

RESEARCH ARTICLE

The state-capital nexus in fragile contexts: a case study of tax relations in Somalia*

Gayatri Sahgal

Centre for Africana Studies, University of Pennsylvania, Philadelphia, PA, USA
Email: gayatrisahgal@gmail.com

(Received 22 May 2025; revised 22 May 2025; accepted 23 May 2025)

Abstract

This paper examines state-business relations in Somalia. It argues that the Somali case presents a unique model of private sector development, where advanced businesses in the telecommunications, banking and financial sectors emerged despite the lack of formal state structure. The establishment of a formal government in 2012, however, raised questions about the ‘nexus between state and capital’, particularly on whether state institutions were ‘pivotal’ for business. In interrogating this question, the paper employs a qualitative process tracing approach and examines the relationship between the state and one of the largest private sector players – the telecommunications sector. It focuses on tracing the tax relations, which, as the material basis of the social contract between the state and society, offered fundamental clues into the sector’s willingness to invest in the state project. The article finds that despite capital’s capacity to survive in such contexts, there are certain junctures when formal state institutions emerge as critical for business operations. Thus, rather than a straightforward structural relationship between public and private power, the Somali case explicates the moments and instances when the state becomes critical for capital accumulation and offers greater insight into the molecular processes that underlie state-capitalist relations within the African context.

Keywords: Political economy; tax; fragile state; capitalism; Somalia

Introduction

In the summer of 2023, passengers arriving at Mogadishu’s Aden Abdulle International Airport were ferried from the tarmac to the main terminal building in freshly minted glossy green buses. The signage on the side of the

*I am indebted to Professor Wale Adebawo, Director of the Centre for Africana Studies, for his unwavering support and guidance. I would also like to thank Professor Michael Hanchard for his invaluable feedback.

© The Author(s), 2025. Published by Cambridge University Press. This is an Open Access article, distributed under the terms of the Creative Commons Attribution licence (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted re-use, distribution and reproduction, provided the original article is properly cited.

buses read: 'Twenty Years of Somalia's Success Story, Hormuud Telecom'. Similar pronouncements punctuated the city skyline with hoardings advertising 'the cheapest internet and data bundles on the continent'.

At first glance, the existence of a thriving telecoms sector appears improbable, especially considering the 20 years of protracted conflict and statelessness¹, that have riddled the country since the fall of the Siad Barre regime in 1991. Yet, such pronouncements are not mere bluster. Somalia offers one of the most affordable calling rates, is the seventh cheapest country in the world for mobile data (Kelly et al. 2021) and is a leader in mobile money transactions (Altai Consulting 2017; World Bank 2018). Strikingly, unlike the rest of the region, which is dominated by multinational conglomerates, 'the Telecoms sector is distinguished for being Somali-led'² (Iazzolino and Stremlau 2023: 15).

What is more, the industry emerged and grew in the absence of formal state institutions. While sections of the business class were deeply affected by the war, the lack of regulatory controls and predatory and exploitative practices of the Barre regime, alongside the inflow of international aid, allowed some businesses, especially those in telecom, banking and remittances to (re)establish their activity (Marchal 1996; Hansen, 2007; Hagmann and Stepputat 2016). Yet, even as the domestic market continued to expand, the resurrection of formal state structures proved challenging (Menkhaus 2007). Between 2000 and 2011, the country experienced a series of transitional governments (2000–2011), and it was only in 2012 that the first permanent government – the Federal Government of Somalia (FGS) took office (Bryden 2013; Hammond 2013).

Over the past decade, while the FGS has been increasingly reasserting itself and consolidating its control (Bryden 2013; Majid et al. 2021), it remains one of the weakest and most fragile states in the world (Fund for Peace 2023). The FGS is also unable to fund most of its expenses – only 30% are funded through domestic sources (World Bank 2023). The government also faces considerable opposition from regional administrations³ (the Federal Member States) and the insurgent group *Al Shabaab* (AS), which retains de-facto control over large parts of the country (Ahmad et al. 2022).

The Somali case, therefore, presents an interesting puzzle for several reasons. For one, it draws attention to capitalist dynamics within African polities, an area of research which has traditionally received limited academic attention (Breckenridge 2021; Van der Walt et al. 2021; Iazzolino and Musa 2024, Ferguson 2006). In particular, it highlights the role of African capitalists, who have thus far 'remained marginal' to the study of African political economy (Behuria 2022: 1). The neglect in part is owing to neo-patrimonialism and public choice intellectual trends, which have contributed to pessimism about the productive potential of domestic capitalists and their relations with state institutions (Behuria, 2022).

Second, the Somali case also questions the state's role in capitalist accumulation. Specifically, it raises the question of how businesses in the Telecom sector could develop and thrive without a permanent government and formal regulations. It, therefore, challenges some of the conventional thinking on the state's role in creating the base conditions for the effective functioning of capitalist markets (Evans 1995; Kohli 2004; Mazzucato 2019; van Apeldoorn

and de Graaff 2022). Fragile states scholars like Hagmann and Stepputat (2016: 27) have increasingly cautioned against such a 'state-centric' view of development and assert that 'economic processes always involve some kind of governance, which can be shouldered by either the state or non-state actors and as such a stateless economy is still a governed economy'. Khan (2010) also points out that in developing economies, informal institutions play a critical role in reducing transaction costs, dealing with the challenge of the limited enforcement of formal institutions (e.g. contract enforcement) and addressing market failures (e.g. transfer of technological capability). In the case of Somalia, substantial work has previously been carried out by Little (2003), Collins (2009), Lindley (2005) and Iazzolino and Stremlau (2023) on how 'informal'⁴ kinship and religious institutions were instrumental in helping the sector and other businesses adapt to instability and coordinate economic transactions.

A third question, which has received comparably less attention and is the subject of this article, is what configurations do state and capitalist relations take once the formal institutions of the state 'return'? Specifically, for the Telecom sector – which emerged in an environment of 'statelessness' (Menkhaus 2007: 97) – were formal state institutions 'pivotal for business'? (Cassanelli 2010: 43). This brings up another gap in the state-centric view, which assumes that the state is the most important institution for economic governance and that 'capitalists almost always have an interest in working with the state' (Whitfield et al. 2015: 24). In other words, there exists a structural linkage; the state is and always has been 'critical for the reproduction of the capitalist system, even in its most liberal mode' (van Apeldoorn et al. 2012: 473).

Consequently, apart from the work of scholars like Khan (2010),⁵ there has been less emphasis on tracing the specific moments and junctures when formal state institutions emerge as critical for capital accumulation. Thus, in a crowded governance arena, as in the Somali case (but also in many African states), the question that emerges is the role and significance of state institutions in governing economic transactions as compared to other non-state (informal) institutions (Titeca and Herdt 2010; Twijnstra 2014)? Further, in the context of the Somali federal state's institutional nascency, limited capacity and authority, the question was what specific 'returns' could such a fragile state offer capital.

In seeking answers to these questions, I interrogate the tax relations that emerged between the Telecom sector and the Somali federal state using a qualitative process tracing analytical approach. Specifically, I trace the causal mechanisms or processes underpinning the private sector and state fiscal relations. I focus on fiscal relations because taxation represents the material expression of the social contract, such that members of society pay taxes in return for collective goods and services (e.g. security, law and order, public goods) and some level of political representation (Bates and Lien 1985; Levi 1988; Sheild Johansson 2020). Further, as Jessop (1985: 359) observes that fiscal relations reveal the 'economic relatedness that binds governments finances to capitalist accumulation': taxes collected from capitalist surplus fund the government's activities and policy goals. Relatedly, the nature of government intervention determines the patterns of capitalist accumulation, e.g. through tariff policies, governments can support or curtail specific industries and

businesses (Streinzer 2023). Scrutinising the nature of tax payments can therefore provide a more concrete understanding of the ‘returns’ the sector expected from the state.

In applying this approach, the development of Somali Telecoms attests to how capital investments can be institutionalised in the absence of effective formal state institutions. However, the Somali case also shows that as the Telecom sector grew larger and became more professionalised and globalised, it sought ‘returns’ that could be principally provided by formal state institutions. Thus, the paper contributes to the extant literature by explicating the moments and instances when the state emerges as critical for capital. As such, it also fills a critical gap in the literature on ‘African capitalism’ (Breckenridge 2021).

The remainder of this paper is organised as follows. The following section takes stock of the critical debates on the state’s role in capitalist development, particularly the contemporary stream of research on state capitalism. The limitations of such perspectives are considered, especially as they relate to the fragile state experience and the understanding of African capitalism. In the following few sections, a revised framing of state and capitalist relations is employed and applied to the Somali case. The historical context of state and capitalist relations in Somalia is first established to provide the necessary background to the evolution of the relationship between the FGS and the Telecom sector. Next, the methodological approach is laid out. Following this, the empirical findings on the nature of the fiscal relationship and the sectors’ interest and engagement in the state project are presented. In the concluding section, the findings and the implications for future research are discussed.

