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TERROR AND TAXES

Inside al-Shabaab's
revenue-collection machine

JAY BAHADUR

DECEMBER 2022



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EXECUTIVE SUMMARY

Trucks being loaded in the port of Mogadishu. Goods and commodities of various types are routinely taxed by the al-Shabaab Islamist group across southern Somalia. © Andrew Renneisen/Getty Images



The Somali Islamist group Harakat al-Shabaab al-Mujaahidiin, commonly known as al-Shabaab, is the ‘largest, wealthiest and most deadly’ al-Qaeda affiliate remaining in the world.¹ While its origins trace back to the early years of the 2000s, the group rose to prominence during the invasion and occupation of Somalia by the Ethiopian military between 2006 and 2009.

In 2011 the group was expelled from Somalia’s capital, Mogadishu, by the African Union’s military mission in Somalia, AMISOM. Since then, AMISOM (now ATMIS) forces have continued to push al-Shabaab out of urban centres in southern Somalia. As a result, al-Shabaab’s direct territorial administration in Somalia remains limited to a swathe of the Juba River valley and other isolated pockets around the country. Yet despite losing territory the group has remained dominant, exerting control over much of the hinterland and projecting power far beyond areas it physically controls.

Al-Shabaab’s continued resilience can be attributed in great part to the sophisticated and efficient ‘taxation’ apparatus it has established throughout southern Somalia. The militant group is believed to generate a significant budget surplus, and by some estimates it generates more revenue than the Federal Government of Somalia (FGS).² As a result, al-Shabaab has been frequently compared to a mafia organization or a shadow government.³ In the ethos of a mafia group, al-Shabaab has extensively infiltrated multiple levels of Somali society, including the economy, civil society, clan leadership structures, government institutions and the security services. It enforces its taxation system through the disciplined collection of intelligence and the threat of extreme violence against those who do not pay the amounts demanded of them. However, violence is usually unnecessary; most commercial drivers prefer to pass through al-Shabaab checkpoints rather than face repeated extortion from federal and regional security forces, and other armed actors manning Somalia’s main supply routes.⁴

Traditionally, checkpoint taxation has received little attention in studies of the political economy of conflict.⁵ However, since 2018, significant excellent research has been conducted into al-Shabaab’s taxation system by UN Security Council sanctions investigators, international and local think tanks, media outlets and other parties. The uniqueness of the present study lies in the volume of data it has amassed. The GI-TOC collected and

analyzed over 800 tax receipts issued by al-Shabaab tax officials between July 2015 and October 2021 to commercial drivers passing through their checkpoints. This breadth of data allowed us an exclusive window into the inner workings of al-Shabaab's checkpoint-taxation apparatus.

The following analysis is divided into three parts. The first section describes in detail how the al-Shabaab tax-collection machine operates, including the group's delineation of four distinct revenue streams. It then delves into the categories of goods and vehicles taxed by al-Shabaab, and the corresponding revenues generated. The data demonstrates that al-Shabaab is generally 'commodity agnostic' when it comes to taxation, meaning that it is generally the size of the vehicle, rather than the type of goods, that determines the taxation amount.

The second section considers the transport routes that al-Shabaab taxes most heavily. It will be seen that the militant group applies three distinct 'tax brackets', depending on the origin and destination of the vehicle and its cargo. The highest taxes are reserved for goods destined for foreign export: either by land into Kenya or by sea from Mogadishu port. The second-highest

'bracket' is applied to trade transiting between government-held areas. Finally, the lowest tax rate is applied to trade entering or exiting territory under direct al-Shabaab control.

The third and final section focuses on cross-border smuggling between Somalia and Kenya, and the attendant national-security implications for the latter.

Al-Shabaab derives revenues from a variety of sources and is by no means solely dependent on checkpoint revenues. The group's other revenue streams include forced charitable contributions (*zakat*), direct extortion of business, taxation of imports into Mogadishu port, and kidnappings for ransom. There is also some evidence that al-Shabaab has invested in property and business ventures in Somalia.⁶ However, checkpoint taxation still generates at least tens of millions of dollars for the militant group annually. Somalia's international counter-terrorism partners are becoming increasingly cognizant of al-Shabaab's abundant revenue streams and the need to counteract them. This study therefore concludes with recommendations aimed at disrupting al-Shabaab's sophisticated revenue-collecting apparatus.

Methodology

Between December 2020 and October 2021, a GI-TOC field researcher based in Somalia collected a total of 821 al-Shabaab 'tax' receipts from 19 drivers of commercial vehicles. The receipts had been issued between July 2015 and October 2021. About half were dated in 2021, with earlier receipts generally becoming scarcer.

The receipts were all collected in the southern city of Kismayo, one of only three deep-water ports in Somalia and the largest to the south of the capital Mogadishu. Kismayo is also the de facto capital of the semi-autonomous region of Jubaland. Though nominally a Federal Member State falling under the umbrella authority of the FGS, Jubaland is in reality an independent fiefdom backed by the Kenyan Defence Forces, who maintain a significant military presence in the region.

Although the receipts were collected from a single location, the drivers who provided them to the GI-TOC routinely transported goods throughout much of southern Somalia, resulting in a varied data set. The receipts had originated from al-Shabaab checkpoints located throughout six of Somalia's administrative regions: Lower Juba, Middle Juba, Lower Shabelle, Bay, Bakool and Gedo. These six regions are divided by al-Shabaab into four distinct 'governorates' ('*waliyats*'): Lower and Middle Juba, Lower Shabelle, Gedo, and Bay and Bakool; these are the administrative divisions reflected in the receipts.

The revenue generated from these 821 receipts totalled US\$119 947, an average amount of about US\$151 per receipt (receipts with dollar amounts illegible or omitted were not included in this calculation). While the volume of data analyzed in this study

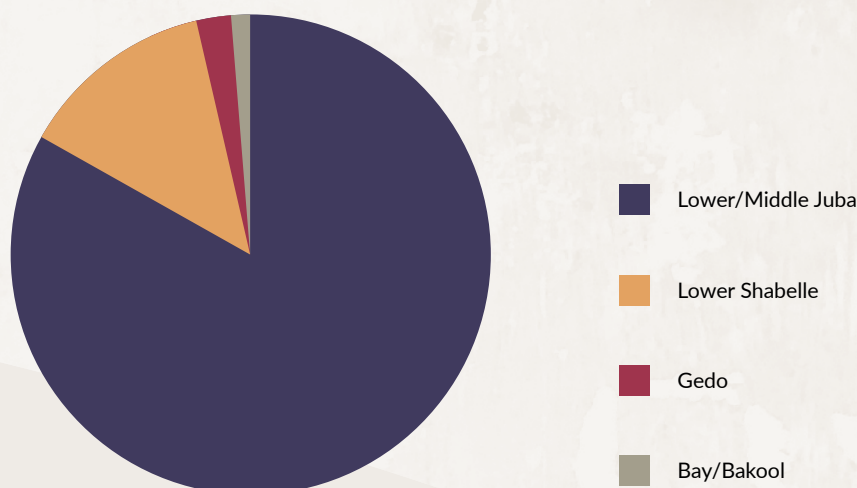


FIGURE 1 Al-Shabaab receipts collected by region.

may be unprecedented, it should be emphasized that it represents only a small (and biased) sample of receipts issued by al-Shabaab. For that reason, and several others discussed briefly below, we opted not to attempt a comprehensive estimate of checkpoint revenue generated by al-Shabaab throughout the country using the current data set. Instead, the focus of this study is on highlighting certain patterns and trends, with a view to providing targeted recommendations to disrupt al-Shabaab revenue generation. However, by using a separate method, we were able to arrive at a speculative estimate of the total revenue generated at one major al-Shabaab checkpoint located outside Kismayo. Over the course of one week, GI-TOC sources monitored the volume of commercial vehicles transiting from Kismayo to the Kenyan border through this checkpoint. The results of this case study are presented under ‘A week in the life of an al-Shabaab checkpoint’.

Ingestion and analysis of the data were complicated by the varying levels of literacy displayed by al-Shabaab tax officials. The officials often misspelled words, used


uncommon variants, or attempted clumsy phonetic spellings. The frequent variations in spellings and terminology – to say nothing of the legibility of handwriting – sometimes made it necessary to resort to educated guesses when discerning names, types of goods, vehicle types and other data.

A brief note on terminology: we have opted to use the term ‘taxation’ throughout this study to refer to al-Shabaab revenue collection, even though the practice might equally be described as ‘extortion’ or ‘protection money’. Al-Shabaab effectively functions as a shadow government in much of southern Somalia, attempting to replicate many of the mechanisms and functions of the state. The decision to use the term ‘taxation’ therefore reflects the fact that al-Shabaab’s revenue-collection apparatus operates in much the same fashion as that of a government. Taxation rates are systematic and standardized, and revenues are managed by a dedicated administrative arm (the *Maktabka Maaliyada*, or ministry of finance), and are subject to a sophisticated accounting and auditing system.⁷

A photograph of a yellow truck driving on a dusty road. Two men are standing on the roof of the truck. The truck is a Nissan Diesel model. The license plate is 2547235. The background is a cloudy sky. The image is overlaid with a white geometric design consisting of several curved lines meeting at a central point.

THE AL-SHABAAB TAX SYSTEM: HOW IT WORKS

Al-Shabaab members tax goods and vehicles at dozens of checkpoints across southern Somalia. © Matyas Rehak/Alamy Stock Photo



Al-Shabaab maintains dozens of checkpoints across southern Somalia, manned by tax officials falling under the group's ministry of finance (*Maktabka Maaliyada*). Vehicles passing through an al-Shabaab checkpoint are typically registered with the tax department; if not, the driver will be required to pay a registration fee and provide details about the vehicle and its owner to tax officials.

At the checkpoint, the amount the driver should be taxed will be assessed on the basis of his destination, the size of his vehicle and/or the type of goods he is transporting. Drivers surveyed for this study reported paying taxes exclusively in cash (US dollars), though previous analyses of al-Shabaab financing have reported that mobile money was also a payment option. Once a driver has paid the assessed amount, he receives a receipt, which serves as a pass to allow him to transit through any remaining al-Shabaab checkpoints without being asked for additional fees.

