracting livestock from hundreds of kilometers inside Ethiopia and from other parts of Somalia, such as Yeed, Elbarde, Guriel and Dhusamareb. These are all important livestock areas and their animals are mainly exported through Bosaso port. Livestock exporters are largely based in Puntland, but anyone can use Bosaso to export, regardless of clan affiliation. Again, quantities of livestock passing through Galkayo are unobtainable because of the lack of accurate records. However, traders agreed that more livestock comes from Somalia's south-central regions than from Puntland.⁴⁷ Livestock from the south-central regions sometimes bypasses Puntland and is instead routed through Ethiopia's Somali Region for export via Berbera port in Somaliland.

Traditionally, livestock exporters purchased stock on credit, selling it on the international market—mainly in Saudi Arabia—and buying staple foods with the proceeds. They then settled their debt with traders, who in turn sold the staple foods in their locality.⁴⁸ This made them key distributors for livestock exporters, who profited twice while the smaller traders endured long waits, incurring costs that were often greater than their profits. Today, smaller traders demand cash for their animals as they can't compete with large wholesalers and distributors operating in their locality. This has forced livestock exporters to leave the market, as food staples are being supplied by larger companies who buy in bulk, directly from producers.

For example, importers used to buy staple foods from Dubai but now source rice directly from India, Thailand and Pakistan; pasta from Turkey; and sugar from Brazil or India. This shift reduced the relative purchase cost of these goods. Yet consumers do not benefit from lower prices, as customs checkpoints on all roads in the Bosaso corridor have proliferated (taxing both imports and exports). The main beneficiaries are checkpoint operators and public authorities manning customs points, including al-Shabaab. The main losers from this trend are small livestock traders, who are squeezed out by larger commodity importers selling directly in localities at cut-throat prices, as well as livestock exporters buying animals through their network of agents.⁴⁹ Though women are absent from the livestock export market they dominate the trading of shoats, which are sold for local consumption. The supply chain in Somalia and distribution networks

46 At the time this research was carried out the cost of a sheep or goat was between USD 50 and 80. Famine Early Warning Systems Network (FEWSNET), 'Somalia Livestock Price Bulletin', April 2021. (<https://fews.net/east-africa/somalia/price-bulletin/april-2021-0>)

47 Interview with Abdullahi Ali Wardheere, Livestock trader, Galkayo, 21 March 2021.

48 Ahmed M. Musa, 'From trust to oligopoly: institutional change in livestock trade in Somaliland after 1991', *Danish Institute for International Studies (DIIS), Working Paper 8*, 2019. (<https://www.econstor.eu/bitstream/10419/204635/1/1677177284.pdf>)

49 Phone interview with Tawfiq Director, 23 March 2021. He explains that even big companies are buying together to compete, indicating the difficulties that small importers face. The penetration of large livestock exporters of the interior through brokers also reduces profit margins for traders who normally supply big exporters.

in the Gulf states are, however, controlled by men. It is a negotiation intensive business, risky and requires frequent travel across the country and abroad.

Local goods

Fruit, vegetables, beans, sorghum, maize, sesame oil, locally produced beverages and cleaning products are the main commodities circulating in Galkayo. These are destined for local consumption. Beverages and household cleaning materials manufactured in Somaliland have become increasingly popular and have managed to carve out a share of the market in Galkayo. Fruit and vegetables, sorghum, beans and maize are transported mainly from Hiiraan region, but can come from areas as far as Janaale in Lower Shabelle. These products are consumed in the entire catchment area of the Bosaso corridor, as well as in Somaliland. The fruit and vegetable market is dominated by women, from wholesalers to small stalls and kiosks owners and street vendors.

Qat is no longer traded as an overland cross-border commodity. In Galkayo South qat is transported by plane via Mogadishu and transported directly to Guriel, Dhusamareb, Adado and South Galkayo airports in Galmudug, but is rarely sold in Galkayo North. The Puntland side receives qat directly from Ethiopia as air cargo. Both administrations in Galkayo tax qat. In Galkayo South and the whole of Galmudug, the import of qat is monopolized by Hassan Abdullahi Farmajo, who is also close to his brother (Mohamed Abdullahi Farmajo), the President of Somalia. In the streets it is the woman who sell the qat.⁵⁰ While these gendered differences existed before the civil war, they increased during it as the consumption of qat has grown in the South. Women traditionally sell qat, but men are responsible for transportation due to the increased risk related to this role.