Theorising the state-capital nexus

The state’s role in capitalist accumulation has been approached from different perspectives. The works of Polanyi (1957) and Gerschenkron (1962) were critical in cementing the idea that the state had an important role to play in creating the base conditions for the effective functioning of capitalist markets. The intellectual legacy of John Maynard Keynes (1937) further expanded the understanding of the state’s role to encompass a much broader set of instruments, including industrialisation and diversification (e.g. developmental state model in Africa and Asia), strengthening regulatory standards and welfare provisions (e.g. social-democratic states in western Europe) and nationalisation and central planning (e.g. the Soviet Union) (Yergin and Stanislaw 2002; Nölke 2014; Wright *et al.*, 2021). In the 1980s, the rise of ‘neo-liberal ideology contributed to a retrenchment from earlier statism’ and a fading interest in the state’s role in the economy (Ferguson 2010: 170). By 2010, however, the ‘state was back’; transformations in the global economy, including the multiplication of state-capital hybrids, sovereign wealth funds (SWFs) and state-owned enterprises (SOEs), saw a renewed interest in the state and its role in capitalist accumulation (Alami and Dixon 2020).

In recent years, these transformations have come to be identified and taxonomised as ‘state capitalism’ (Alami and Dixon 2020; Alami *et al.* 2022).

While contentions abound on whether ‘state capitalism’ represents a new variety of capitalism or if it represents a fundamental shift in the role that the state has previously played in capitalism, van Apeldoorn and de Graaff (2022) and Alami and Dixon (2020, 2024) argue that state capitalism must be viewed within the long arc of the state’s intervention in the economy.

For these scholars, there exists a structural relationship between state and capital: the state is essential to the functioning of the capitalist system and the capitalist system, in turn, is also dependent both financially and politically on successful and sustained capital accumulation (Alami *et al.* 2022; van Apeldoorn and de Graaff 2022; Alami and Dixon, 2024). Therefore, rather than framing the issue as a ‘return of the state’, it is instead essential to identify the reconfiguration of the various roles the state plays and has played in addressing the obstacles to capitalist accumulation (Alami and Dixon, 2024). Building on previous scholarship, van Apeldoorn and de Graaff (2022), in particular, identify four main roles of the state:

- Market creation, which includes the institutional structures (e.g. contract and regulatory standards, law or private property) and political conditions (e.g. security, law and order) and collective goods (e.g. roads, transport) necessary to re-establish and generally ensure the effective functioning of markets (van Apeldoorn *et al.* 2012; Harvey 2005; Evans 1995).
- Market correction: acts by the state that correct market outcomes and constrain market forces on a durable basis and ultimately ‘function to avoid capitalism’s collapse under the weight of its contradictions’– what Polanyi previously described as ‘double movement’ (van Apeldoorn *et al.* 2012: 475). Examples include income redistribution via progressive taxation, and welfare and social protection policies.
- Market direction: In such instances, the state plays a role in directing processes of capitalist accumulation: ‘Seeking to foster, guide and direct capital accumulation by at times taking up a role of its own as an agent of capital (e.g. state enterprises)’ (van Apeldoorn *et al.* 2012: 475) and at other times assisting in the emergence of new entrepreneurial groups or inducing existing groups to venture into more challenging kinds of production (e.g. tariffs, subsidies and incentives) (Evans 1995; Mazzucato 2019).
- Protecting external interests of capital: This includes interventions ‘ranging from direct commercial support to improving the competitiveness of domestic firms (import levies, export subsidies, securing access to global markets and financial infrastructure) and the practice of economic diplomacy to the forceful protection and promotion of business interests abroad’ (van Apeldoorn *et al.* 2012: 474). In a nutshell, the state protecting the interest of ‘its’ capital in the global market.

These roles of the state not only overlap but also coexist in any capitalist system. Thus, states simultaneously play such roles, and what differs across time and space is how they are combined and moulded and which roles gain more prominence (van Apeldoorn and de Graaff 2022). State capitalism,

therefore, ‘represents a quantitative rather than a qualitative enlargement of the state’s role as an owner, promoter (market direction and correction) and supervisor of capital across spaces of the world economy (protecting the external interests of capital)’ (Alami 2023: 768). It is, therefore, a different modality of the expression of the capitalist state and can therefore be thought of as an ‘immanent potentiality’, an impulse that is contained in the very DNA of a capitalist state (Alami and Dixon, 2024, p. 62).

From the perspective of the overarching research question: “When do formal state institutions of the state emerge as critical for capital accumulation?,” the state-capitalism literature offers a compelling framework for conceptualising the state’s role in capitalist accumulation. Notably, understanding the different roles of the state can help with delineating the ways the ‘state’ becomes critical for capital (van Apeldoorn, de Graaff and Overbeek, 2012; Mazzucato, 2019; van Apeldoorn and de Graaff, 2022; Alami and Dixon, 2024). However, while analytically useful, the model is not as easily translatable for unpacking the Somali case and the emergent relations between the state and the Telecom sector.

For one, while different types of nation-states are mentioned and discussed, the overwhelming concern of the state-capitalism literature is with developed or developing states (mainly Asian and Latin American states) with limited emphasis placed on the relations between state and capital in the African context (Wiegratz 2019; Iazzolino and Stremlau 2023). Thus, as Van der Walt *et al.* (2021: 546) summarise, ‘analyses of state capitalism have largely bypassed Sub-Saharan Africa’. Relatedly, there is less mention, for instance, of fragile states that exercise limited monopoly over the means of coercion and possess insufficient capacity to play a more direct role in capital accumulation and serve and defend the interests of domestic capital on a world stage.

To reconcile these gaps and conceptualise how even a ‘weak state’ could be relevant to capital and capitalist transformations within the African context, Chitonge (2018: 160) proposes that it is critical to not fixate on the idea that capitalist relations should ‘develop in the same way as they did in Europe’. Palley (2023), for instance, notes that mainstream economic thinking tends to analyse real economies against an ‘ideal market economy’ with deviations from the ideal marked as pathologies. Thus, one reason for the limited emphasis on capitalist developments in Africa is that capitalist transformations have been associated with the separation of the direct producer class from the means of production (i.e. wage earners) and the emergence of a market-driven economy, i.e. production for market exchange (Chitonge 2018). By such accounts, most African countries have remained pre-capitalist since the extraction of economic surplus is not based on wage relations given that a majority of the labour force relies on the land for their livelihood (Saul and Leys 1999; Whitfield *et al.* 2015), and the ‘substance of society has yet to be subsumed by the laws of the market’ (Adebanwi 2017: 3).

However, Chitonge (2018: 162) points out that across the continent ‘extraction has not only been restricted to wage labour relations; but rather, exploitation is mediated through a complex network of capitalist operations ranging from multinational companies engaged in extractive industries

(Ferguson 2006), the service-oriented capitalist firms' (e.g. shipping and banking) to the varied forms of international finance that land in particular sites (foreign direct assistance and aid) (Goodfellow 2022). Thus, it is possible to gain particular insight into capitalist social formations on the continent by focusing on modes of accumulation, including: '(i) exploitation⁶ of the majority by a capitalist class (whatever form this may take – internal contradictions), (ii) concentration of power and control of a few (which might be corporations and political elites – internal instability) and, (iii) highly unequal distribution of resources and wealth in society (unevenness)' (Chitonge 2018: 161).

In apprehending the contours of a fragile state, Migdal and Schlichte (2016) and Hagmann and Péclard (2010: 2) suggest that the 'state needs to be conceived differently'. To begin with, the state should be seen as 'a field of power that is shaped by the "image" of a coherent and controlling organisation and territory and the actual "practices" involving those staffing its multiple quarters' (Migdal and Schlichte 2016: 15). This definition offers two points of leverage. One, rather than the Westphalian notion of the state as an autonomous, coherent and rational entity, the power of the state is understood as being dynamically co-constituted by the image or idea of the state and the actual practices of state officials (Sharma and Gupta, 2009). Appreciating this distinction makes it possible to study the different ways in which images and practices condition the flows of power and to consider a variety of states, including many present-day fragile states (Migdal and Schlichte, 2016). Additionally, although Marxist scholars have long pointed out how the ideological state apparatuses reproduce capitalist exploitation (e.g. religious institutions, educational institutions and families) (Althusser, 2010; Hall, 2018), 'the idea of the state as having ideological power' has received less emphasis, especially in how it reproduces social relations of production (Abrams, 1988, p. 124).

Second, the notion that the state is not a coherent whole but is rather co-constituted by the 'idea' and the practices of state functionaries suggests that the state's image and materiality can run counter to one another (Sharma and Gupta, 2009; Bierschenk and de Sardan, 2014; Migdal and Schlichte, 2016). Therefore, as in the Somali case, 'it is possible that the image of the state can persist through long periods in which practices contradict that image' (Migdal and Schlichte 2016: 35).

From a tax perspective, the implication is that even where the state is not a coherent entity with a monopoly over the means of coercion, there is conceptual room to imagine how there may be certain returns – material but also symbolic – that the state could offer capital. Material returns include the roles that van Apeldoorn and de Graaff (2022) identify as those that the state can (and does) play in facilitating capitalist accumulation – market creation, direction, correction and protecting external interests. In many fragile states, Trefon (2009) finds that certain services require specific administrative or technical actions that only the state can fulfil. Similarly, Titeca and de Herdt (2011) also note that the 'public' provisioning of services continues, even when the services are delivered by a variety of actors. In other words, the idea of the state as the final actor responsible for this service is not challenged but is instead reinforced.