The following sections detail the inner workings of the al-Shabaab taxation system. Firstly, we will outline the four different taxation categories employed by al-Shabaab (*gadiid*, *badeeco*, *dalag*, and *xoolo*); secondly, the types of goods and vehicles the group taxes, and the respective revenues generated by each. Finally, we will examine the practices of al-Shabaab tax-collection officials, including the methods by which the group enforces its revenue-collection system.

The four categories of taxation

Al-Shabaab categorizes its taxation system into four distinct streams: transit (*gadiid*), goods (*badeeco*), agricultural produce (*dalag*) and livestock (*xoolo*).⁸ Each tax receipt contains some combination of the following information:

- the al-Shabaab 'governorate' (*waliyat*) in which the receipt was issued;
- the receipt number;
- the category of revenue;
- the date (according to the Islamic calendar);
- the origin and destination of the vehicle;

- the vehicle type;
- the type and quantity of goods or livestock being transported;
- the route taken or the location of the checkpoint passed;
- the name, address and telephone number of the driver;
- the name, address and telephone number of the vehicle owner;
- the name of the farm from which the produce originated;
- whether the vehicle is 'full' or 'half-full';
- the name of the loader of the vehicle;
- the printed name or signature of the al-Shabaab tax collector.

The four streams of al-Shabaab taxation are examined in turn below.

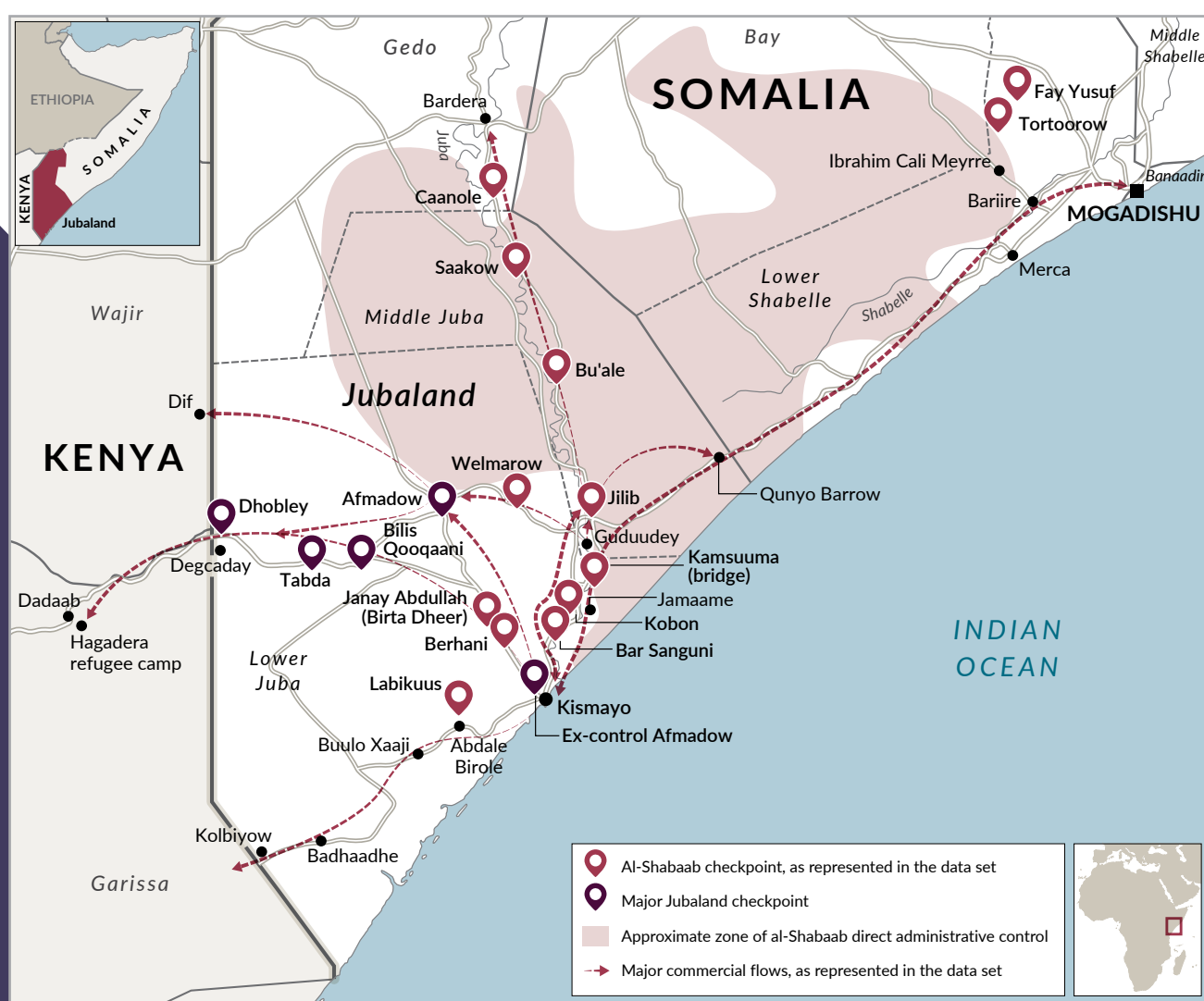


FIGURE 2 Transport routes and al-Shabaab vehicle 'taxation' checkpoints.

SOURCE: This map was partly adapted from *The Economist*, Somali clans are revolting against jihadists, 3 November 2022, <https://www.economist.com/middle-east-and-africa/2022/11/03/somali-clans-are-revolting-against-jihadists>

NOTE: The map does not constitute a comprehensive representation of all al-Shabaab checkpoints, but rather those traversed by the drivers who provided receipts for this report. Some checkpoint locations could not be precisely determined, and are therefore approximations. One major checkpoint (Kamjiron) in the vicinity of Buulo Xaaji could not be located, and has therefore been omitted from the map.

Transit (*gadiid*)

Gadiid, or transit taxes, are paid to al-Shabaab by drivers simply for the right to use the road. Taxation amounts are calculated based on the route and the size of the vehicle. Reductions may be assessed based on whether the vehicle is 'half-full' or 'full', although in practice this field is usually left blank by al-Shabaab tax-officials.⁹ Transit fees ranged from US\$4 to US\$450, with an average amount of exactly US\$100.

Transit receipts include a field indicating the route taken by the driver, which often specifies the checkpoint at which the receipt was issued. Unfortunately, in most cases the tax official left this field blank, rendering it impossible to definitively identify the checkpoint.

Goods (*badeeco*)

The second al-Shabaab taxation stream, *badeeco*, is applied to foodstuffs, fuel, building materials or general cargo. Despite making up only one-third of the total data set, tax receipts for goods generated the bulk of al-Shabaab's revenue (over 60%). The amounts of goods tax recorded in the data set ranged from US\$2 to US\$975; the average amount levied was about US\$257.

Somewhat counterintuitively, goods fees typically did not vary based on the type of goods being transported, but instead were determined exclusively by the size of the vehicle and its route. In other words, al-Shabaab appears to be largely commodity agnostic when calculating taxation rates.¹⁰

Agricultural produce (*dalag*)

Third, *dalag* taxes are applied to local agricultural produce. Al-Shabaab tax officials typically specified the type of produce as well as the quantity, expressed in generic bags ('loor'), 25- or 50-kilogram sacks ('kish'), pieces ('xobo') or simply by an undefined number.

Taxes levied on agricultural produce tended to be nominal; most of the assessed amounts ranged between US\$2 and US\$10. The taxation of agricultural produce represented only about 10% of the total number of receipts in the data set, and a negligible share of the total revenue generated (3.3%).

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE SH/HOOSE

المكتب المالي لولاية
شبيلى السفلى الإسلامية

NO: 2023

WARQADDA LASOCODKA DHAQDHAQAAQA GAADIIDKA

Taariikh: 22.7.14

Nuucca Gaariga: 300\$

Qoraal ahaan: 600

Magaca Darawalka: (blank)

Ciwaankiisa: (blank)

Magaca Milkiilaha: (blank)

Ciwaankiisa: (blank)

Ka yimid: (blank)

Ku socda: (blank)

Wadada uu marayo: (blank)

Qofka soo Raray: (blank)

Nuucca Rarka: (blank)

Buuxa: (blank)

Saxiixa Lacag Qabtaha: (blank)

Example of a transit tax receipt.

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOYINKA

المكتب المالي لولاية
جوبا الإسلامية

NO: 419

WARQADDA LA SOCODKA BADEECADA

Taariikh: 20.10.14

Magaca Darawalka: (blank)

Magaca Milkiilaha: (blank)

Nuucca Gaariga: 975\$

Qoraal Ahaan: 975

Ka Yimid: (blank)

Ku Socdo: (blank)

Nuucca Badeecada: (blank)

Qofka Soo Raray: (blank)

Saxiixa Lacag Qabtaha: (blank)

Example of a goods receipt.

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOYINKA

المكتب المالي لولاية
جوبا الإسلامية

No: 213

WARQADDA DALAGYADA BEERAHA

Taariikh: 25.4.14

Magaca: (blank)

Lacag Dhan Sh.S: \$2

Eray ahaan: 2

Nuucca Dalaga: (blank)

Tirada: 2

Magaca Gaariga/Beerta: (blank)

Ka yimid: (blank)

U socdo: (blank)

Magaca Darawalka: (blank)

Faah faahin: (blank)

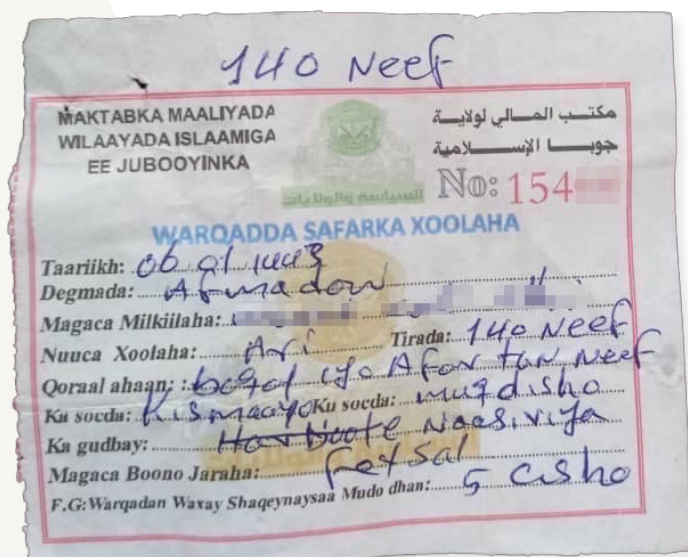
Saxiixa L/Qabtaha: (blank)

Example of a receipt for agricultural produce.