50 Interview with Ali Said Muyiddiin, Trader, Galkayo, 11 March 2021.

Profits, revenues and taxes in the Bosaso trade corridor

A large number of companies conduct business in the Bosaso trade corridor and at the Galkayo border. Many of these companies are based in Puntland, while some have their headquarters in Somaliland and Mogadishu. Hormuud—the largest company in Somalia with multiple interests, including banks and telecommunication⁵¹—occupies the most visible building in downtown Galkayo, meters from the border.

Tawfiq is the second largest company in Puntland. It was previously led by current Puntland president Said Abdullahi Dani and has a large number of shareholders from all over the country. Tawfiq's head offices are in Bosaso and Salalah, Oman, but the company also has a strong presence in Hargeysa, Djibouti, Mogadishu and Kismayo. They are the sole representatives for many lucrative products such as Omani cement and several powdered milk producers. Politics and business intermingle in the region and many individuals who are close to senior politicians are either former businessmen or have links to major companies and business interests. For example, all three former presidents of Galmudug state have, or have had, major businesses in the capital Mogadishu.

Since commodity trading in the Bosaso corridor is dominated by large companies, profit margins are very low. For this reason, the main strategy of these companies is moving and selling high volumes, which is how they are able to make adequate profits.⁵² Smaller traders, who can't compete on scale, lose out. At the onset of the civil war, a large number of minorities, including Yemenis and smaller Somali clans, were among Galkayo's merchant class and owned many of the properties in Galkayo center. However, they could not trade or live in an insecure environment without the protection of one of the strong clans in Galkayo. Many of their houses are now derelict as they fled overseas during the civil war.

The political situation in Galkayo has been more stable since 2017. Some of the traders from smaller groups who remained were able to reengage in trading. An elder of Yemeni origin, who had lived in Galkayo all of his life, explains that he obtains contracts to transport goods for the UN and NGOs because he is the only bidder who can access all areas of the town, due to the fact that he has no enemies.⁵³

51 Hormuud is a major shareholder in Golis, Puntland's largest telecommunications company.

52 Many companies put their annual profit between 15 and 25 per cent. Interviews with Tawfiq Director, 23 March 2021; Mansour store manager, Galkayo, 10 March 2021; and conversations with several other companies in Galkayo, March 2021.

53 Interview with Yemeni trader, Galkayo, 14 March 2021.

Of the different states involved, Puntland has benefited most from the development of the Bosaso trade corridor and is also its most powerful player. While Galmudug is also part of the corridor, it generates much less revenue from it compared to Puntland. Hirshabelle also has a stake in the corridor—half of the region is geographically part of it—and its businesses thus pay taxes at Bosaso port. One of its main tax collecting checkpoints is on the main north-south artery road in Jawiwil, Hiiraan. The Hirshabelle administration reportedly generates nearly USD 10,000 daily revenue for the region, by levying fees on transport along the corridor.⁵⁴ Parts of Bakool, Southwest State and the eastern region of Somaliland are also connected to the Bosaso-Galkayo route.

Galmudug reports that it generates about USD 200,000 a month from its main checkpoint in Galkayo south. Another Galmudug official estimates the income to be at least USD 300,000 per month.⁵⁵ This revenue is the backbone of Galmudug state's public finances and is mostly used to cover the salaries of its security forces and civil servants. A large proportion of Hirshabelle's revenue also comes from the same trade route—largely from a single checkpoint near Beledweyne, which reportedly produces around USD 300,000 per month.⁵⁶ When questioned about the monthly, weekly or annual tax figures they collected, all Puntland officials refused to give an estimation, saying that it was a government secret.⁵⁷ Most of Puntland state's revenue depends on taxing trade passing through this corridor to and from Bosaso seaport.⁵⁸

Trading produces considerable profits and revenues for private actors as well. For example, in Galkayo, armed groups known as qabbaans from the main clans of both sides make a living by escorting vehicles carrying goods from one side of Galkayo to the other—one group escorts the vehicles to the border where the other takes over. It was also suggested that these groups were involved in maintaining a level of insecurity in the city in order to ensure the continued need for their services. Abdirahman Issa of Galmudug State's finance department in Galkayo explained:

Before Galkayo became more peaceful, what we used to do was to bring the truck to the Puntland side and then send [an] armed escort to bring the truck. This armed escort is called QABBAAN and it is them who kept the city insecure to continue benefitting from insecurity.⁵⁹

54 Interview with Hirshabelle's deputy parliament leader, Jowhar, 21 March 2021.

55 Interview with North Galkayo councilor, Galkayo, 20 March 2021.

56 Interview with Hirshabelle deputy parliament leader, Jowhar, 21 March 2021.

57 Interviews with three Puntland revenue officials, 10 March 2021.

58 See 'Puntland parliament approves 2021 budget', *Somali Dispatch*, 25 November 2020. (<https://www.somalidispach.com/latest-news/puntland-parliament-approves-2021-budget/>) Although reduced from the year before (largely due to the economic impact of COVID 19) the total budget of USD 341,861,037 is far larger than that of Galmudug (USD 17.2 million). See 'Galmudug president approves \$17 million for 2020 budget', *Hiiraan Online*, 3 March 2020. 9 (https://www.hiiraan.com/news4/2020/Mar/167324/galmudug_president_approves_17_million_for_2020_budget.aspx) Both budgets are far higher than their tax revenue would suggest as they also include substantial amounts of NGO and UN spending, as well as FGS subsidies.

59 Interview with Abdirahman Issa, Galmudug State Finance Ministry, Galkayo, 10 March 2021.

Due to the improvements in security since 2017, and the subsequent reopening of Galkayo's main road in 2018, the need for the services of the qabbaans has decreased.

Galkayo's checkpoints operate like private enterprises owned by the local Cumar Maxamuud (Galkayo North) and Habar Gedir (Galkayo South) clans. Even though the Puntland and Galmudug administrations formally run these checkpoints, the clans still benefit from the taxes generated there. This is because a considerable proportion of the revenue generated isn't declared to the government. It is kept by the men at the checkpoints who are normally from the same clan that erected the checkpoint.⁶⁰ According to a transport broker in Galkayo North:

All these checkpoints you see today are clan checkpoints where the bandits of a certain clan were forcing travelers to pay them. That is how it developed. Our side, Puntland, is very keen in showing their difference and that they are an orderly state. They will never give you real information because they are afraid of anyone seeing the real face.⁶¹

At first, militias manning the checkpoints taxed khat transporters, mostly collecting khat instead of money. They subsequently started collecting money from passing lorries and, eventually, from every passing vehicle. As state authority developed in Puntland, the number of checkpoints was reduced. Those that survived were manned by state security forces and collected official taxes. This has also taken place in Galmudug, but the process of state formation, and thus the formalization of the checkpoint system, has been slower there. The takeover of the checkpoints by state authorities is, however, a contributing factor in state formation—revenues accrued are an important part of state incomes.

Following the Galkayo peace accord, which was signed in 2017, the Federal Government of Somalia became the main security provider in central Galkayo. The FGS also has control over investments in Hobyo, the road surfacing projects and the administrations of the other federal member states in south-central Somalia, which have not developed the same degree of independence as Puntland. Al-Shabaab also has an increasing military and economic presence along the entire Bosaso corridor and in the Galkayo border region. Many clans, companies and individuals operating in the corridor have to deal with al-Shabaab, either by paying taxes, or having other understandings or agreements.

Al-Shabab taxes lorries when it first interacts with them, and then every three months afterwards. A transport broker in Galkayo explained: 'Al-Shabaab tax all the lorries coming and going to the South. That is a fact. They are able to cut the road and the follow of goods so there is no choice'.⁶² The militants have been attempting to bring

60 Interview with North Galkayo councilor, Galkayo, 20 March 2021.

61 Interview with transport broker, Galkayo, 13 March 2021.

62 Interview with transport broker, Galkayo, 13 March 2021

some clans under their allegiance and are taxing the main north-south artery road through Galmudug and Hirshabelle.⁶³