Second, state imaginaries can also be used and deployed to justify tax contributions. As Hoffmann *et al.* (2016) argue, public authorities can assert their legitimacy to tax by recalling the image of an imagined state and community. In the Somali context, Mursal (2018) finds that local traders and businessmen in Mogadishu recalled the image of the state to justify paying taxes in a sense that tax was seen as a co-terminus with the state, 'where there was a tax, there was a state', despite the autonomous way the business groups regulated the marketplace.

Lastly, the assertion of the authority to collect taxes is not just an economic dynamic for public authorities; it also entails the process of recognition of the authority and citizenship of the populace. As Lund (2016: 1206) puts it, 'in exchange for valuable property rights and other entitlements, people "recognise" the political power of the institution through the payment of tax'. Thus, another type of symbolic return is how tax payments can emerge as a route through which taxpayers 'document their citizenship' and 'make their claims thicker and more provable' (Goodfellow and Owen 2020: 32).

In re-conceptualising the state and capitalist transformations in such ways, by considering the modes of accumulation and not fixating on the Westphalian idea of statehood, it is possible to see how capitalist formations may emerge, even in contexts of weak state capacity. Together, these framings offer a different way of thinking about fiscal relations. In particular, they imply that when the state is materially weak, there may still be certain returns, including those more symbolic in nature, in exchange for which businesses would be willing to pay taxes. Such relations may especially emerge if state institutions become critical for capital.

In the next section, I discuss the relevance of such framings in the Somali context by first offering some historical backdrop into how state-capitalist relations have developed. In doing so, I pay attention to the fiscal dynamics, which provide an intersecting lens for studying evolving relationships.

Tracing state and capital relations in Somalia

In the post-independence period (1960–1969), the Somali state, as in other African countries, was seen as the primary agent for economic growth and industrial development (Austen 1987; Saul and Leys 1999; Van der Walt *et al.* 2021). However, the economy, which was primarily reliant on traditional agriculture and pastoralism, had limited productive capacity to fund such capital-intensive efforts (Samatar, 1985). To finance its ambitious goals, the state relied heavily on foreign aid, which funded almost 88% of the government's expenditure (Mehmet 1971; Laitin and Samatar 1984). Yet, despite the considerable flow of external aid, the Somali economy continued to stagnate, and the state was increasingly seen as the main pathway for gaining access to resources and economic opportunities. Business groups (mainly urban traders) developed clientelist relationships with the state to secure lucrative contracts (Marchal 1996). As a result, corporate tax collection rates were subsequently reduced⁷ (Reyner 1960).

The fiscal situation worsened considerably over the next thirty years (1969–91) owing to the Barre regime's failed policies (first socialist, then structural adjustment) and large-scale mismanagement of the economy. Businesses, mainly in the livestock, trade, remittances and related sectors, retreated from the formal economy, and an increasing number of transactions was conducted in the informal economy (Mubarak 1997; Webersik 2006; Hagmann and Steputat 2016). As the formal economy declined, the private sector began to see the regime as disruptive to economic development, and the aversion to taxation became even more acute (between 1975 and 1985, corporate taxes fell from 10% to .1% of total revenues (Purohit, 1990)).

The business class underwent significant evolution following the state collapse (1991), which achieved what structural adjustment had failed to bring about – 'privatisation of the economy' (Hagmann 2005: 528) (Hagmann 2005: 528). Relying mainly on customary (kinship) and religious institutions, Telecoms emerged as one of the fastest-growing sectors of the economy and generated revenues equivalent to 11% of Somalia's GDP and was among the largest employers (employing more than 25,000 people) (MPIED 2017; World Bank 2021b). Despite the lack of regulatory or fiscal certainty, Somalia's actual growth trajectory of unique mobile subscribers (32.8% in 2020) exceeded those of Djibouti and Ethiopia (more stable neighbouring countries).

By the late 2000s, the sector was dominated by three leading players or Mobile Network Operators (MNOs) – HTG group (consisting of three franchise entities: Hormuud, Telesom and Golis), Somtel and Amtel⁸. There were also ten smaller players or Internet Service providers (ISPs) specialising in Internet-related services. Furthermore, the main MNOs had also evolved into large conglomerates or what Behuria (2020) describes as 'Diversified Business Groups' (DBG) with interests in sectors ranging from banking, real estate and construction to transport and agriculture (Meester *et al.* 2019; Elder, 2022).

The result was that even as capitalist relations reminiscent of the Western paradigm – the separation of the 'direct producer' from the means of production – continued to be absent, 'there was plenty of capitalist investment and surplus extraction' going on in Somalia (Chitonge 2018: 257). The Somali economy was dominated by a few capitalists, such as those in the Telecoms sector, who exercised significant control over many sectors of the economy. Thus, similar to broader regional trends, Somalia shared many of the features of the capitalist accumulation proposed by Chitonge (2018: 161) – a concentration of power and control in a few corporations and a highly unequal distribution of resources and wealth⁹.

Despite the considerably weak capacity (discussed previously) of the newly established federal government, the Telecom sector began paying taxes to the FGS. Over ten years, the sector's tax contributions increased from US\$ 3.9 million (2014) to US\$ 42.8 million (2021) (Abshir *et al.* 2019; Kelly *et al.* 2021). In 2017, the FGS also successfully passed the National Communications Law, the first such sectoral law that established the legal regulatory and institutional framework for the Telecoms sector (FGC 2017; FGS 2017) (See Figures 1 and 2 for more details).

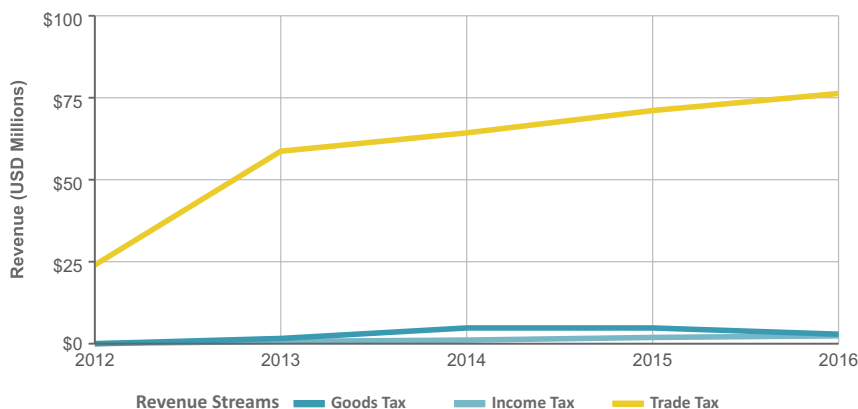


Figure 1. Revenue trends 2012–2016.

Data Source: International Monetary Fund (2020); World Bank (2018)

While some taxes, like corporate and income taxes, were still low and paid on a negotiated basis¹⁰, other types of taxes, such as license fee payments, were standardised and regularised (Kelly *et al.* 2021; Abshir *et al.* 2019). To some extent, the entangled and rent-seeking relations between the political and economic elite explained the nature of tax relations. As van den Boogaard and Isak (2025) and Menkhaus (2018) note, the close clan partnerships, personalised relationships and a shared desire to appropriate rents disincentivised senior administrative officials and politicians from taxing the business community. However, while sector leads were unwilling to make higher corporate tax contributions, they seemed amenable to paying other kinds of taxes – license fees and sales taxes (based on self-reported figures). The passage of the Communications Act (2017) also signalled the sector’s willingness to engage with the state and be regulated. Thus, it was essential to explain –

Why was the sector willing to pay some taxes and fees (even as it avoided others) to a state with limited authority (undermined by the threat of the AS insurgency), legitimacy and capacity to deliver ‘reciprocal returns’?

This question also raises two specific sub-questions:

- What specific returns could the state offer the sector in exchange for which it was willing to pay a certain amount of tax?
- Did fiscal engagements reflect a shift such that formal state institutions emerged as ‘critical for business’?

The following section discusses and elaborates on the methodological approach adopted to interrogate these questions.

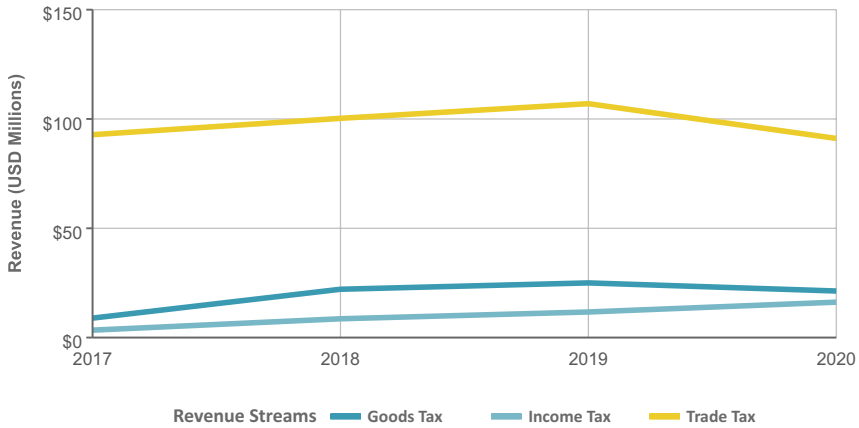


Figure 2. Revenue trends 2017–2020.