Livestock (xoolo)

Finally, the data set contains 23 xoolo receipts (2.8% of the total), which were issued to vehicles transporting livestock. Interestingly, these receipts did not contain fields specifying a taxation amount. Rather, the receipts issued for livestock transactions appear to function as a kind of permission slip, allowing the bearer to transport a certain number of animals to market within a specified time frame. The heading that appears on these documents, *Warqadda Safarka Xoolaha*, literally meaning 'livestock travel document', supports this interpretation.

In the example on the left, the bearer was allowed to pass through al-Shabaab checkpoints transporting 140 head (*neef*) of goats (*ari*) for the duration of the five-day validity of the pass. It is likely that the owner of the animals would have been required to pay an al-Shabaab livestock tax at another juncture, perhaps at the point of sale. If so, the drivers from whom the GI-TOC sourced receipts for this study would not have been party to such transactions, which would explain their absence in the data set. However,



Example of a receipt for livestock.

Livestock being transported to market in Lower Juba.



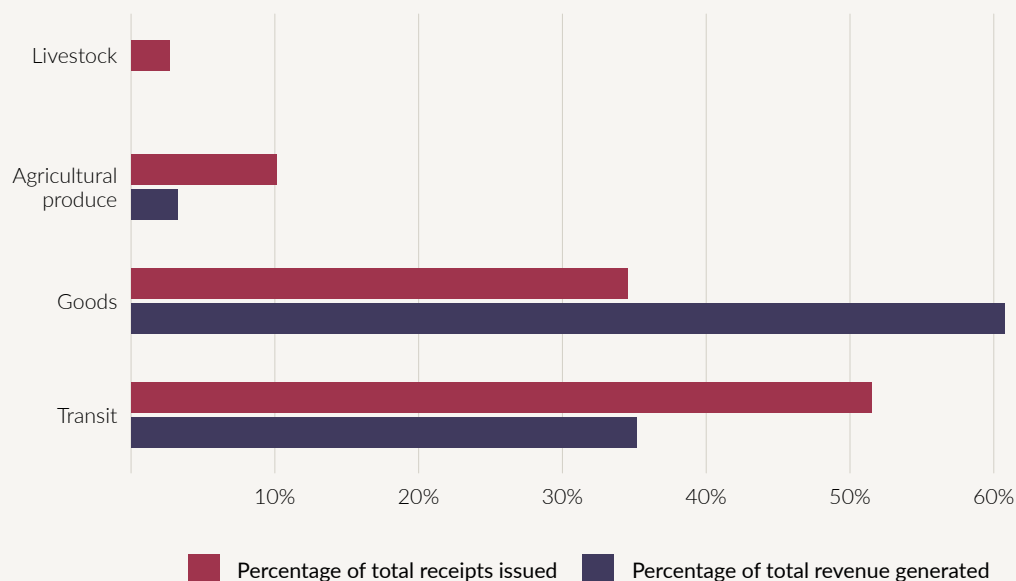


FIGURE 3 Proportion of receipts issued and revenue generated, by taxation category.

drivers transporting livestock were still required to pay transit (*gadiid*) taxes, which are reflected in the data.

It is important to emphasize that multiple forms of taxation might be imposed on a single transiting vehicle. For example, a minibus carrying passengers might be charged only a transit (*gadiid*) tax ranging between US\$10 and US\$40, based on the route and the number of passengers it is carrying. However, a large commercial truck may be charged US\$300 for *gadiid* and also a second, higher tax for the goods it is carrying (*badeeco*). Similarly, a vehicle transporting agricultural produce may pay not only the *gadiid* tax but also a tax on the produce (*dalag*).

Types of goods and commodities

For about 90% of the receipts in the data set, we were able to identify the type of goods being transported; in the remaining cases the relevant field was either left blank or the handwriting was illegible. In total, we identified 31 distinct categories of goods taxed by al-Shabaab (Figure 4).

Type of good (Somali language)	Descriptions	Proportion of total receipts in data set (%)	Average tax amount per receipt (US\$)
<i>Raashin</i>	Generic food item (literally 'rations')	34.3	124
<i>Bagaash</i>	Generic mixed goods / general cargo (literally 'baggage')	18.1	334
<i>Sonkor</i>	Sugar	7.7	153
<i>Moos</i>	Bananas	5.8	8
<i>Racaab</i>	Passengers	4.8	34
<i>Ari</i>	Goats	4.3	49
<i>Liin</i>	Lemons	2.1	28
<i>Shidaal</i>	Fuel	1.9	520
<i>Cambo</i>	Mangoes	1.8	8
<i>Sim sim</i>	Sesame seed	1.3	237
<i>Bocor</i>	Squashes	1.0	10
<i>Qalab dhismo</i>	Building materials	0.7	33
<i>Alwaax/ qoryo / xaabo</i>	Firewood	0.7	18
<i>Jodari</i>	Mattresses	0.5	70
<i>Galey/misigo</i>	Maize/corn	0.6	6
<i>Malab</i>	Honey	0.5	17
<i>Caano</i>	Milk	0.4	5
<i>Basal</i>	Onions	0.4	57
<i>Baradho</i>	Potatoes	0.4	330
<i>Calen</i>	Tea (packaged)	0.4	205
<i>Moordo</i>	Sorghum	0.4	7
<i>Qudar</i>	Fruits (generic)	0.4	7
<i>Coos/manqale</i>	Animal feed (grass/sesame)	0.4	8
<i>Bariis</i>	Rice	0.2	135
<i>Digir</i>	Beans	0.2	14
<i>Buur</i>	Flour	0.2	10
<i>Fusto faruq</i>	Empty drums	0.2	110
<i>Yaanyo</i>	Tomatoes	0.1	7
<i>Saliid</i>	Cooking oil	0.1	15
<i>Alaab jiiif</i>	Beds	0.1	7
<i>Fadhi carbed</i>	Sofa cushions	0.1	50
Indeterminate or field left blank	N/A	9.7	93

FIGURE 4 Categories of goods taxed by al-Shabaab.

In more than half the cases, al-Shabaab tax collectors recorded cargo contents as either *raashin* or *bagaash*, denoting unspecified foodstuffs or general cargo, respectively. Together, these two categories accounted for over 70% of total revenues. The use of the generic terms *raashin* and *bagaash* indicate that the al-Shabaab officials did not deem it necessary or worth the effort to note the specific commodity being transported. The probable explanation for this absence of detail is that even in cases where the type of foodstuff is specified (sugar, for example), the tax rate applied is the same as for generic foodstuffs. The use of such a ‘flat rate’ would obviate the need to take a detailed inventory of each passing vehicle.

Fuel (*shidaal*) trucks generated the most lucrative tax revenues, at an average of US\$520 per receipt. Trucks carrying fuel accounted for 6.9% of the total tax revenue generated despite comprising only 1.9% of the total number of receipts. The relatively small number of receipts in the data set (16) is somewhat unexpected, given the centrality of fuel to economic life in Somalia. But this is probably explained by the fact that the amount of fuel Kismayo supplies to the hinterland is much smaller than the amount of other goods it supplies. While fuel from Kismayo is transported to the Kenyan border (and probably into Kenya), it does not appear to be supplied to al-Shabaab-controlled areas, as is the case with foodstuffs and general cargo. According to the GI-TOC’s field researcher, fuel in al-Shabaab areas is more frequently sourced from Mogadishu than from Kismayo – despite the distance being three times greater – because of a significant difference in price. The data in this study supports this assertion. None of the 16 receipts issued to fuel-transporting vehicles indicated that they had transited between

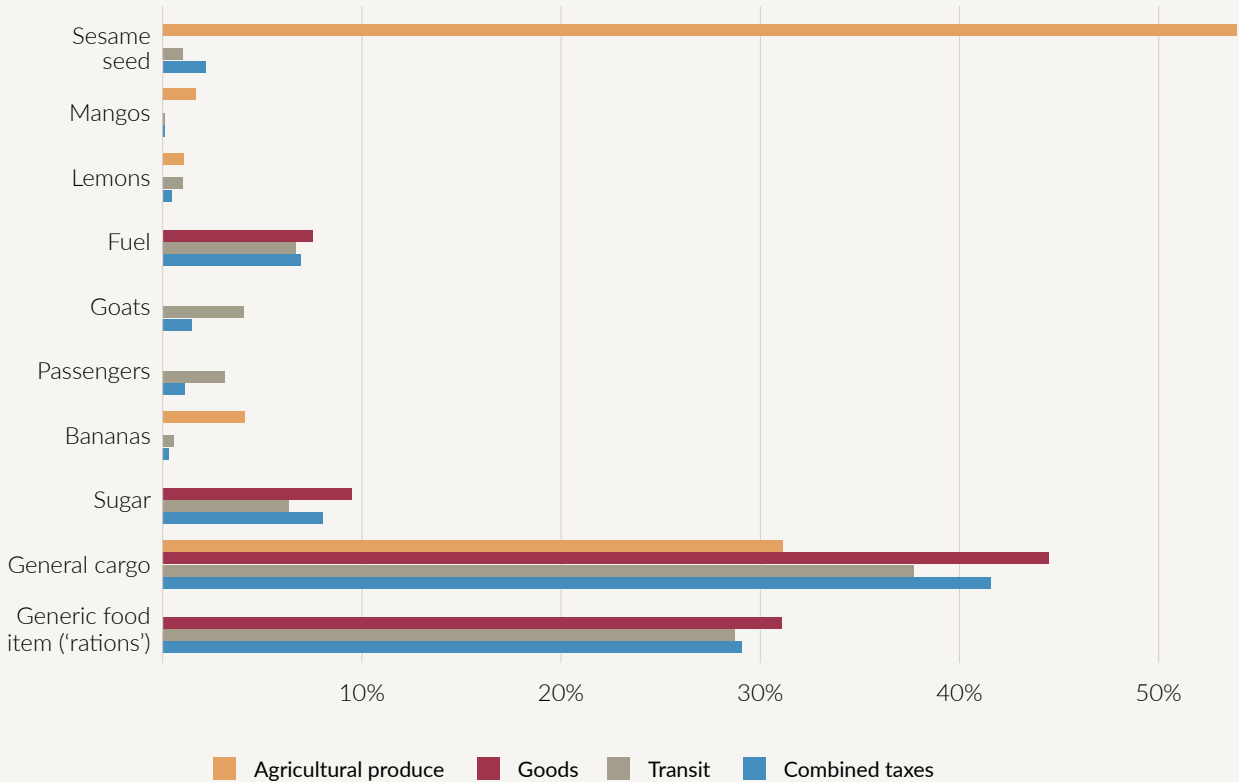


FIGURE 5 Percentage of total tax revenues generated by the most common types of goods.