Despite the interference of non-state actors, goods typically follow a predictable trajectory as they are traded across borders. After being taxed at the port of entry, goods start their long journey to various terminal markets in south-central Somalia, incurring more taxation on the road. Every FMS has a main tax that is levied on loaded vehicles. The exception is Puntland, which theoretically uses tariffs on all its borders including the ports. However, in practice Puntland's checkpoints also tax on the basis of a loaded truck—the same manner as neighbouring states. For example, a lorry bringing goods to Yeed in Bakool will travel more than 1500 kilometers from Bosaso, passing through four states as well as al-Shabaab territory, which all levy a tax. As a director of one of the largest commodity importers in the country explains:

Puntland on its own isn't a good market as its population is small. Puntland doesn't buy even 15 per cent of the goods we bring through Bosaso port. The rest goes to the Somali Regional State [Ethiopia] and South central [Somalia], all the way to Baidoa.⁶⁴

Galmudug and Hiiraan tax commodities based on the size of the loaded truck crossing the checkpoint. For example, a 33-tonne lorry is taxed USD 500. The same lorry carrying livestock going northward to Puntland is taxed USD 270.⁶⁵ When the lorry enters Puntland territory in Galkayo, taxes are levied based on the type of goods it carries. Full tariffs equivalent to those applied at Bosaso port are applicable to imported goods. Puntland applies these tariffs in full across all its borders, regardless of whether the product enters through an international route or another FMS. As a result, goods imported through Mogadishu are too expensive to compete in Puntland, which protects Bosaso port and commodities traded along the main catchment areas of the Bosaso-Galkayo trade route.⁶⁶

With goods like maize, sorghum or beans, which are produced within the country and are destined for Puntland, customs officers typically are lenient and lower taxes in the expectation that they will either be consumed in Puntland or are exported from Bossaso where they will be taxed.⁶⁷ Some 15 checkpoints between Bossaso and Galkayo charge a district development fee, adding up to a total amount of some USD 200. This tax is locally known as birqaad, meaning 'lifting the barrier' or 'rope'.⁶⁸

63 Author's conversations with key informants, Galkayo, March 2021.

64 Interview with large commodity importer, Oman, March 2021.

65 Interview with driver, Galkayo, 19 March 2021.

66 Somaliland does the same with goods entering its borders from the west in order to avoid competition with goods imported through its main Berbera port. See Musa, 'Lasanod: City at the Margins'.

67 Interview with Abdirahman Issa, Ministry of Finance, Galmudug State, Galkayo South, 10 March 2021.

68 Interview with travel company operator, Galkayo, 15 March 2021.

In contrast to Puntland, Galmudug and Hirshabelle still tax by the load. Galmudug state applies a tax rate that is simple to follow: there is one tax for each lorry type, regardless of the goods that it is carrying. For example, a 36-tonne—a standard weight—lorry pays USD 520 in taxes, which are generally included in the transportation fee (rather than being paid by the owner of the goods being transported). Renting a 33-tonne lorry to carry goods from Bosaso to Galkayo costs USD 2500. About USD 1200 is made up from taxes if the lorry crosses over to Galmudug.

The business community, including the transportation sector, often collectively undertake informal negotiations with authorities whenever the latter increase taxation. These are hard negotiations after which an agreement is made on new prices taking the taxation to account. Yaisin Abdullahi Ali, a trader in Galkayo, explained: ‘If taxes of checkpoint costs change, the transporters and business community form an alliance and negotiate hard with the authorities or any entity such as al-Shabaab’.⁶⁹

There are also other small checkpoints, including those that belong to al-Shabaab or Deash (Islamic State) as opposed to an official authority. The business community negotiates for stable and predictable prices along the whole corridor.

Table 2: *Transport costs and taxes*

Journey	Load Type	Cost USD	Puntland tax	Galmudug Tax	Hirshabelle Tax
Boosaaso Baladweyne	Food staffs/ assorted goods (Bagaash)	USD 3300 per 30-tonne lorry or USD 11 per quintal	USD 200, lifting barriers	USD 465	USD 530
Boosaaso Baladweyne	Fuel	USD 3550	USD 200	USD 465 +USD 225 (USD 1.5 per barrel)	USD530
Baladweyne - Boosaaso	Shoats	2300 - 2500	USD 2.5 per lorry	USD 200	USD 530
Boosaaso Guriel	Food staffs/ assorted goods (Bagash)	USD 8 per quintal USD 2400	£200 barrier lifting	USD 465	

69 Interview with Yaisin Abdullahi Ali, trader in Galkayo, March 2021.

Journey	Load Type	Cost USD	Puntland tax	Galmudug Tax	Hirshabelle Tax
Boosaaso Gaalkayo	Fuel	USD 2625	\$200	USD 625	

Source: Interview with a driver, Gaalkayo, 19 March 2021.