Data Source: International Monetary Fund (2020); World Bank (2018)

Methodology

The study adopts a qualitative methodology following a process tracing (PT) approach. The PT method is a within-case method of tracing ‘the process linking a cause (or conjunction of causes) with an outcome’ (Gerring 2008 in Beach and Rohlfing 2018: 7). The benefit of this method is that it enables strong causal inferences to be made about how ‘a cause’ is linked to a specific ‘outcome’. In the case of this research, the cause was the factors explaining the tax payments of the Telecom sector (outcome) to a weak capacity state. Moreover, the method also helps to adjudicate among alternative causes or explanations. As Bennett (2010: 179) notes, ‘the objective of the method is to uncover the observable implications of hypothesised explanations and to assess if the events fit those predicted by the hypothesised process rather than an alternative theory’.

The analysis process began with ‘soaking and probing the empirics of the case’ (Beach and Pedersen 2019: 2). The underlying literature was reviewed ‘to gain clues about the potential explanations’ that explained the sector’s willingness to pay some taxes to the state (Beach and Pedersen 2019: 2). Based on this analysis, three explanations were identified – taxes are paid in exchange for material returns, legitimacy and symbolic returns associated with ‘idea’ of the state (see section 2). Drawing on the theory of critical junctures, each explanation was deconstructed into its constituent parts to uncover the permissive conditions¹¹, i.e. activities or entities involved in the easing of constraints. Next, the data was analysed by gathering and triangulating the diagnostic pieces of evidence and paying attention ‘not to the amount of evidence, but its contribution to confirming a causal process’ (Bennett 2010: 180).

The research covered the presidency of Hassan Sheikh Mohamud (2012–2016) and Abdullahi Mohamed ‘Farmajo’ (2017–2021)¹². The sampling frame

included 345 potential respondents. Of these, 240 people were contacted, and interviews were completed with 110 respondents, mainly representatives of the Telecom and related sectors, federal (Federal Government of Somalia (FGS) and state officials (Federal Member States), representatives from international and national development organisations, Telecom experts and academics (A breakdown of the demographic profile of the respondents is included in the See [Figure 3](#)).

State-telecoms fiscal dynamics

The incipient reconstruction and expansion of Somalia's economic and financial infrastructure following the institution of a formal government in 2012, in a business context that was increasingly globalised and internationalised, gave rise to a new set of challenges which could not be easily overcome through a 'free market approach' or the reliance on informal institutions and structures (Hagmann 2005). In this section, I discuss these challenges and explain how they underlaid the sector's tax incentive. In presenting these findings, I also relay and analyse the implications, i.e. did fiscal engagements reflect a shift such that formal state institutions emerged as 'critical for business'?

Collective goods and services

In my interviews with Telecom operators, there were repeated references to how the sector required specific 'returns' necessary for 'market creation' and 'protecting the external interests of capital', including a stable regulatory environment, infrastructure investments, security, and law and order. In the following sections, I explain these types of returns and why they emerged as critical for the sector.

Stable regulatory environment

In the period before the institution of a formal regulatory framework, i.e. the FGS (2017), Telecom companies resorted to self-regulation. The biggest operators took on a coordinating role and allocated spectrum by splitting up the spectrum bands and numbering plan and deciding which operator used the specific area and network code.¹³ While the system worked during the initial years, some level of regulation became necessary to attract greater investment.¹⁴

In particular, the absence of formal regulations had constrained the sector's capacity to raise capital and promote investment.¹⁵ Specifically, as Telecom experts (Aghion *et al.* 2005; Katz and Jung 2021) have also argued, rather than 'strangling' or constraining capital, regulatory standards lower transaction costs, encourage innovation and, as such, create a more predictable environment for investment. Access to credit was a particularly salient concern in the Somali context, given that credit to the private sector as a share of GDP was below 3%, and 63% of firms found it difficult to access finance (World Bank 2021b; Abdi 2022).

In the past, the bigger Telecom companies had raised capital by offering shares to local clan and religious leaders, which became known as the 'Multi clan shareholder model'¹⁶ (Iazzolino 2015; Ahmad 2017). This model was fairly successful in raising investment from the domestic market. However, it was particularly challenging for smaller players (ISPs) who had fewer clan connections and had limited access to domestic capital. ISP representatives¹⁷, therefore, pointed out that without such laws and regulations, international investments would be particularly difficult¹⁸.

Unlike the smaller players, the larger actors like HTG were able to raise working capital from internal sources. The DBG model, in particular, provided a framework for capital mobility between businesses (Behuria 2022; Meester *et al.* 2019). However, for these more prominent players, regulatory licenses lent a degree of formality which could be leveraged to improve competitiveness in international markets. For example, only 'licensed operators' could establish mobile roaming agreements with operators in other countries and facilitate mobile connectivity for their clientele travelling outside the country (GSMA 2012). The increased competitiveness could also be leveraged to mobilise investments from international organisations, which were more likely to collaborate with established and licensed businesses.¹⁹ Thus, the particular leverage regulatory licenses offered to larger players was not only legal certainty for investment but also the extent to which the licenses could strengthen the competitiveness of their businesses on an international stage and protect their external interests.

Therefore, both sets of players were willing to pay Telecom license payments because licenses would ensure greater 'certainty' for their investments. Thus, even as they resisted the movement towards a formalised and assessed corporate taxation system, they agreed to pay some tax (and regulatory fees) because of the (prospective) returns they could expect from regulations. As one expert explained: The 'capacity constraints of the FGS meant that the material returns were limited and as such for the sector, the payment of a negotiated tax outweighed the advantage of paying an assessed tax'.²⁰

Infrastructure investments

Being an 'infrastructure-heavy industry', a range of public goods were needed for the effective functioning of the Telecom market, including transport systems, electricity and qualified personnel. However, protracted conflict had destroyed much of the country's basic infrastructure: only 13% of the roads were paved²¹, electricity access was low at 35% (World Bank 2021a), and the country's gross enrolment ratio for primary school was among the lowest in the world (32%) (World Bank, 2018). Additionally, while Somalia's mobile telephony market was relatively well established, with a penetration rate of about 60%, the internet sector remained underdeveloped²², with less than 10% of the population having broadband access (World Bank 2022).

Consequently, experts noted that 'on the part of the private sector, there was an acknowledgement that if they did not pay taxes, then the government would not have the revenue to grow and develop the type of (human and

infrastructural) capital needed to develop the sector'.²³ Thus, as 'dysfunctional as it (the state) was, a dialogue emerged between the private sector and the state'.²⁴

Historically, one of the major constraints for the lack of financial investment was that Somalia had been disqualified from certain types of international financial assistance after defaulting on its debt (World Bank 2023). By 2016, Somalia had embarked on the Heavily Indebted Poor Countries (HIPC) debt relief process. The meeting of relevant HIPC benchmarks²⁵, including domestic revenue targets, was expected to restore the country's access to concessional loans from multilateral and bilateral lenders and allow the government to increase its spending on public infrastructure.²⁶ As one senior public finance official explained:

Till now, the World Bank and African Development Bank (AFDB) have been relying on donor funding and giving smaller amounts to the government. However, with the HIPC process, they [the FGS] could access concessional financing through the International Development Association (IDA) and other sources explicitly meant for fragile countries. The government would then be better positioned to finance larger infrastructure projects they did not have the money to finance earlier.²⁷

By 2020, the country had achieved a major milestone; access to donor financing subsequently increased, and several large projects were in the pipeline to improve service delivery.²⁸ Alongside, capital expenditure, while non-existent in 2013–14, steadily increased to account for 4% of total expenses in 2020–21 (World Bank 2021b)

Telecom sector representatives were also hopeful that the government's ability to invest in large projects would substantially increase following the completion of the debt relief process²⁹. Of particular concern was the development of a national backbone network which could only be funded through a public-private partnership (Albany 2017). The government was only likely to have access to such funding after the conclusion of the HIPC process when the country could access funding from international financial institutions. Thus, as one government official put it:

The only way the companies could build the infrastructure would be with the government's intervention. Moreover, there would be greater potential if the national backbone were developed. Somalia could become a hub for the region owing to its long coastline. It could sell broadband access to landlocked countries like Ethiopia. Somali Telecom companies could, therefore, really benefit if they worked well with and empowered the government.³⁰

The sector's willingness to pay taxes was seen as evidence of its interest in ensuring that the FGS could meet the HIPC benchmarks and access the financing needed to fund infrastructure projects. In 2019, the Telecom license

fees earned the government US\$ 8.7 million (World Bank 2021b) and contributed to what the IMF and the World Bank (overseeing the debt relief process) described as an underlying positive trend of boosting domestic revenues (Kelly *et al.* 2021).

Security

In the intervening years following the collapse of the government, Telecom businesses developed a vast private security apparatus to protect their assets. However, maintaining such an apparatus was expensive and insufficient to resolve the various types of threats experienced. Interlocutors pointed out that sector leads were encouraged to pay taxes to the government due to the continuing security challenges. However, as with the other forms of collective returns, there was a recognition that while the FGS's authority and coercive capacity were weak, backed by African Union Mission in Somalia (ATMIS) forces, the FGS could emerge as a counterweight to the threat posed by AS.