Kismayo and al-Shabaab-controlled areas. Conversely, there are a few instances where vehicles had transported fuel from areas outside Mogadishu to the al-Shabaab 'capital' of Jilib. Even more tellingly, there were a few instances in the data set where fuel was transported from outside Mogadishu all the way to Kismayo, suggesting that it was cost-effective to do so even when factoring in both the transportation distance and corresponding al-Shabaab taxes along the route.

Charcoal profits: Up in smoke

It is notable that there are no instances in the data set of al-Shabaab levying taxation on charcoal shipments, which have long been viewed as a major source of revenue for the militant group. Swathes of southern Somalia are heavily forested and produce large quantities of charcoal, both for domestic consumption and for export, principally from Kismayo port. Historically, more than 80% of the charcoal produced in Somalia has been exported to Gulf states and neighbouring countries, where it is highly prized for the flavour it imparts when cooking food or smoking water pipes.¹¹ Charcoal exports from Somalia were placed under a ban by the UN Security Council in 2012 following evidence that al-Shabaab had been receiving millions of dollars annually from the trade.¹² However, in the wake of the group's withdrawal from Kismayo the same year, its revenues from taxing charcoal exports dropped precipitously. The Jubaland administration assumed control of Kismayo and its attendant port revenues. Despite the Security Council ban, Jubaland authorities continued to allow the export of charcoal due to the lucrative revenues it generated.

By late 2019, UN sanctions monitors reported that al-Shabaab had ceased taxing charcoal altogether, and in fact had begun attacking and burning charcoal shipments.¹³ The group's reasoning behind this abrupt shift in policy was apparently that it had more to gain from disrupting Jubaland's export revenues than by taxing charcoal shipments as they travelled from inland production sites to Kismayo port.¹⁴

The findings in this study are consistent with al-Shabaab maintaining a policy of opposing the charcoal trade rather than taxing it. In this context, it is unclear if the Security Council export ban will have any continuing impact on disrupting al-Shabaab financing.

Vehicle types

Almost all (94.3%) of the receipts in our data set legibly recorded the type of vehicle passing a given checkpoint. We identified nine categories of commercial vehicles used by al-Shabaab to assess taxation rates (see Figure 6). Al-Shabaab tax-collection officials employed a variety of equivalent terms to describe the same category of vehicle – for example, a 'Dyno',¹⁵ a medium-duty truck, is also referred to as an 'Atlas'. In some instances the name of the manufacturer is used as a metonym for the vehicle, such as the term 'UD' (sometimes transliterated as 'Yudhi') to denote vehicles manufactured by the Japan-based UD Trucks Corporation (or those similar to them).

Category of vehicle	Description	Proportion of total receipts (%)	Average tax amount per receipt issued (US\$)	Photograph
Homey/Caasi	Minibus	34.0	13	
Nic	Light-duty truck	22.7	122	
Candamedle	Heavy-duty truck	15.6	442	
Dyno/Atlas	Medium-duty truck (Toyota Dyna)	10.1	115	
UD	Manufactured by UD Trucks Corporation (or of similar appearance)	9.6	192	
22-22	Mercedes truck (or similar)	3.9	219	
UD Jagac/UD Lix Bool/8 Bool	Larger version of UD truck, with its trailer body modified locally	1.9	215	
10 Lugod	Truck with 10 tyres	1.6	323	
Mercedes	Large Mercedes truck (or similar)	0.6	248	

FIGURE 6 Categories of vehicles for which taxes are levied in al-Shabaab's taxation system.

The most frequently observed type of vehicle in the data set was the ‘homey’ (or ‘caasi’), which denotes a minibus used to carry either goods or passengers: 34.0% of the total receipts were issued to such vehicles. Despite their prevalence, however, only a negligible amount of total revenue (2.9%) derived from the taxation of minibuses.

The biggest revenue generators were the heavy-duty trucks referred to by al-Shabaab as ‘candamedles’. These were recorded on 15.6% of the receipts in our data set but contributed 45.9% of total revenue. On average, these trucks were subject to combined taxes (for both transit and goods) equalling roughly US\$950 per journey.

As can be seen in Figure 7, the size of the vehicle generally determined the total taxation revenue generated.

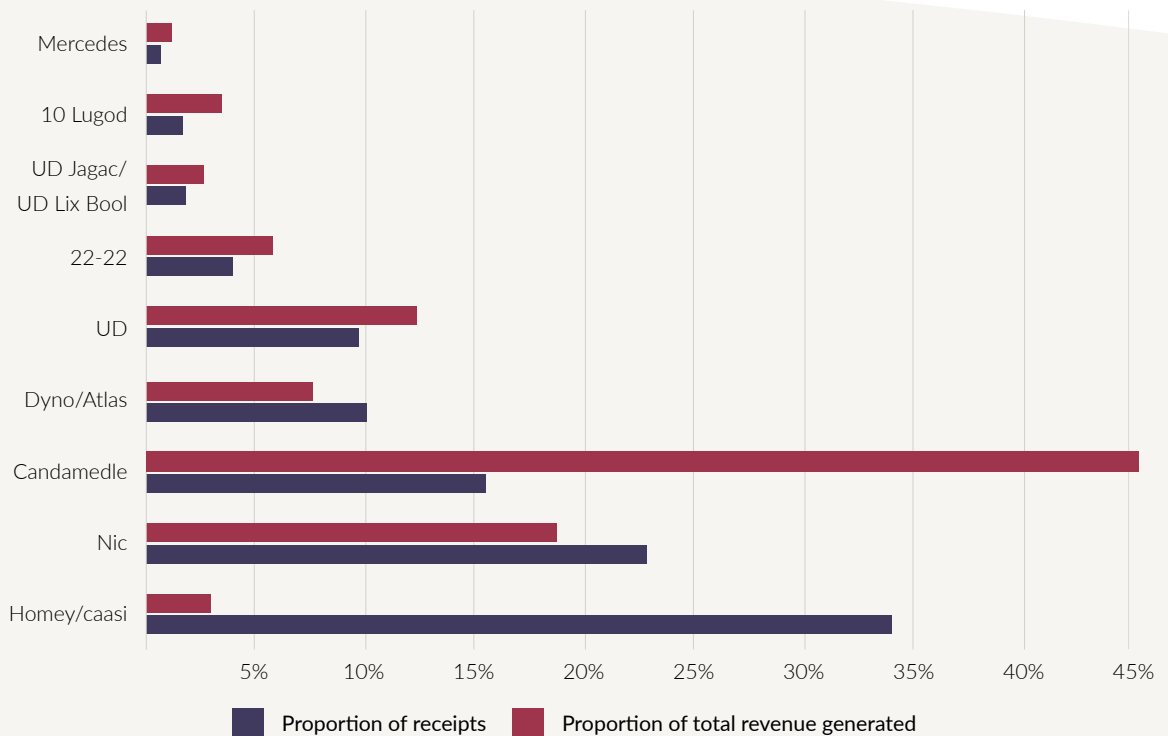


FIGURE 7 Proportion of vehicles and percentage of total revenue per vehicle type.

The tax collectors

The majority of receipts contained a field for the name of the al-Shabaab tax official issuing it, either printed or signed. The officials typically indicated only a given name, and often clearly a *nom de guerre*; one tax collector, for instance, signed his name simply as ‘Bakistaan’ (Pakistan). Often the signature field was left blank or the handwriting was illegible; as a result we could definitively identify a tax official’s name in fewer than half the cases. In total, we identified about 50 distinct tax officials from the approximately 350 receipts on which a name could be distinguished.

There was evidence that al-Shabaab tax officials rotated between different checkpoints. For example, ‘Munasir’ – the al-Shabaab official with the highest number of receipts in

the data set (65) – was primarily stationed at the Labikuus checkpoint outside Kismayo (see the checkpoint map). However, he also worked at the Berhani and Janay Abdullah (Birta Dheer) checkpoints, which are located in the same general area.

As can be seen in the samples above, each receipt was numbered in the top-right corner. The logical assumption would be that al-Shabaab tax officials issued the receipts in sequential order, but in reality that proved not always to be the case. Receipts issued at the same checkpoint on proximate dates often had numbers that were different by a margin of thousands. Similarly, receipts with proximate numbers were found to have been issued years apart. These discrepancies might be explained by multiple tax officials operating at the same checkpoint, issuing receipts from different receipt books. However, the data shows that even individual tax collectors did not consistently issue receipts in sequential order. An examination of a sample of 10 transit (*gadiid*) receipts issued by Munasir is sufficient to illustrate this point (Figure 8).

Receipt number	Date issued	Vehicle type
100894	29-08-2020	Dyno
100965	30-08-2020	UD
100976	31-08-2020	Dyno
104572	24-06-2021	Dyno
104600	03-09-2020	UD
104660	05-09-2020	Dyno
104732	29-06-2021	Dyno
104938	11-09-2020	Homey
105464	05-07-2021	Dyno
106748	26-11-2020	UD

FIGURE 8 Sample of transit (*gadiid*) receipts issued by al-Shabaab tax collector ‘Munasir’.

Figure 8 shows a tranche of receipts by Munasir arranged according to their numerical order, yet the dates on which they were issued do not consistently follow the numbering sequence. In some cases, it was evident that receipts had been issued in sequential order from the same receipt book. For instance, receipt 100965 was issued on 30 August 2020, and receipt 100976 the following day; it is logical to conclude that Munasir handed out 10 receipts from the same book during the intervening period. However, a receipt issued only three days later, on 3 September 2020, had a number that was more than 3 500 higher (104600). And, bizarrely, almost a year later, on 24 June 2021, Munasir handed out a receipt with a lower number (104572).