The current Galmudug president Ahmed Abdi Kariye ‘Qoorqoor’ and Puntland’s president Said Abdullahi Dani have been on good terms and seem to have accommodated each other on many issues, including taxation and security.⁷⁰ Many of the goods entering Puntland are consumed in Puntland or, as in the case of livestock exports, are taxed at Bosaso port. Therefore, Puntland’s customs officers are more lenient towards goods originating from Galmudug, and reduce taxes compared to commodities that enter Puntland from Somaliland. Traders reported that if a Puntland customs officer in Gaalkayo thinks that the goods are destined for Somaliland, the price rises.⁷¹ Fuel, staple foods and many other goods are not brought to Puntland from the southern Galmudug side simply because Puntland’s existing tariffs make them unprofitable.

Galmudug is currently developing Hobyo port some 262 km from Gaalkayo. In August 2019, the Qatari ports management company Mawani Qatar signed an agreement with the federal government to build a port in Hobyo.⁷² No construction has taken place so far, but Galmudug state has begun building a gravel road to the port. Another port close to Gaalkayo, on the Puntland side, is Gara’ad, which is currently nearing completion. The Gara’ad port is financed by Mudug (Gaalkayo)-based businesspeople who felt they could make money from the corridor and more importantly Ethiopia’s Somali region—Gara’ad is much closer than Bosaso.

⁷⁰ Interview with Galmudug Finance Coordinator, Gaalkayo, 10 March 2021.

⁷¹ Interview with travel company operator, Gaalkayo, 15 March 2021.

⁷² ‘Mwani Qatar signs agreement to construct Hobyo Port in Somalia’, *Ship Technology*, 20 August 2019 (<https://www.ship-technology.com/news/mwani-qatar-hoby-port-somalia/>)

Conclusion

The Galkayo trading border began as a clan frontier between the Darod and Hawiye clans.⁷³ Over time, this has evolved into the current administrative boundary between the Puntland and Galmudug states, shaping the ways in which the border is governed, as well as the taxation of commodities that are traded across it. Although the boundary that runs through Galkayo—dividing the region into north and south—is not accurately mapped, every piece of land and each property can be said to belong to either Puntland or Galmudug. At times, this determination is made based on a property owner’s clan affiliation, rather than the physical boundary line. In terms of taxation, both Puntland and Galmudug treat the border as an international border, administering the same tariffs and taxes which are applied to goods imported through a seaport. The only differences are the ways in which these taxes are applied in practice, the administrative capacity, and the consistency in applying these taxes.

The three states that rely on trading across the Galkayo border appear to be benefitting in equal measure, earning an estimated USD 300,000 per month from taxing commodities transiting along the main north-south road, which is at the core of the Bosaso corridor. However, Puntland benefits most from the corridor as it can tax all the goods destined for other federal members states. Although none of these sub-national entities provide much to their citizens in terms of public services and goods, Puntland is clearly ahead in state building. Its public revenue and revenue collection significantly exceeds that of the young Galmudug state. Puntland’s budget for 2020 was USD 346 million, while Galmudug’s was USD 17.2 million only. Puntland’s budget included a large percentage of NGO spending and UN projects, including WFP. Nevertheless, it is far higher than Galmudug’s.

Before the hardening of the clan-cum-administrative boundary within Galkayo, the town was diverse in terms of inhabitants’ genealogical descent. Galkayans could live where they wanted. Although security has improved over time, the border keeps people apart, as they can’t live or use their properties if they are on the ‘wrong side’. The city center is now being rebuilt, but even though there is no visible border demarcation, Galkayo’s inhabitants are very much conscious of which side they are on, knowing the implications of this divided city and clan territory. In spite of vibrant cross-border trading across the Galkayo border, the latter continues to segregate people.