For instance, experts reflected that the sector had begun paying taxes to the FGS because of the security challenges they experienced:

The business actors supported the government but did so because it coincided with their interests. For instance, Hormuud began paying taxes to the FGS even before the Telecom Bill [2017]. There was much support between the two. They did so because Hormuud struggled a lot with AS, [which] exercised control over large parts of the country and saw the government as one of the best ways to deal with the threat.³¹

In particular, the types of security challenges that the government could address included protecting Telecom infrastructure from being attacked by AS, which was known to damage telecom towers.³² The cost of rebuilding a tower was expensive (between US\$10,000-100,000), and the repair could take up to two months, causing a loss in revenue and hardship to the local population who were cut off from the network (Lange 2020).

However, the weak capacity of the FGS meant that even as the sector was willing to pay some tax, the terms of the fiscal contract were not stable: The sector essentially bargained lower tax rates, especially corporate taxes were negotiated because of the state's limited capacity to counter the threat posed by AS and provide law and order. As a private sector representative pointed out that: 'If the Somali government could ensure our security, we would pay [higher taxes]. That was the discussion that we were having with the government'.³³

Thus, while the government did not currently have the authority or the capacity to counter the threat posed by AS directly, the backing of the international community and the ATMIS forces lent the FGS some credibility and offered a few points of leverage, which the sector was willing to invest in by taking a 'leap of faith'³⁴.

To summarize, the actors in the sector were interested in 'returns' necessary for 'market creation' and protecting the external interest of capital. The FGS was, to a limited extent, in a position to provide some of these goods. In

particular, the FGS could leverage the ideological credibility afforded to states (formal licenses and regulatory standards) and perform specific (material) functions, instituting regulations, achieving HIPC status, opening up avenues for infrastructure investment and serving as a counterweight to AS. In the context of these returns, there was an incentive for the sector to begin making certain payments (such as license fees) to the state even as it actively staved off efforts to increase other forms of tax contributions.

Legitimacy and recognition

One of the most critical concerns for the sector was the isolation from global financial institutions, which resulted from the banking and financial sector's inability to meet the prerequisites and protocols required by international financial institutions (World Bank 2022: 18). Specifically, the isolation resulted in a lack of correspondent banking services,³⁵ which severely impeded its access to credit and financial liquidity. Without correspondent banking services, it was not possible for companies to electronically transfer funds into or outside the country.

While the lack of correspondent banking services had been a persistent concern (even before 2012), as the sector expanded and its 'balance sheets grew', 'the concern increasingly became not just with getting money but moving money around'.³⁶ Moreover, the inability to meet standards and regulations like Anti-Money Laundering and Counter-Terrorism Financing Regulations and Know Your Customer (KYC) Protocols also made the sector particularly vulnerable to international sanctions:

At some point, if the industry remained unregulated, funds could also be completely cut off if there were no proper KYC policies. This was a big threat in Somalia. The industry had no choice but to go in the direction [of improving their legitimacy].³⁷

Thus, isolation from global finance, which restricted access to correspondent banking services, made the sector susceptible to sanctions and reduced the credibility of businesses. To overcome such limitations, the sector was willing to make some concessions. Specifically, they were willing to pay taxes and be regulated if it meant that they would gain some legitimacy in return (Lund 2016). Telecom operators explained how the most significant support the government could provide the sector was to lend it credibility, especially in its relations with foreign players and institutions. Legitimacy in international markets represented a vital 'return', in exchange for which the sector was willing to pay some tax:

I would say that the biggest support that the government gave us, and it was pretty evident that it could not do much in terms of helping companies build up, offer them bonds or loans, financial support – was to be the regulatory authority and to be the 'Government'. For example, if I led a fit-for-purpose company, my character report would need to be provided to regulatory agencies in other countries. The Central Bank of

Somalia was able to support this endeavour. So those kinds of things were quite helpful and championed the private sector.³⁸

Thereby, another underlying motivation for paying certain types of taxes was the sector's acknowledgement that the state served as an essential protector of capital on the world stage and that it was by confirming the state's legitimacy that the sector could also legitimise its activities and thereby also gain access to the global financial system (Hoffmann *et al.* 2016; Lund 2016). Therefore, despite the Somali state's weaknesses, the state as an ideological entity continued to possess significant currency.

Upholding the image of the state

It has been argued that despite the considerable weaknesses of the Somali government, the state as a concept had not lost all its relevance. As Varming (2019: 5) puts it, there was little doubt that the FGS 'was one of the competing state projects' (the other being the Sharia state that AS was attempting to establish). Nevertheless, it held a special status within an international state-centred system and the imaginations and expectations of local state actors and subjects. Similarly, Abukar Mursal (2019: 41) notes that despite the history of violence, the idea of the 'state' continued to be a recurrent framing that people used to make claims of political power.

The Telecom sector, in particular, was also not immune from the desire for state institutions. Within the broader African context, Behuria (2022: 9) finds that the diverse interests of DBGs across sectors make them more likely to be concerned with the economy as a whole. Elder (2022: 11) similarly notes that in Somalia, the interests of the large Somali capitalists, like those in the Telecom sector, had aligned more closely with the state over time. She argues that these actors had developed 'mutual interests' around national growth, the projection of 'clean' alliances and the expansion of state authority (and security).

The state was, therefore, seen as a remedy for the violence that riddled Somali society (Mursal, 2018). In particular, Telecom sector representatives emphasised that they were willing to invest in state institutions because 'although no one liked authority, especially businesses, which could operate the way they liked, there was a general understanding that a strong government was important for securing a well-managed environment for the Telecom sector'.³⁹ However, the idea of the state that was upheld by the sector was a pro-capitalist, neo-liberal state, i.e. 'a mode of governance that embraced the idea of the self-regulating free market, with its attendant values of competition and self-interest' (Ganti 2014: 80 cited in Bowles 2022), where the primary role of the state was in 'market creation' and 'protection of capital on the world stage' (van Apeldoorn *et al.* 2012). Relaying this conception of the state, sector leads spoke of how 'the private sector was the older sibling'. 'Now, 25 years later, the state was catching up. The idea that the state was growing was [therefore] good if the state was behind the private sector'.⁴⁰

Sector leads also described tax contributions as part of the exercise to re(create) or uphold the image of the state:

Large actors, like Hormuud, wanted the [Communications] law because they wanted a progressive and modern statehood in Somalia. They did not want to stay in the chaotic and terror state for a prolonged period. I think they needed some state. They were also tired of the civil war and 30 years without a state. They wanted some balance. They wanted to help the government and wanted to make a positive impact. They were the only companies that had paid the license fees and taxes to the NCA. Because they thought it was the right thing to do, it may not satisfy many stakeholders, including the World Bank. However, there is a saying – every little helps. This was the motto that they were working with. They were saying let us do something to move the country forward.⁴¹

However, while the growing strength of the government was seen as a desirable change, there was also the acknowledgement that there were limitations to the government's effectiveness and concerns regarding the level of tax payments needed to match the capacity constraints. Specifically, sector leads repeated how they had complied with certain types of taxes but were concerned with increasing corporate tax contributions because they considered the (non-negotiated) tax rates to be 'excessive':

The majority of the companies pay a tax. But, we have a problem with corporate tax. Because you know they have increased it – it is very high (30%). We had told them [the government] that since everything was new, let us start with something small and slowly build up.⁴²

Overall, despite the weaknesses and the material limitations of the FGS, the sector was engaged in upholding the image of the state. Telecom companies were willing to pay some tax if the formal state supported and encouraged the interest of capital (market creation and protecting the external interests of capital) but did not impose or intervene in the economy (market direction and correction).

Conclusion and implications

This case study of fiscal relations between the FGS and the Telecom sector in Somalia offers critical insights into the broader dynamic of the nexus between state and capital. The Somali Telecom sector challenged conventional state-centric development models as it developed in a context mostly devoid of formal state institutions and regulatory controls.

However, the Somali case also illuminates that despite capital's capacity to survive in the absence of state institutions, there are certain junctures when state institutions and protection are required. State power, therefore, progressively came to be critical for capital. As the Telecom sector grew larger and became more professionalised and globalised, it sought 'returns' that state institutions could principally provide. Notably, the types of returns desired were necessary for creating an enabling environment for investment and development, securing the interests within internal markets ('market

creation'), protecting capital on the world stage (external interests of 'domestic' capital) and confirming membership of the broader community of states. In exchange for these returns, the Telecom sector actors were willing to pay a certain amount of tax and make specific types of tax payments.

Even a weak Somali state could offer such returns because of the persistence of the 'state concept' despite its material limitations. More specifically, the Somali state was able to provide specific returns by leveraging the ideological credibility afforded to state institutions and performing material functions, such as achieving HIPC status, serving as a potential counterweight to AS, and instituting specific regulations to improve access to international markets and investment opportunities.

Such findings have broader implications for state-building processes and imply that even in the context of weak state capacity, the dominance of the state concept may persist. Previous scholarship within the broader failed state literature has similarly found that despite the limited and fragmented capacity of the state, 'the political order remains deeply anchored in a "language of stateness"' (Hoffmann *et al.* 2016).

However, while the Telecom sector demonstrated increasing support for the state project and was willing to make specific tax contributions – regulatory fees for licenses and sales taxes – it resisted corporate taxes. Such fiscal dynamics demonstrated that the sector's level of investment in the state project was tentative. As such, there was still some way to go before interests were aligned and the sector was willing to acknowledge the need for greater state intervention in the economy.