Such apparent inconsistencies were common throughout the data set. Although it was our original intention to use receipt-number distribution to craft an approximate estimate of the total revenue generated by al-Shabaab across the area of observation, it was not possible to construct a meaningful estimate without more details about al-Shabaab accounting practices. However, using a separate methodology – namely by monitoring the number of trucks departing from Kismayo for the Kenyan border – we were able to tentatively estimate the revenue generated by one major checkpoint over the course of a week (see ‘A week in the life of an al-Shabaab checkpoint’, below).



Among the captured material were tax-receipt books used by the officials (left). Al-Shabaab bomb makers and tax officials captured by the military near Qudus, Lower Juba, on 22 June 2022 (right).

Death and taxes: Enforcement of al-Shabaab revenue collection

The threat of murder and attendant violence are the sinews that hold the al-Shabaab taxation system together. If vehicle drivers (or owners) refuse to pay al-Shabaab taxes, or if drivers attempt to avoid checkpoints, they may be issued fines at twice the amount of the tax they would have otherwise paid.¹⁶ These non-negotiable fines might be issued by text message, or vehicle owners or drivers might be summoned by SMS to al-Shabaab courts located outside government-controlled areas. Al-Shabaab tax officials freely employ intimidation tactics even within Mogadishu.¹⁷

In extreme cases, the consequences of non-payment can be dire. In a particularly notable instance in June 2018, al-Shabaab executed six civilians and torched 11 vehicles and their goods after they had failed to pay taxes (see the photos).¹⁸

Fortunately, such displays of brutal violence are relatively rare. But the spectre they raise is sufficient to ensure that most commercial transporters in southern Somalia will ‘voluntarily’ transit through al-Shabaab checkpoints. Ultimately, the implicit threat of violence allows al-Shabaab to maintain its revenue generation system at a very low cost.

One of the benefits of this system of intimidation is that drivers – even ordinary civilians – typically volunteer to register new vehicles with al-Shabaab, even though the group charges between US\$100 and US\$500 as a registration fee.¹⁹ The GI-TOC’s own local researcher reported that he had paid US\$300 to register his vehicle, a saloon car. This

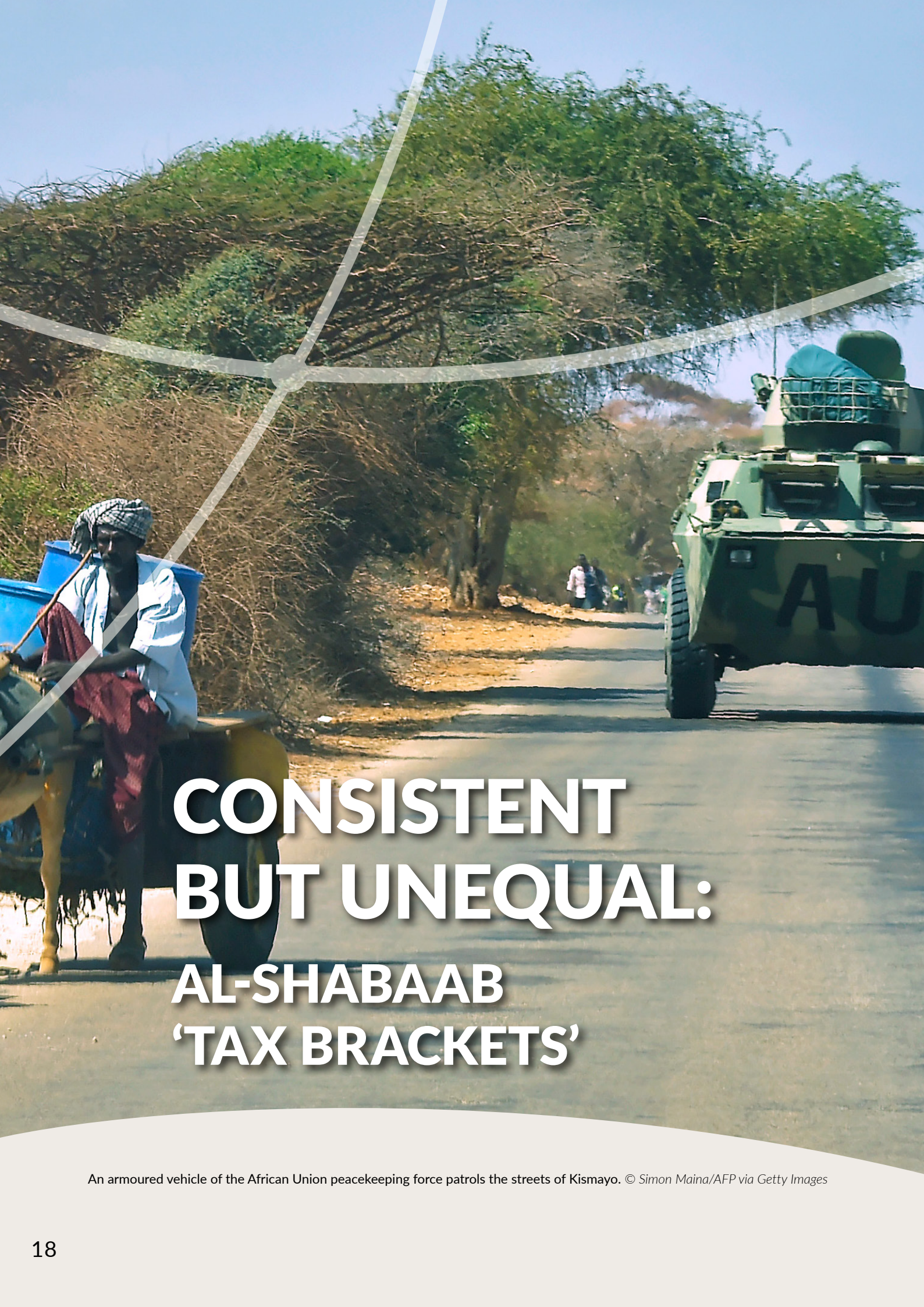


Vehicles torched by al-Shabaab, June 2018, for failing to pay taxes to the group. Six civilians were killed in the incident.

Photo: UN Monitoring Group on Somalia and Eritrea


self-regulating cooperation on the part of vehicle owners saves al-Shabaab officials the time and expense of collecting information on prospective taxpayers and their vehicles.

Al-Shabaab's tax officials are subjected to their own form of intimidation. The group's internal security apparatus, the *Amniyat*, operates a sort of audit department referred to as the *Dabagal* ('follow-up').²⁰ The job description for *Dabagal* officers lies somewhere between a chartered accountant and a mafia enforcer; they are responsible for dispensing blank receipt books to local al-Shabaab tax officials and ensuring that their accounts are in order.²¹ Members of the *Hisbah*, the al-Shabaab 'police force', are also routinely present at checkpoints.²² The consequences for al-Shabaab tax officials who embezzle funds from the group, or attempt to extort excessive amounts from passing drivers, may be as severe as those for the drivers who refuse to pay.



CONSISTENT BUT UNEQUAL: AL-SHABAAB 'TAX BRACKETS'

An armoured vehicle of the African Union peacekeeping force patrols the streets of Kismayo. © Simon Maina/AFP via Getty Images



The prevailing narrative is that commercial drivers in Somalia prefer to use al-Shabaab transit routes rather than those controlled by government forces because al-Shabaab's taxation is consistent, predictable and is applied only once over the course of a single journey. But does the data support this narrative? One way to approach this question is to examine common transit routes over time for variations and inconsistencies in taxation rates.

The following sections examine three transit routes for which we have ample receipt data: from Kismayo to Dhobley, which lies on the border with Kenya; from Kismayo to Jilib, the al-Shabaab 'capital'; and from the greater Mogadishu area to Kismayo, a route that cuts across the heart of al-Shabaab-held territory. It will be shown that al-Shabaab broadly applies three different 'tax brackets' to commercial traffic transiting through its checkpoints. The highest bracket applies to goods that are destined for export, either to Kenya or by sea from Mogadishu port; the second to trade passing between government-held areas; and the most favourable rate applies to vehicles transporting goods to al-Shabaab-controlled territory.

The receipt data for these three routes also confirms that taxation rates were applied consistently across time and vehicle type, with only one apparent exception. Moreover, there were no apparent cases in which drivers faced double taxation during a single journey.

Kismayo–Dhobley: The road to Kenya

In the data set, the route with the most traffic was from Kismayo to Dhobley on the Kenya–Somalia border. More than one-quarter of the receipts we collected for this study (228, or 27.8% of the total) were issued to vehicles using this route, one of the primary arteries between Somalia and Kenya (the illicit cross-border trade into Kenya will be examined in detail below). This route accounted for an even greater proportion of total revenue generated (over one-third). Commercial traffic transiting between Kismayo and Dhobley is typically taxed at the Labikuus, Janay Abdullah or Berhani checkpoints, all of which are located just to the west and north-west of Kismayo (see the map).

The data set contains 184 receipts, for both transit (*gadiid*) and goods (*badeeco*), issued to light- and medium-duty trucks (i.e. Nics, Dynos and their equivalents). The receipts spanned a period of three years, between August 2018 and September 2021. In virtually every case, drivers had to pay identical transit taxes of US\$90 and goods taxes of US\$180, irrespective of the cargo their vehicles were carrying.

Rates were equally consistent for medium-duty (UD) and heavy-duty (candamedle) trucks. The data set contains 41 receipts for these vehicles, spanning the period from January 2020 to September 2021. In every case, UD trucks had to pay transit tax rates of US\$180 and goods rates of US\$300. For heavy-duty trucks the rates were US\$450 and US\$975, respectively. Furthermore, there appear to have been no instances in which a driver was charged multiple times over the course of a single journey.

There was one notable example of apparent favouritism, however. One light-duty truck driver appeared to have been given a significant discount on his tax rate in each of the 12 receipts issued to him. Instead of the standard US\$90/US\$180 rates for transit and goods, he only had to pay US\$52.50 and US\$120, respectively. Moreover, these lower rates were applied by at least three different al-Shabaab tax collectors, indicating that they were a matter of policy. According to a colleague of the driver, the driver had a brother serving in al-Shabaab's military wing, which might explain his preferential treatment.