The basic political rationality underlying the recent creation of federal members states has been that each is ‘owned’ by a dominant clan. This state formation principle,

73 Small pockets of other clans such as the Dir and the Madhibaan live within Galkayo.

which shaped Somalia's federalization process,⁷⁴ effectively creates numerical majorities in every federal member state, which are excluded from power. The principle of 'one clan equals one federal member state' thus excludes large swaths of the population from decision-making processes. Moreover, newly created sub-national entities like Galmudug tend to administer their states as if they were an independent country, limiting citizens' economic freedom to do business independently of their clan affiliation, therefore restricting trade. They tax all citizens equally yet treat them differently.

This state-sponsored localism is limiting trade, investments, and cooperation across the Somali territories. It is also making trading more expensive, as the number of authorities imposing taxes on bypassing commodities has increased. Traders have innovated to overcome these hurdles by establishing partnerships and making use of technology. In every major town, brokers buy goods ordered by buyers who are far away. They rely on mobile phone applications like WhatsApp to communicate information to buyers, and settle orders and bills using mobile money. Lacking a legal framework to formally process these changes, the Somali business community has developed an unwritten code that governs trading across political and clan fault lines, as well as across federal member states. For example, if goods are lost in transit, the responsibilities of both the owner and the transporter are clearly understood, despite the absence of a written agreement stipulating that.⁷⁵

Another example occurred while transporting livestock, when many animals were dying or getting injured en route. To prevent this, a rule was agreed that any animal lost will be the responsibility of the transport owner. This resulted in a reduction in the number of animals transported per truck, and therefore the loss of livestock. The truck operators even differentiate between livestock from different areas, since the sizes are different. For example, a truck that carries 360 sheep and goats from Galkayo will transport only 330 shoats from Baladweyne since truck operators have learned that animals from Hiiraan are bigger than those in Galkayo. This unwritten rule forced the transport industry to self-regulate, prioritizing animal welfare above profit, without a written regulation. A third example is the prevalent use of guarantors, for instance, when employing someone of unknown quality or character. The guarantor will be responsible for any problem caused by the employee. This primarily takes place without any written agreement and is even used by large companies such as Hormuud.

High tariffs on goods coming from outside Puntland may temporarily function to keep Bosaso port's catchment area and internal market intact, which benefits Puntland's state coffers. In the long term, however—particularly if Berbera continues to expand

74 Jason Mosley, *Somalia's federal future: Layered Agendas, risks and opportunities*, London: Chatham House, September 2015. (https://www.chathamhouse.org/sites/default/files/field/field_document/20150902SomaliaFederalFutureMosley.pdf)

75 Interview with livestock trader, Galkayo, 15 March 2021: Employee of Nasiib Travel, Galkayo, 15 March 2021

its trading volumes towards south-central Somalia while Mogadishu trade continues to expand northwards—Bosaso port’s main catchment area may shrink to two-and-a-half regions: Bari, Nugaal and half of Mudug, which will significantly weaken Puntland’s revenue. To prevent this from happening, Puntland should promote a fiscal union that will benefit it long-term. For example, it could agree with Hirshabelle and Galmudug to abolish their checkpoints, and with a slight increase in the taxation level in Bosaso port, Puntland could pay Galmudug and Hirshabelle the revenues they were generating from the checkpoints. This will keep the larger corridor together without any loss. This could be further developed to share revenues from all ports and external borders, and include other Somali states, hereby reducing competition and wasting resources on building multiple ports that only serve as redistributive means and cost the country much needed resources. The hundreds of millions of dollars planned to be spent on developing Gara’ad and Hobyo ports could make Bosaso a world class port that can compete on a regional level.

Finally, another important consideration for the corridor to work properly, is that not only the goods but people within it must be able to move with ease. The current state governance system is creating a country where the majority of the population are marginalized from their state governments, as a minority within each state monopolizes power through sub-clan militias. In Galkayo, the IDPs are significant in number (60,000) but are excluded from politics and the economy. Changing this should be a priority as the security and the economic progress of Galkayo, and its surrounding territories, depends on it.

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Galkayo lies on the border between Somalia's Puntland and Galmudug states. The city has a violent history of political and clan-based conflicts, but it remains a vital conduit between several of Somalia's trade corridors and transport networks. *Contested Commerce: Revenue and state-making in the Galkayo borderlands* explores how, despite the restrictive borders, multiple tax regimes and security problems associated with the city, Somali businesses have developed innovative solutions to overcome these obstacles to trade.