The Somali case, therefore, attests to the need for development scholars to pay closer attention to the molecular processes that underlie the 'state-capital nexus' within the African context. Interrogating the specific extent and degree to which such interests emerge can also provide answers to questions of how long-term growth-based futures develop between state and capital. Lastly, the study evinces the significance of the material and 'ideational' role of the state in supporting processes of capitalist accumulation and, as such, contributes to debates on state capitalism and the patterns of economic governance within the wider African context (Hagmann and Stepputat 2023; Rasmussen and Varming 2016; Titeca and Herdt 2010).

Notes

1 The term statelessness refers specifically to the collapse of formal state institutions following the fall of the Siad Barre government. Yet, despite the protracted conflict and the absence of formal state institutions, there was not a 'total vacuum of authority' (Rotberg 2003: 9). Several attempts were made at establishing both formal state institutions (i.e. the transitional governments) and informal governance authorities (e.g. The Union of Islamic Courts, which were especially powerful in Mogadishu (mainly between 2000–09)). Consequently, the term statelessness only partially captures the empirical reality.

2 Investments in the industry were led by Somalis in the diaspora and Somalia (Meester *et al.* 2019).

3 The FGS also faced continuing disagreements and conflicts with the governments of the six Federal Member States (FMS) on revenue collection and was effectively reliant on taxes from the capital region (Bryden 2013).

4 I use the term informal to refer to non-state institutions and follow the work of Boege et al. (2008), who posit that regions of fragile statehood are places where 'diverse and competing claims to power and logics of order coexist, overlap and intertwine, namely the logic of the "formal" state, of traditional "informal" societal order' (*ibid*, p. 10).

5 Khan's PS framework engages with questions of the relevance of informal institutions for capitalist accumulation and suggests that formal institutions may come to be preferred when such institutions become substantially productive, i.e. when power based on the profits of productive asset holders with formal rights becomes increasingly prevalent. However, the PS framework's level of abstraction and analysis is at the level of institutions and not 'states'; the latter is a broader concept, which is not reducible to the category of formal institution but rather encompasses the amalgamation of a variety of institutions (formal, informal, hybrid institutions) conjugated with the idea of a state (Lund, 2006).

6 Exploitation is common in many societies, but what sets capitalistic societies apart is the systematic exploitative relationship involving the extraction of surplus by economic means as opposed to non or extra-economic means (Chitonge, 2018).

7 The tax rates were set at 20%.

8 The market share of these companies is not available owing to the extreme opacity of the business (Lange 2020)

9 The internal contradictions are harder to assess in Somalia because there is less data available on the class dynamics of the Somali population and the levels of inequality. However, poverty rates are substantially high (54.4%), and income and wealth appear to be concentrated in a small section of the urban population.

10 Rather than assessing actual revenue earnings (Kelly et al. 2021).

11 Critical junctures are characterised by a 'situation in which the structural (economic, cultural, ideological, organisational) influences on political action are significantly relaxed for a relatively short period' (Capoccia and Kelemen 2007: 343).

12 The research question motivated the reasons for selecting the post-transition period – fiscal relationships emerged primarily in the post-transitional era when the permanent federal administration was formally elected.

13 Mobile communication relies on the wireless flow of information using the radio spectrum. The main issue with spectrum usage is that the transmission quality is reduced if many operators use the same frequency. In most countries, spectrum usage is tightly regulated by a national regulator responsible for allocating spectrum bands through a licensing framework to ensure limited interference.

14 Interview with Government Official (National Communications Authority - Interconnection), ID: 638286638277-73977930, Date: 10-03-2021

15 Interview with Senior Government Official (National Communications Authority - Operations), ID: 638286-638277-83340182, Date: 10-09-2021

16 Without a financial trading floor or stock market, shares in these networks were traded through remittance companies.

17 Interview with Senior Private Sector Development Expert (Multilateral Organisation), ID: 639281-63927273538050, Date: 17-03-2021

18 Moreover, for these players, regulations were also crucial for levelling the playing field and reducing the anti-competitive practices of the larger firms - including price-fixing, market segmentation and capitalising on its competitive advantage (See (Chonka, Sahgal and Wasuge, 2025) for more details).

19 Interview with Senior Private Sector Development Expert (Multilateral Organisation), ID: 639281-63927273538050, Date: 17-03-2021

20 Interview with ICT Expert (Multilateral Organisation), ID: 639281-639272-68801218, Date: 08-12-2020

21 Ministry of Transport and Civil Aviation (MOTCA)

22 Although official data was limited, industry consultations suggested that only 3G and 4G mobile broadband coverage was limited to urban areas (World Bank 2022).

23 Interview with Economic Development Expert (Multilateral Organisation), ID: 638287-638278-72103485, Date: 22-02-2021

- 24 Interview with Economic Development Expert (Multilateral Organisation), ID: 638287-638278-72103485, Date: 22-02-2021
- 25 The HIPC Initiative was launched in 1996 by the International Monetary Fund and World Bank to ensure that indebted countries do not face a debt burden they cannot manage. The benchmarks are set keeping in mind the country's macro-fiscal situation.
- 26 Interview with Former Country Director for Somalia (Bilateral Organisation), ID: 638287-63827866322362, Date: 20-10-2020
- 27 Interview with Former Government Official (Ministry of Finance), ID: 638287-638278-67785756, Date: 23-11-2020
- 28 Interview with Public Finance Specialist (Multilateral Organisation), ID: 638287-638278-101191014, Date: 28-10-2022; Interview with Economic Development Expert (Multilateral Organisation), ID: 638287638278-101308422, Date: 01-11-2022
- 29 Somalia achieved the HIPC Completion Point in December 2023. Following this, Somalia's external debt fell from 64% of GDP in 2018 to less than 6% by the end of 2023.
- 30 Interview with Government Official (National Communications Authority - Regulation), ID: 638286638277-82611225, Date: 23-08-2021, Interview with Senior Telecom Representative (Telecom Association), ID: 639281-639272-101270064, Date: 31-10-2022
- 31 Interview with Private Sector Development Expert (International Organisation), ID: 638287-63827868572078, Date: 04-01-2021
- 32 Interview with Telecom Expert (Multilateral Organisation), ID: 639281-639272-69536914, Date: 27-01-2021
- 33 Interview with Senior Banking Representative, ID: 633591-633582-82784210, Date: 24-08-2021
- 34 Interview with Somali Expert (Regional Think Tank), ID: 638287-638278-67992513, Date: 26-11-2020
- 35 An arrangement whereby one bank (correspondent) holds deposits owned by other banks (respondents) and provides those banks with payment and other services (Lindley and Mosley 2014).
- 36 Interview with Senior Private Sector Development Expert (Bilateral Organisation), ID: 639281-63927273699765, Date: 24-03-2021
- 37 Interview with Telecom Expert (Multilateral Organisation), ID: 639281-639272-69536914, Date: 27-01-2021
- 38 Interview with Senior Banking Representative, ID: 633591-633582-77480353, Date: 25-05-2021
- 39 Interview with Senior Telecom Representative (MVNO), ID: 633591-633582-71142446, Date: 28-01-2021
- 40 Interview with Senior Telecom Representative (MNO), ID: 633591-633582-72209812, Date: 23-02-2021
- 41 Interview with Senior Telecom Representative (MNO), ID: 633591-633582-70725921, Date: 25-01-2021
- 42 Interview with Senior Banking Representative, ID: 633591-633582-82784210, Date: 24-08-2021

References

- Abdi, M. 2022. 'Access to Finance and Financial Inclusion in Somalia'. Published: National Economic Council, Policy Paper.
- Abrams, P. 1988. 'Notes on the difficulty of studying the state', *Journal of Historical Sociology* 1, 1: 58-89.
- Abshir, S., Abdirahman, K. and Stogdon, H. 2019. 'Political Economy Analysis of Domestic Revenue Mobilization in Somalia: Focus on Mogadishu'. Internal Report: Submitted by the Rift Valley Institute to the World Bank Group.
- Abukar Mursal, F. 2019. 'When the state matters: An anthropology of violence, political imagination and social suffering in post-2012 Mogadishu', in *Understanding retaliation, mediation and punishment: Collected results of the International Max Planck Research School on Retaliation, Mediation and Punishment (IMPRS REMEP)*. Max Planck Institute for Social Anthropology, 41-44.
- Adebanwi, W. 2017. *The political economy of everyday life in Africa: Beyond the margins*. Suffolk: James Currey (Cambridge core).
- Aghion, P. et al. 2005. 'Competition and innovation: An inverted-U relationship', *The Quarterly Journal of Economics* 120, 2: 701-728.