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOOWYINKA

مكتب المالي لولاية
جوبا الإسلامية
NO: 389

WARQADDA LASOCODKA DHAQDHAQAAQA GAADIIDKA

Taariikh: 10.12.2020
Nuuca Gaariga: Nic box
Qoraal ahaan: Kontan 140
Magaca Darawalka: Beerdaan
Ciwaankiisa: Beerdaan
Magaca Milkiilaha: Beerdaan
Ciwaankiisa: Beerdaan
Ka yimid: Kismyo
Wadada uu marayo: 13 km
Nuuca Rarka: Bgar
Ku socda: Phosley
Qofka soo Raray: Phosley
Buuxa: Phosley
Haaf: Phosley
Saxiixa Lacag Qabtaha: Phosley

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOOWYINKA

مكتب المالي لولاية
جوبا الإسلامية
NO: 120

WARQADDA LA SOCODKA BADEECADA

Taariikh: 10.12.2020
Magaca Darawalka: Beerdaan
Magaca Milkiilaha: Beerdaan
Nuuca Gaariga: Nic box
Qoraal Ahaan: Bgar 140
Ka Yimid: Kismyo
Nuuca Badeecada: Bgar
Qofka Soo Raray: Phosley
Buuxa: Phosley
Haaf: Phosley
Saxiixa Lacag Qabtaha: Phosley

Transit receipt (above) and goods receipt (right) for a truck driver who appeared to enjoy a discounted rate on his al-Shabaab taxes.

A week in the life of an al-Shabaab checkpoint

Over the course of one week in July 2022, GI-TOC sources in Kismayo monitored the volume of trucks travelling to Dhobley on the Kenyan border. One observer monitored vehicles loading and departing from within the city, while a second cross-checked the vehicles as they passed through a Kismayo exit

control. The route used by the enumerated vehicles passed through Janay Abdullah, one of three principal checkpoints (along with Labikuus and Berhani) where al-Shabaab taxes vehicles heading for the Kenyan border.²³

Date	Vehicle type			Total
	Dyno	Candamedle	UD Jagac	
13 July 2022	4	3		7
14 July 2022		4	2	6
15 July 2022	3		8	11
16 July 2022		6	10	16
17 July 2022	8	10		18
18 July 2022	5	4		9
19 July 2022	10		11	21
Total	30	27	31	88
Est. revenue per vehicle (US\$)	270	1 425	480	
Est. total weekly revenue (US\$)	8 100	38 475	14 880	61 455
Est. annual revenue (US\$)	421 200	2 000 700	773 760	3 195 660

FIGURE 9 Taxed trucks passing through the Janay Abdullah checkpoint, 13–19 July 2022.

Over the course of that week, we observed 88 trucks depart from Kismayo towards the Janay Abdullah checkpoint. Based on the standard rates applied to each vehicle type in our data set, we calculated that al-Shabaab would have levied taxes in excess of US\$61 000 on these vehicles. Though the limitations on drawing definitive conclusions from such a small sample size are self-evident, extrapolating over the course of a year yields a tentative estimate of US\$3.2 million in annual revenue for the Janay Abdullah checkpoint.

How does this compare with other major al-Shabaab checkpoints? There is limited available data, but UN sanctions monitors estimated in 2018 that al-Shabaab was receiving US\$10 million per year from its primary checkpoint in Bay region.²⁴ In 2021, the monitors reached a similar estimate for the checkpoint at Kamsuuma bridge (see the map), concluding that it generated between US\$15 000 and US\$30 000 per

day (US\$5.5 to US\$11.0 million annually).²⁵ However, it is important to reiterate that Janay Abdullah is only one of at least three checkpoints taxing vehicles travelling in the direction of Dhobley. Overall, it is plausible that the revenue generated by taxes levied on traffic heading towards the Kenyan border is comparable to, if not greater than, the revenues from these other major checkpoints.

As noted earlier, it is not within the scope of this study to offer a comprehensive estimate of the total revenue generated by al-Shabaab through checkpoint taxation. However, al-Shabaab operates dozens of checkpoints across southern Somalia. While most of them generate considerably less revenue than the above examples, most analysts conservatively estimate that the group earns in excess of US\$100 million per year through checkpoint taxation.

The al-Shabaab heartland: A tax haven?

As seen above, al-Shabaab maintains sufficient influence in the hinterland of southern Somalia to operate a sophisticated network of revenue-generating checkpoints. Additionally, the group wields direct administrative control over a large swathe of territory centred around the fertile Juba River valley. This al-Shabaab heartland encompasses several urban centres lying along the meandering Juba River, including Jamaame, Bu'ale, Saakow and, most notably, the group's de facto capital of Jilib (see the map).

As is the case with the Kenyan borderlands, many basic goods destined for the al-Shabaab heartland arrive through Kismayo port. In our data set, incoming commercial traffic from Kismayo destined for the al-Shabaab heartland consisted primarily of basic foodstuffs (including sugar) as well as building materials. Al-Shabaab officials taxed these 'imports' at a significantly lower rate than trade within areas not under the group's direct control. Transit (*gadiid*) taxes on trucks destined for al-Shabaab-held population centres were on average about 85% of those levied on trucks transiting between non-al-Shabaab areas. For goods (*badeeco*) taxes, the disparity was even greater: goods headed for al-Shabaab areas were on average taxed at less than half the rate (47%) of those passing through territory outside the group's direct control.

Similarly, 'exports' from the al-Shabaab heartland – consisting mostly of agricultural produce, as well as some livestock – were also taxed at a preferential rate. These shipments also tended to be on a considerably smaller scale. While most of the incoming commercial goods came by truck, nearly all the outgoing agricultural produce from the al-Shabaab heartland was transported by minibus. This small scale-trade was taxed at nominal rates. In a typical example, a minibus (*homey*) transporting six 50-kilogram sacks of lemons from Jilib to Kismayo had to pay an agricultural produce (*dalag*) tax of only US\$3 (see the receipt below).

A receipt for tax on agricultural produce (*dalag*), dated 27 April 2021. A fee of three dollars was levied for the six sacks of lemons being transported.

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOYINKA

مكتب المالية
جوبا الإسلامية

No: 278

WARQADDA DALAGYADA BEERAHA

Taariikh: 16.9.1442

Magaaca:

Lacag Dhan Sh.Sor: US\$ \$3

Eray shaan: Sidax doo lox

Huucda Dalaga: Limon

Magaaca Gaariga/Beerta:

Ka yimid: Jilib

Magaaca Darawalka:

Faah faahin:

Tirada: 6 loox

U socdo: Haomay

Kismayo

Saxiizka Uqabatah: MIB

MAKTABKA MAALIYADA
WILAAYADA ISLAAMIGA
EE JUBOOWINKA

مكتب المالي لولاية
جوبا الإسلامية

التسليمة والتفويضات

No: 212

WARQADDA DALAGYADA BEERAHA

Taariikh: 08.3.2020

Magaca:

Lacag Dhan Sh.So: US\$ \$600

Eray ahaan: 15x bago 100kg

Nuqa Dalaga: 31812

Tirada: 300 100kg

Magaca Gaariga/Beerta: 2222

Ka yimid: Jilib

U socdo: Kismayo

Magaca Darawalka:

Faah faahin: 525

Saxiixa L/Qabtaha: [Signature]

Receipt dated October 2020 for 300 sacks of sesame seed originating in Jilib and destined for Mogadishu.

There were a few examples in the data set of larger shipments of agricultural produce originating in al-Shabaab areas. For instance, a truck transporting 300 50-kilogram sacks (15 tonnes) of sesame seed from Jilib to Mogadishu was charged a fee of US\$600 (see the photo above). The shipment was almost certainly destined to be exported from Mogadishu port. The relatively high rate applied was therefore consistent with al-Shabaab's apparent policy of levying inflated taxes on goods leaving the country.

The available data for internal trade within al-Shabaab areas was limited. Our data set contained only three receipts issued to vehicles transiting between towns in the Juba valley. All were minibuses that were charged transit fees of US\$8 or less. While it is likely that al-Shabaab also taxes its internal commercial traffic at highly favourable rates, it was not possible to verify this without a representative sample of receipts from drivers based within al-Shabaab-held territory.

In a fiscal sense, then, al-Shabaab treats the territory under and outside its direct control as distinct customs zones, imposing far higher taxes on goods passing outside its territory – particularly if those goods are ultimately destined to leave the country.

The greater Mogadishu area to Kismayo

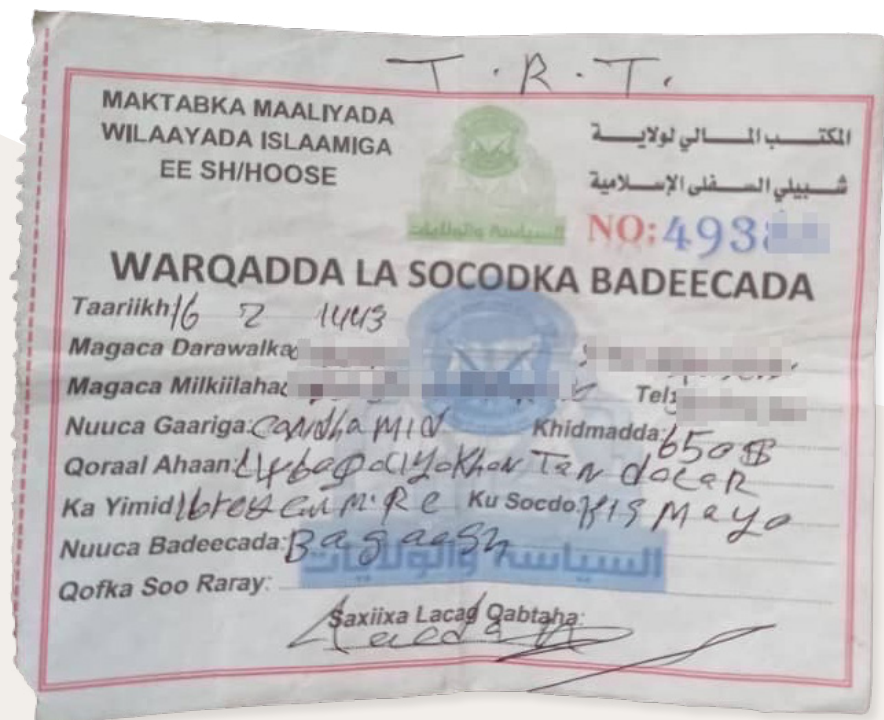
Al-Shabaab applies its mid-level tax bracket to trade passing between government-held areas within Somalia. One such route amply represented in our data set runs from the greater Mogadishu area (including parts of Lower Shabelle region), the most populous swathe of the country, to Kismayo. The al-Shabaab heartland straddles the Middle and Lower Juba regions; as a result, any land trade between the greater Mogadishu urban area and Kismayo must pass through territory under direct al-Shabaab control.