- Ahmad, A. 2017. *Jihad & Co.: Black markets and Islamist power*. New York: Oxford University Press.
- Ahmad, A., Bandula-Irwin, T. and Ibrahim, M. 2022. 'Who Governs? State versus Jihadist political order in Somalia', *Journal of Eastern African Studies* 16, 1: 68–91. <https://doi.org/10.1080/17531055.2022.2075817>.
- Alami, I. et al. 2022. 'Special issue introduction: What is the new state capitalism?', *Contemporary Politics* 28, 3: 245–263.
- Alami, I. 2023. 'Ten theses on the new state capitalism and its futures', *Environment and Planning A: Economy and Space* 55, 3: 764–769.
- Alami, I. and Dixon, A.D. 2020. 'State capitalism (s) redux? Theories, tensions, controversies', *Competition & Change* 24, 1: 70–94.
- Alami, I. and Dixon, A.D. 2024. *The spectre of state capitalism*, Online edition: Oxford Academic. <https://doi.org/10.1093/9780198925224.001.0001>, accessed 6 June 2025.
- Albany. 2017. *Strategy and Public Private Partnership (PPP) options for supporting the ICT Sector and broadband connectivity in Somalia*. Washington DC: World Bank Group.
- Altai Consulting. 2017. 'Mobile Money Ecosystem: Somalia'. Presentation submitted to the World Bank.
- Althusser, L. 2010. 'Ideology and ideological state apparatuses (notes towards an investigation)(1970)', in *Cultural theory: an Anthology*, 204–222.
- van Apeldoorn, B. and de Graaff, N. 2022. 'The state in global capitalism before and after the Covid-19 crisis', *Contemporary Politics* 28, 3: 306–327.
- van Apeldoorn, B., de Graaff, N. and Overbeek, H. 2012. 'The reconfiguration of the global state-capital nexus', *Globalizations* 9, 4: 471–486.
- Austen, R.A. 1987. *African economic history: Internal development and external dependency*. London, UK: James Currey.
- Bates, R.H. and Lien, D. 1985. 'A note on taxation, development, and representative government', *Politics & Society* 14, 1: 53–70.
- Beach, D. and Rohlfing, I. 2018. 'Integrating cross-case analyses and Process Tracing in set-theoretic research: Strategies and parameters of debate', *Sociological Methods & Research* 47, 1: 3–36.
- Beach, D. and Pedersen, R.B. 2019. *Process tracing methods: Foundations and guidelines*. Second edition. Ann Arbor: University of Michigan Press (Ebook central).
- Behuria, P. 2020. 'The domestic political economy of upgrading in global value chains: how politics shapes pathways for upgrading in Rwanda's coffee sector', *Review of International Political Economy* 27, 2: 348–376.
- Behuria, P. 2022. 'The curious case of domestic capitalists in Africa: Towards a political economy of Diversified Business Groups', *Journal of Contemporary African Studies* 40, 1: 1–17.
- Bennett, A. 2010. 'Process Tracing and causal inference', in H.E. Brady & D. Collier, eds. *Rethinking social inquiry*. Lanham: Rowman & Littlefield Publishers, xviii–xviii.
- Bierschenk, T. and de Sardan, J.-P.O. 2014. *States at work: Dynamics of African bureaucracies*. Leiden, Netherlands: Brill. <https://doi.org/10.1163/9789004264960>
- Boege, V. et al. 2008. 'On Hybrid Political Orders and emerging states: State formation in the context of "fragility"', Berghof Research Centre for Constructive Conflict Management.
- van den Boogaard, V. and Isak, N.N. 2025. 'The political economy of taxation in Somalia: Historical legacies, informal institutions, and political settlements', *ICTD Working Paper*, 216.
- Bowles, B.O. 2022. 'Resilience, infrastructure and the anti-social contract in neoliberal Britain', *Critique of Anthropology* 42, 3: 270–285.
- Breckenridge, K. 2021. 'What happened to the theory of African capitalism?', *Economy and Society* 50, 1: 9–35. <https://doi.org/10.1080/03085147.2021.1841928>.
- Bryden, M. 2013. *Somalia Redux*. Washington: Centre for Strategic and International Studies (CSIS).
- Capoccia, G. and Kelemen, R.D. 2007. 'The study of critical junctures: Theory, narrative, and counterfactuals in historical institutionalism', *World Politics* 59, 3: 341–369.
- Cassanelli, L. 2010. 'Private sector peacemaking business and reconstruction in Somalia', in M. Bradbury and S. Healy, eds. *Whose peace is it anyway?: Connecting Somali and international peacemaking*. Conciliation Resources, 41–44.

- Chitonge, H. 2018. 'Capitalism in Africa: Mutating capitalist relations and social formations', *Review of African Political Economy* 45, 155: 158–167.
- Chonka, P., Sahgal, G. and Wasuge, M. 2025. 'Mobile money, (dis) empowerment and state reconstruction in Somalia's conflicted digital economy', *International Affairs* 101, 1: 117–136.
- Collins, G. 2009. *Connected: Exploring the Extraordinary Demand for Telecom Services in Post-collapse Somalia*. PhD Thesis. University of California Davis <<http://search.proquest.com/docview/2466017184/>>.
- Elder, C. 2022. 'Logistics contracts and the political economy of state failure: Evidence from Somalia', *African Affairs* [Preprint].
- Evans, P.B. 1995. *Embedded autonomy: States and industrial transformation, Embedded autonomy: States and industrial transformation*. Princeton, N.J.: Princeton University Press (Princeton paperbacks).
- Federal Government of Somalia. 2017. 'National Communications Law', Mogadishu: Federal Government of Somalia.
- Ferguson, J. 2006. *Global shadows: Africa in the neoliberal world order*. Durham [N.C.]; London: Duke University Press.
- Ferguson, J. 2010. 'The uses of neoliberalism', *Antipode* 41, s1: 166–184.
- FGC. 2017. *Financial governance report*. Somalia: Financial Governance Committee.
- FGS. 2017. *National communications law*. Somalia: Federal Government of Somalia.
- Fund for Peace (2023) 'Fragile States Index Annual Report 2023', Mogadishu: Federal Government of Somalia.
- Ganti, T. 2014. 'Neoliberalism', *Annual Review of Anthropology*, 43, 1: 89–104. <https://doi.org/10.1146/annurev-anthro-092412-155528>.
- Gerring, J. 2008. 'The mechanistic worldview: Thinking inside the box', *British Journal of Political Science* 38: 161–179.
- Gerschenkron, A. 1962. 'Economic backwardness in historical perspective', *Cambridge MA* [Preprint].
- Goodfellow, T. and Owen, O. 2020. 'Thick claims and thin rights: Taxation and the construction of analogue property rights in Lagos', *Economy and Society* 49, 3: 406–432.
- Goodfellow, T. 2022. 'Politics and the urban frontier : transformation and divergence in late urbanizing East Africa', *Critical frontiers of theory, research, and policy in international development studies*. Oxford: Oxford University Press.
- GSMA. 2012. 'International roaming explained – Africa'.
- Hagmann, T. 2005. 'From state collapse to duty-free shop: Somalia's path to modernity', *African Affairs* 104, 416: 525–535.
- Hagmann, T. and Péclard, D. 2010. 'Negotiating statehood: Dynamics of power and domination in Africa', *Development and Change* 41, 4: 539–562.
- Hagmann, T. and Stepputat, F. 2016. 'Corridors of Trade and Power: Economy and State Formation in Somali East Africa'. DIIS Working Paper 8. Copenhagen: Danish Institute for International Studies.
- Hagmann, T. and Stepputat, F. 2023. *Trade makes states: Governing the Greater Somali economy*. London: Hurst and Company (African arguments).
- Hall, S. 2018. *Essential essays, Volume 2: Identity and diaspora*. Edited by D. Morley, Online Edition: Duke University Press. <https://doi.org/10.2307/j.ctv11smnnj>.
- Hammond, L. 2013. 'Somalia Rising: Things are Starting to Change for the World's Longest Failed State', *Journal of Eastern African Studies* 7, 1: 183–193.
- Hansen, S.J. 2007. *Civil war economies, the hunt for profit and the incentives for peace: The case of Somalia*. The University of Bath.
- Harvey, D. 2005. *The new imperialism*. Oxford: Oxford University Press.
- Hoffmann, K., Vlassenroot, K. and Marchais, G. 2016. 'Taxation, stateness and armed groups: Public authority and resource extraction in Eastern Congo', *Development and Change* 47, 6: 1434.
- Iazzolino, G. 2015. *Following mobile money in Somaliland*. Nairobi: Rift Valley Institute.
- Iazzolino, G. and Musa, A.M. 2024. 'The political economy of connectivity in the Somali Horn of Africa', *International Affairs* 100, 4: 1511–1530.
- Iazzolino, G. and Stremlau, N. 2023. 'War, peace and the circulation of mobile money across the Somali territories,' in T. Hagmann and F. Stepputat, eds. *Trade makes states: Governing the greater Somali economy*. London: Hurst and Company (African arguments).