The data set contained 83 receipts (approximately 10% of the total) issued to vehicles transiting along this route. About half these receipts recorded the vehicle's origin as

Mogadishu; the other half stated that it was Ibrahim Cali Meyrre, a crossroads lying on a 'backdoor' route out of Lower Shabelle region that avoids the main supply routes.

Vehicles transiting from the greater Mogadishu area to Kismayo were taxed at a significantly lower rate than those travelling from Kismayo to the Kenyan border, despite the distance by road (approximately 500 kilometres) being twice as great. The rate, however, was higher than for vehicles destined for the al-Shabaab heartland. Al-Shabaab taxed both medium-duty and heavy-duty trucks (dynos and candamedles) consistently at a rate of US\$300 for transit and US\$650 for goods. Once again, there was no evidence in the data that al-Shabaab officials had demanded payment more than once over the course of a single journey.

Most receipts for vehicles departing from Ibrahim Cali Meyrre featured 'T.R.T.' scrawled at the top of documents (see the photo), likely indicating that the receipts had been issued by tax officials at Tortoorow, a major al-Shabaab hub and the headquarters of the group's judicial court system in Lower Shabelle region. Although there are often fierce battles with Somali government forces for control over Tortoorow,²⁶ al-Shabaab was still operating a checkpoint in the area as of June 2022.




While the field indicating the checkpoint location has been left blank, 'T.R.T.' indicates that this receipt was issued at Tortoorow.

A wide-angle photograph of a vast refugee camp, likely Dadaab in Kenya. The foreground and middle ground are filled with rows of white, semi-circular tents. Some tents have the UNHCR logo and text on them. People are scattered throughout the camp, some standing near the tents, others walking. In the background, the camp extends to the horizon under a dramatic, cloudy sky. A white geometric graphic, resembling a stylized 'A' or a compass rose, is overlaid on the top half of the image.

A NATIONAL- SECURITY THREAT? CROSS-BORDER SMUGGLING INTO KENYA

A view of the UNHCR Dadaab refugee complex in Kenya near the Somali border.

© Tony Karumba/AFP via Getty Images

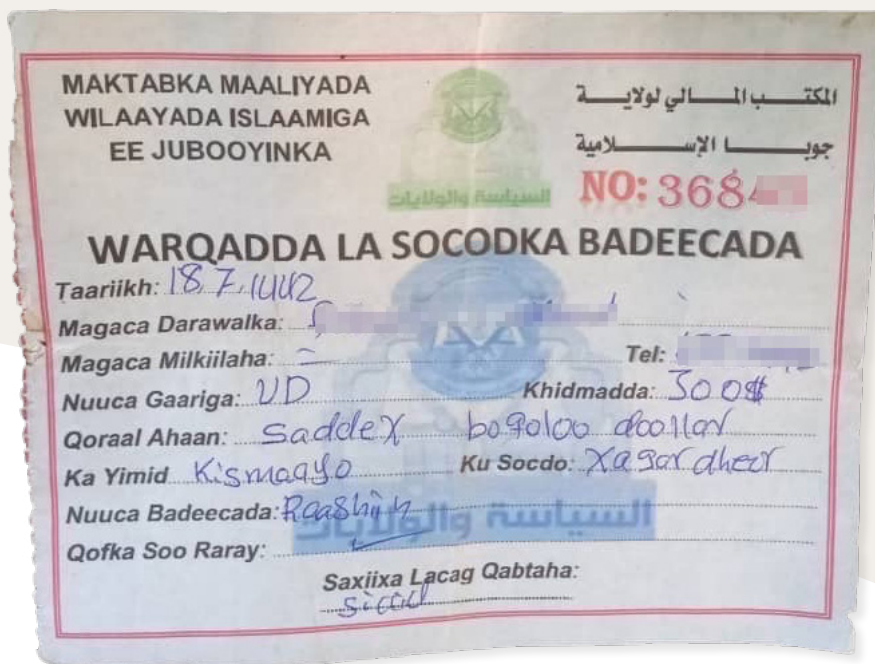


The proximity of the port of Kismayo to the Kenyan border – as well as the absence of Kenyan import duties – has made it more economical to import many basic staples and other goods through Kismayo and transport them overland into Kenya. However, the Somalia–Kenya border remains officially closed, which has resulted in the emergence of a prolific cross-border illicit trade. As noted above, about one-quarter of the receipts in this study derived from the taxation of vehicles transiting from Kismayo to the town of Dhobley.

Just across the Kenyan border from Dhobley lies the settlement of Dadaab, one of the oldest and largest refugee complexes in the world. Opened in 1992 to accommodate the mass exodus of refugees fleeing the civil war in Somalia, the Dadaab camps now host a population of over 200 000. The presence of such a dense population concentration close to the border has added additional impetus to cross-border smuggling.

It is notable that the commercial traffic along the Kismayo–Dhobley route consisted entirely of large vehicles: every one was a truck. While minibuses make up over one-third of the vehicle types in the data set as a whole, there were no instances of a minibus transiting from Kismayo to Dhobley.

Many of the trucks ostensibly destined for Dhobley in fact proceed across the border into Kenya and the Dadaab complex. Drivers might be hesitant to declare Dadaab as their destination, out of fear that al-Shabaab officials might view commercial trade with Kenya as collaboration with one of the group's most implacable enemies. However, there were a few instances in the data set where the receipt explicitly indicated that the vehicle's destination was Hagadera, one of the three refugee camps that make up the Dadaab complex, and the closest of the three to the Somali border (see the photo).



Receipt for a truck carrying foodstuffs intended for the Hagadera ('Xagardheer') refugee camp in Kenya.

The data set also contains three receipts corresponding to one other route into Kenya, namely from Kismayo to Dif, a town lying roughly midway along the Kenya–Somalia border (see the map). All three receipts had been issued to trucks carrying foodstuffs (*raashin*). Although only a small sample size, the trucks were charged the same (high) rate as vehicles transiting from Kismayo to Dhobley, suggesting that al-Shabaab employs a standardized taxation schedule for all trade destined for Kenya.

The Jubaland administration also levies taxes on goods transiting between Kismayo and Dhobley, though on a much more moderate scale than al-Shabaab. A medium-size truck, for example, will pay US\$105 to Jubaland tax authorities for a single journey to Dhobley.²⁷ Drivers may face further demands for payment at other Jubaland check-points, such as Afmadow, Tabda and Bilis Qooqaani (see the map). The burden of this double taxation is ultimately passed down to vulnerable consumer populations in Somalia and Kenya. However, Jubaland taxation offers a negotiating lever whereby al-Shabaab might be convinced to reduce its own levies, an idea explored below in the recommendations section.

Sugar: Al-Shabaab's lifeline?

High tariffs on sugar imports – designed to protect Kenya's uncompetitive domestic sugar producers – have resulted in a prolific cross-border illicit trade in sugar from Somalia. Kenyan sugar production perennially fails to meet domestic demand. In 2021, for instance, it fell more than one-third short of the total domestic consumption of one million metric tonnes.²⁸ While some of this shortfall is made up by legal imports, the remainder consists of smuggled sugar, largely from Somalia. Sugar has been described as 'the most smuggled good' into Kenya, accounting for almost half of all recorded smuggling instances in a recent year.²⁹ The sugar that finds its way across the Kenyan border is typically produced in Brazil and imported into Kismayo via Dubai.



Sacks of sugar imported from Dubai displayed in a shop in Kismayo (left) and in the Dadaab refugee camps (right).

Much emphasis has been placed on the lucrative illicit sugar trade in previous reporting on al-Shabaab financing. In 2011, UN sanctions monitors estimated that al-Shabaab generated between US\$400 000 and US\$800 000 annually by taxing sugar destined for Kenya.³⁰ A similar UN report four years later concluded that the figure was probably 'substantially higher'.³¹ Another study, published in 2015, focused on revenues accruing to al-Shabaab from the sugar and charcoal trade, also highlighting the involvement of the Kenyan security forces and high-level political figures.³² Both local and international media reporting has focused on the centrality of the sugar trade to al-Shabaab revenue streams.³³

However, the importance of sugar to al-Shabaab has perhaps been overstated. We did indeed find that sugar accounted for a higher proportion of the cargo transported between Kismayo and the Kenyan border than on the other routes: 18.9% of the vehicles travelling on this route were carrying sugar, which was nearly five times the average observed elsewhere in the data set.³⁴ As noted above, however, al-Shabaab taxes sugar at the same rate as generic foodstuffs and mixed cargo. In other words, the group itself appears not to treat sugar as a special category within its revenue-generating operation.


The focus placed on sugar in previous analyses of al-Shabaab revenue has perhaps obscured the fact that al-Shabaab has inserted itself into nearly every aspect of economic life in Somalia. Rather than taxing specific commodities, the group extracts a percentage of the value of the entire illicit cross-border trade between Somalia and Kenya. Any efforts to disrupt their revenue streams must therefore address this illicit trade as a whole.

Nevertheless, Kenya's protectionist policies still play a role in augmenting al-Shabaab revenue. By raising the domestic price of sugar, Kenyan tariffs increase the demand for illicit sugar from Somalia, thereby increasing the overall volume of cross-border trade taxed by al-Shabaab. In this light, it might be argued that Kenya's protection of its domestic sugar industry works at cross purposes to the country's national-security interests.



CONCLUSION AND RECOMMENDATIONS

Somalia's underlying problem is al-Shabaab's ability to create or project violence. The Hayat Hotel, Mogadishu, shown here, was destroyed by the group in August 2022. © Hassan Ali Elmi/AFP via Getty Images



The militant group al-Shabaab represents a deeply rooted structural problem in Somalia. It is an entrenched, mafia-like organization, integrated into almost every facet of society, the economy and government in the southern parts of the country. It provides basic services, mostly relating to security and justice, and enjoys a degree of legitimacy in some areas.³⁵ More importantly, al-Shabaab operates a sophisticated revenue-collection network, even in areas it does not physically control. This taxation system can be enforced cheaply, through the implicit threat of extreme violence. Al-Shabaab's checkpoints and tax officials can be targeted by government and international forces (and they routinely are), but the group can easily adapt by relocating those checkpoints and replacing the tax collectors. Kinetic operations, in other words, do nothing to address the underlying problem: al-Shabaab's latent legitimacy and its ability to project violence.

The undermining of al-Shabaab's grassroots legitimacy in the eyes of local populations is the ambition of sweeping state-building and counter-insurgency efforts in Somalia, and is therefore beyond the scope of this research study. What targeted measures, however, might be taken to disrupt al-Shabaab financing?

As seen above, more than one-third of the total revenue recorded in our data set was derived from the taxation of trade from Kismayo to the Kenyan border. For too long, Kenyan authorities have turned a blind eye to the smuggling trade, viewing it as an inevitable and relatively harmless economic crime. However, Kenya might do well to begin treating cross-border smuggling as a national-security issue. Such an approach would not be without precedent: in 2015 a 'sugar unit' briefly existed within Kenya's National Intelligence Service, specifically to combat contraband sugar entering the Dadaab refugee camps.³⁶ Furthermore, Kenya already criminalizes illegal entry into Somalia, a country designated by the Kenyan government as a terrorist threat;³⁷ similar legislation might be enacted to encompass the illegal cross-border movement of goods benefiting terrorist groups.

Secondly, Kenya might consider phasing out its protectionist tariffs on sugar imports. While sugar is only one commodity among many in the Somalia–Kenya illicit border trade, it accounts for a significant share of that trade. Reducing or eliminating tariffs would reduce the profit incentive for smuggling sugar into Somalia, and therefore potentially lead to a significant decrease in the volume of the overall cross-border trade taxed by al-Shabaab.

Thirdly, and the most radical option: Kenya might consider re-opening its border with Somalia to official trade. Kenya and the Jubaland administration already coordinate closely on border-security policy. It would be feasible for them to jointly establish official checkpoints that are recognized by both sides, and to charge tariffs that compete with the rates charged by al-Shabaab. In future, vehicles that pass between Somalia and Kenya might be fitted with RFID/GPS toll devices that would streamline the taxation process as well as allow authorities to monitor whether they had passed through al-Shabaab checkpoints during their journeys. Vehicles found to have passed through unauthorized checkpoints could be denied entry to Kenya. This approach would bring the added benefit of diverting into Kenyan and Jubaland coffers revenues that typically accrue to al-Shabaab or transnational smuggling networks.

The FGS might also explore the possibility of monitoring vehicles that routinely access Mogadishu port. Vehicles that are found to have passed through al-Shabaab checkpoints might be denied permission to export their cargoes.

Finally, federal and local authorities in Somalia might consider entering ‘trade talks’ with al-Shabaab, aimed at reducing the overall tax burden throughout southern Somalia. As seen in the above analysis, al-Shabaab levies the lowest taxes on goods intended for communities in areas it directly controls. Presumably this policy is designed to maintain the group’s legitimacy and popularity among the populations it governs. The Jubaland administration and other governmental authorities might offer to reduce their own taxation rates in order to prompt an equivalent response from al-Shabaab. Ideally, such an approach would eventually result in ‘free-trade zones’ within some areas of the country.

Reaching such an agreement with al-Shabaab would be particularly timely at the current juncture. Rising food and fuel costs stemming from Russia’s invasion of Ukraine have already proved punishing to populations in Africa, and the situation in Somalia is especially precarious as the country is currently experiencing extreme drought conditions, with close to half the population facing crisis-level food insecurity.³⁸ In this context, an across-the-board reduction in taxes would be consistent with al-Shabaab’s professed Islamic humanitarian values.³⁹

The FGS, supported by African Union and international forces, is locked in an ongoing stalemate with al-Shabaab. Many view the conflict as militarily unwinnable.⁴⁰ In the short term, however, degrading al-Shabaab’s revenue-collection capabilities would affect the group’s ability to pay its fighters and administrators, and to carry out attacks using improvised explosive devices that have sometimes claimed the lives of hundreds of



Kenyan border-security forces on patrol near the Dadaab refugee complex. © Will Swanson

civilians.⁴¹ In the longer term, undermining the group's financial base could serve as a means of bringing it to the negotiating table.

Al-Shabaab continuing to function as a shadow government in much of Somalia is a status quo unacceptable to both the Somali government and its international partners. Thinking creatively about how to disrupt the group's ability to raise revenue could be a first step towards changing this state of affairs.

Recommendations in brief

- The Kenyan government should consider reopening the Kenya–Somalia border to legal trade.
- The Kenyan government should consider phasing out protectionist tariffs and subsidies designed to protect domestic sugar producers. Doing so would reduce average sugar prices in Kenya and therefore the demand for sugar smuggled from Somalia.
- The governments of Kenya and Somalia (as well as the Jubaland administration) should explore establishing a joint vehicle-monitoring system to ensure that vehicles transiting from Somalia to Kenya have not passed through al-Shabaab checkpoints.
- Similarly, the FGS should consider denying export permission for the cargo of any vehicle found to have passed through an al-Shabaab checkpoint.
- The Kenyan government should consider introducing legislation to criminalize cross-border smuggling offences that benefit designated terrorist groups.
- The FGS and the Jubaland administration, along with other Somali authorities, should consider opening 'trade talks' with al-Shabaab leaders, with the aim of mutually reducing checkpoint tariffs.

NOTES

- 1 Remarks by General Stephen Townsend, commander, U.S. Africa Command (AFRICOM) on 17 February 2022. United States Africa Command, Gen. Townsend visits Djibouti, Somalia, and Kenya to advance mutual security interests, press release, 18 February 2022, <https://www.africom.mil/pressrelease/34295/gen-townsend-visits-djibouti-somalia-and-kenya-to-advance-mutual-security-interests>.
- 2 Hiraal Institute, A losing game: Countering Al-Shabab's financial system, October 2020, <https://hiraalinstitute.org/wp-content/uploads/2020/10/A-Losing-Game.pdf>.
- 3 United Nations Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2444 (2018), 1 November 2019, <https://undocs.org/S/2019/858>.
- 4 United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2385 (2017), 9 November 2018, <https://undocs.org/S/2018/1002>.
- 5 Peer Schouten, The global checkpoint economy, Danish Institute for International Studies, DIIS working paper 2019:15, https://pure.diiis.dk/ws/files/3204090/DIIS_Working_Paper_2019_15.pdf.
- 6 United Nations Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2498 (2019), 28 October 2020, <https://www.undocs.org/en/S/2020/949>.
- 7 The headquarters of al-Shabaab's 'ministry of finance' is in Qunyo Barrow, in Middle Juba region.
- 8 UN sanctions monitors were the first to identify al-Shabaab's four distinct taxation categories, in 2018. See the United Nations Monitoring Group on Somalia and Eritrea, Somalia report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 2385 (2017), 9 November 2018, <https://undocs.org/S/2018/1002>.
- 9 Vehicles recorded as 'half-full' were most frequently minibuses transporting passengers.
- 10 This approach is consistent with other al-Shabaab taxation practices. For instance, al-Shabaab taxes imports into Mogadishu port at a flat rate of US\$4, regardless of the cargo. See United Nations Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2498 (2019), 28 October 2020, <https://www.undocs.org/en/S/2020/949>.
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- 12 United Nations Monitoring Group on Somalia and Eritrea, Report of the Monitoring Group on Somalia and Eritrea submitted in accordance with resolution 1916 (2010), 18 July 2011, <https://www.undocs.org/S/2011/433>.
- 13 United Nations Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2444 (2018), 1 November 2019, <https://undocs.org/S/2019/858>.
- 14 Ibid.
- 15 'Dyna' actually denotes the Dyna medium-duty truck manufactured by Toyota.
- 16 Omar Faruk and Max Bearak, 'If I don't pay, they kill me': Al-Shabab tightens grip on Somalia with growing tax racket, *The Washington Post*, 30 August 2019, https://www.washingtonpost.com/world/africa/if-i-dont-pay-they-kill-me-al-shabab-tightens-its-grip-on-somalia-with-growing-tax-racket/2019/08/30/81472b38-beac-11e9-a8b0-7ed8a0d5dc5d_story.html.
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 - 23 The GI-TOC's field researcher in Kismayo noted that a fourth al-Shabaab checkpoint, located at Qudus, also taxes vehicles destined for Dhobley. However, Qudus did not appear in any of the al-Shabaab receipts collected for this study.
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 - 25 UN Panel of Experts on Somalia, Report of the Panel of Experts on Somalia submitted in accordance with resolution 2551(2020), 6 October 2021, <https://www.undocs.org/en/S/2021/849>.
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 - 34 It is possible that sugar cargoes are underrepresented in the data set, as some al-Shabaab tax officials may sometimes record sugar as generic foodstuffs (*raashin*).
 - 35 For a discussion of the appeal of al-Shabaab's justice system, particularly to women, see International Crisis Group, Women and Al-Shabaab's insurgency, Crisis Group Africa Briefing no. 145, 27 June 2019, www.crisisgroup.org/africa/horn-africa/somalia/b145-women-and-al-shabaabs-insurgency.
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 - 37 Section 30C (1) of the Prevention of Terrorism Act (2012) stipulates that 'a person who travels to a country designated by the Cabinet Secretary to be a terrorist training country without passing through designated immigration entry or exit points shall be presumed to have travelled to that country to receive training in terrorism'.
 - 38 Reliefweb, Drought in the Horn of Africa: FAO appeals for \$172 million to help avert famine and humanitarian catastrophe, 27 June 2022, <https://reliefweb.int/report/somalia/drought-horn-africa-fao-appeals-172-million-help-avert-famine-and-humanitarian-catastrophe>. See also Sudarsan Raghavan, Africa's desperate hunger: Ukraine war pushes Somalia toward famine, *The Washington Post*, 30 June 2022, <https://www.washingtonpost.com/world/interactive/2022/somalia-famine-ukraine-war/?itid=hp-more-top-stories>.
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 - 40 See International Crisis Group, Considering political engagement with al-Shabaab in Somalia, Africa Report N°309, 21 June 2022, <https://d2071andvip0wj.cloudfront.net/309-engagement-al-shabaab-somalia.pdf>.
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