- International Monetary Fund. 2020. *IMF management second review under the staff-monitored program with Somalia*. Washington DC: International Monetary Fund.
- Jessop, B. 1985. *Nicos Poulantzas : Marxist theory and political strategy*. New York: St.Martin's Press.
- Katz, R. and Jung, J. 2021. *The impact of policies, regulation, and institutions on Information Communication Technology (ICT) sector performance*. Available at SSRN: <https://ssrn.com/abstract=3992806> or <http://dx.doi.org/10.2139/ssrn.3992806>.
- Kelly, T. et al. 2021. *Implementation completion and results report on Somalia Multi-Partner Fund (MPF): ICT sector support in Somalia phase II*. World Bank Report Internal Report. World Bank.
- Keynes, J.M. 1937. 'The general theory of employment', *The Quarterly Journal of Economics* 51, 2: 209–223.
- Khan, M.H. 2010. *Political Settlements and the Governance of Growth-enhancing Institutions*. London: School of Oriental and African Studies.
- Kohli, A. 2004. *State-directed development: Political power and industrialisation in the global periphery, State-directed development*. Cambridge: Cambridge University Press.
- Laitin, D.D. and Samatar, S.S. 1984. 'Somalia and the world economy', *Review of African Political Economy* 11, 30: 58–72.
- Lange, P. 2020. *Critical information infrastructure risk assessment component 1: Physical infrastructure*. Somalia: Ministry of Posts, Telecommunications and Technology (MPTT) of Somalia & the World Bank Group.
- Levi, M. 1988. *Of Rule and Revenue*. Berkeley, CA: University of California Press.
- Lindley, A. 2005. *Somalia Country Study: Informal Remittance Systems in Africa, Caribbean and Pacific (ACP) Countries*. ESRC Centre on Migration, Policy and Society (COMPAS).
- Little, P.D. 2003. *Somalia: economy without state*. Oxford: Bloomingdon: Hargeisa: *International African Institute in association with James Currey; Indiana University Press; Btec Books (African issues)*.
- Lund, C. 2006. 'Twilight institutions: Public authority and local politics in Africa', *Development and Change* 37, 4: 685–705.
- Lund, C. 2016. 'Rule and rupture: State formation through the production of property and citizenship', *Development and Change* 47, 6: 1199–1228.
- Majid, N. et al. 2021. *Somalia's Politics: The Usual Business?* Conflict Research Programme. London: London School of Economics and Political Science.
- Marchal, R. 1996. *Final Report on the Post Civil War Somali Business Class*. Nairobi: European Commission/Somalia Unit.
- Mazzucato, M. 2019. *The value of everything: Making and taking in the global economy*. London: Penguin Books.
- Meester, J., Uzelac, A. and Elder, C. 2019. *Transnational Capital in Somalia*. CRU Report. Amsterdam: Cingendael Netherlands Institute of International Development.
- Mehmet, O. 1971. 'Effectiveness of foreign aid: The case of Somalia', *The Journal of Modern African Studies* 9, 1: 31–47.
- Menkhaus, K. 2007. 'Governance without Government in Somalia: Spoilers, State Building, and the Politics of Coping', *International Security* 31, 3: 74–106.
- Menkhaus, K. 2018. *Elite bargains and political deals project: Somalia case study*. London: DFID Stabilisation Unit.
- Migdal, J.S. and Schlichte, K. 2016. 'Rethinking the state', in *The dynamics of states*. Routledge, 11–50.
- MPID. 2017. 'National Development Plan (NDP) 2017–19', Mogadishu: Federal Government of Somalia.
- Mubarak, J.A. 1997. 'The "hidden hand" behind the resilience of the stateless economy of Somalia', *World Development* 25, 12: 2027–2041.
- Mursal, F.A. 2018. *Elders among traders": Market committees and everyday state formation in Mogadishu*. DIIS Working Paper Vol. 2016 No. 5 GOVSEA Paper Series. Danish Institute for International Studies.
- Nölke, A. ed. 2014. *Multinational corporations from emerging markets: state capitalism 3.0*. London: Palgrave Macmillan.
- Palley, T. 2023. 'Theorising Varieties of Capitalism: Economics and the fallacy that there is no alternative (TINA)', *Review of Keynesian Economics* 10, 2: 1–38.
- Polanyi, K. 1957. *The great transformation*. Boston: Beacon Press (Beacon paperbacks; 45).
- Purohit, M.C. 1990. 'Somalia: Tax reform in an unconventional economy: A case Study', *Bulletin for International Fiscal Documentation* 44, 4: 185–193.

- Rasmussen, J. and Varming, K.S. 2016. 'Governing economies in areas of limited statehood: Anthropological perspectives'. *DIIS Working Paper* Vol. 2016 No. 4GOVSEA Paper Series. Danish Institute for International Studies.
- Reynier, A.S. 1960. 'Somalia: The problems of independence', *The Middle East Journal* 14, 3: 247–255.
- Rotberg, R.I. 2003. *Failed states, collapsed states, weak states: Causes and indicators*. Cambridge: Brookings Institution Press, World Peace Foundation.
- Samatar, A.I. 1985. *The State of the Peasants and Pastoralists: Agrarian Change and Economic Development in Northern Somalia 1884–1984*. PhD Thesis. Berkeley, University of California.
- Saul, J.S. and Leys, C. 1999. 'Sub-Saharan Africa in global capitalism', *Monthly Review* 51, 3: 13.
- Sharma, A. and Gupta, A. 2009. 'Introduction: Rethinking theories of the state in an age of globalisation', in A. Sharma and A. Gupta, eds. *The anthropology of the state: A reader*. John Wiley & Sons, 1–41.
- Sheild Johansson, M. 2020. 'Taxes for independence: Rejecting a fiscal model of reciprocity in peri-urban Bolivia', *Social Analysis* 64, 2: 18–37.
- Somalia Financial Governance Committee. 2017. 'Financial Governance Report 2017', Mogadishu: Federal Government of Somalia.
- Streinzer, A. 2023. 'Distributed fiscal relations and their imaginaries: Metaphors of redistribution and reciprocity in struggles about distributive justice in Austria', *Economic Anthropology* 10, 1: 112–121.
- Titeca, K. and de Herdt, T. 2010. 'Regulation, cross-border trade and practical norms in West Nile, North-Western Uganda', *Africa* 80, 4: 573–594.
- Titeca, K. and de Herdt, T. 2011. 'Real governance beyond the "failed state": Negotiating education in the Democratic Republic of the Congo (DRC)', *African Affairs* 110, 439: 213–231.
- Trefon, T. 2009. 'Public service Provision in a failed state: Looking beyond predation in the Democratic Republic of Congo (DRC)', *Review of African Political Economy* 36, 119: 9–21.
- Twijnstra, R.W. 2014. *On the state of business: Trade, entrepreneurship and real economic governance in South Sudan*. PhD Thesis. Wageningen University.
- Varming, K.S. 2019. *Becoming 'State' and 'Subject': Exploring Statehood and Belonging through Practices of Taxation in Somali East Africa*. PhD Thesis. Roskilde University.
- van der Walt, V. L., Klerck, G. and Helliker, K. 2021. 'State capitalism in Sub-Saharan Africa', in Oxford Handbook of state capitalism and the Firm. Oxford, UK: Oxford University Press.
- Webersik, C. 2006. 'Mogadishu: An economy without a state', *Third World Quarterly* 27, 8: 1463–1480.
- Whitfield, L. et al. 2015. *The politics of African industrial policy: A comparative perspective, The politics of African industrial policy: A comparative perspective*. Cambridge: Cambridge University Press (Cambridge core).
- Wiegatz, J. 2019. "'They're all in it together": The social production of fraud in capitalist Africa', *Review of African Political Economy* 46, 161: 357–368.
- World Bank. 2018. *Somalia Economic Update: Rapid growth in mobile money - Stability or vulnerability?* Washington DC: World Bank Group.
- World Bank. 2021a. *Somali Electricity Sector Recovery Project: Project Document*. Washington DC: World Bank Group.
- World Bank. 2021b. *Somalia country economic memorandum: Towards an inclusive jobs agenda*. Washington DC: World Bank Group.
- World Bank. 2022. *Digital hotspots developing digital economies*. Washington DC: World Bank Group.
- World Bank. 2023. *Somalia economic update: Integrating climate change with Somalia's development: The case for water*. Washington DC: World Bank Group
- Wright, M. et al. 2021. 'State capitalism and the firm: An overview', in *Oxford handbook of state capitalism and the firm*. Oxford, UK: Oxford University Press.
- Yergin, D. and Stanislaw, J. 2002. *The commanding heights: The battle for the world economy*. New York: Simon and Schuster.

Annex

Demographic	Experts	Government	Government (Int.)	Non-Govt	Private Sector	Research Org	Other	Total
Location								
Kenya	0	1	1	23	4	4	1	34
Other	5	1	0	12	0	1	1	20
Somalia	0	22	0	6	14	0	2	44
Somaliland	0	0	0	1	2	0	0	3
United Kingdom	2	0	1	5	0	0	1	9
Total	7	24	2	47	20	5	5	110
Age								
23 - 27 years	0	1	0	0	0	0	0	1
28 - 32 years	0	2	0	2	2	0	0	6
33 - 37 years	2	7	0	15	6	4	1	35
38 - 42 years	0	5	0	9	7	0	1	22
43 - 47 years	2	2	0	4	1	0	0	9
48 - 52 years	1	1	2	8	2	0	0	14
53 - 57 years	1	4	0	2	1	1	1	10
58 - 62 years	1	2	0	7	0	0	0	10
68 years and Above	0	0	0	0	1	0	0	1
No response	0	0	0	0	0	0	2	2
total	7	24	2	47	20	5	5	110
Gender								
Female	3	2	0	17	0	1	0	23
Male	4	22	2	30	20	4	4	86
Other	0	0	0	0	0	0	1	1

Figure 3. Demographic breakdown of interviews.

Cite this article: Sahgal, G. 2025. 'The state-capital nexus in fragile contexts: a case study of tax relations in Somalia'. *The Journal of Modern African Studies* 63, 25–50.
<https://doi.org/10.1017/S0022278X25100943>