

**THE POVERTY IN SOMALIA: HOW CAN ECONOMIC  
REFORM POLICIES AND CONFLICTS DESTROY A  
COUNTRY'S WAY OF LIFE?**

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This thesis aimed to define the concepts of food insecurity, aid dependency and introduce the characteristics and indicators for recognizing the external and internal poverty effects in Somalia. The thesis defines the critical role of food aid organizations and political stakeholders who mainly concentrated on their vision of improving the Somali society's needs and reducing poverty, despite the fact that they still have so little to solve Somali poverty.

Somalia's food insecurity involves a variety of causes such as political, economic, social, and environmental variables. The study investigates the role of economic reforms that affected the Somali economy that depended on the exchange of goods farmers and pastoralists. The thesis addresses the hidden gap in existing food security causes by exploring how innovation solves political instability and how food shortages occur in practice.

At the end of the thesis, solutions for the critical features that require action in Somalia are presented. Potential problems with Somali poverty were locally identified, and the direction and magnitude of a potential problem were analyzed. More specifically, it examines the opportunities and strategies for non-consumption groups to improve, engage in development processes, and reduce poverty via innovation and self-improvement.

Key words: Somali Poverty, Somali Food insecurity, Somali Aid dependence, Somali Hunger, Somali starvation, Famine in Somalia.

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## SYMBOLS AND ABBREVIATIONS

ARS	Alliance for the Re-liberation of Somalia
CEO	Chief Executive Officer
CPI	Corruption Perceptions Index.
FAO	Food and Agriculture Organization
FAOSTAT	Food and Agriculture Organization Corporate Statistical Database
FBI	Federal Bureau of Investigation
FDI	Foreign Direct Investments
FSNAU	Food Security and Nutrition Analysis Unit
GDP	Gross domestic product
HRR	Human Rights Report
IMF	International Monetary Fund
NGO	Non-Governmental Organization
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
PESS	Population Estimation Survey
SAP	Structural Adjustment Program
TFG	Transitional Federal Government
UCHA	University Cooperative Housing Association
UN	United Nation
UNCTAD	United Nations Conference on Trade and Development
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
US	United State
WFP	World Food Program
WTO	World Trade Organization

## 1. INTRODUCTION

### 1.1 A Brief Overview of the Country

Somalia became independent in 1960. The destruction of Siad Barre's post-independent regime in 1991 resulted in a civil war between local power factions and the ultimate dismantling of the central state. Regional governments arose between 1995 and 2000 as security improved and economic growth advanced. (Mohamed, Koss & Micheal) The creation of the Transitional Federal Government (TFG) in 2004 and its replacement, the Federal Government of Somalia, in 2012 signalled the restoration of a significant central governmental entity. Following peaceful elections in 2016, a new Somali administration was created in 2017 to embark on a growth path. (World Bank 2017). As of 2020, the situation in Somalia has improved little, as seen in (Figure 1).

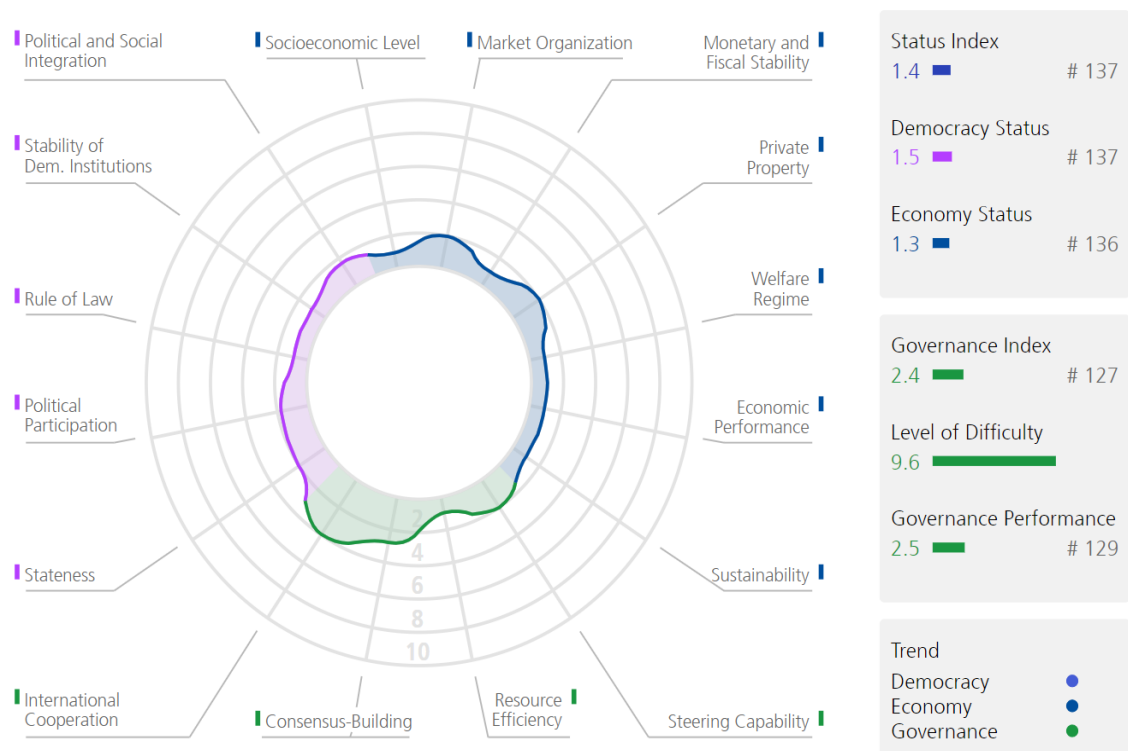


Figure 1: Transformation Index (BTI) Somalia overall Report 2020. Source: (Transformation Atlas 2020).

Somalia remained one of the world's poorest nations (World Bank 2016a, 2015), in the absence of government, a dynamic but mostly informal private sector grew, driving development in the Somali economy and taking over the service delivery.



Several economic activities flourished during this period, including telecommunications, money transfer enterprises, livestock exporting, and localized electrical services (World Bank 2017). Because of the largescale outmigration of talented Somalis who send back a portion of their wages. Diaspora remittances have become critical to the Somali economy, accounting for between 23 and 38 percent of GDP and outweighing international aid foreign direct investment (World Bank 2015).

Somalia's political system remains unstable, despite recent advances. Parts of southern Somalia are inaccessibly governing to the existence of Al-Shabaab, which carried out terrorist attacks on several occasions and violent confrontations throughout the region. In addition to conflict, the recurring El Nino phenomenon triggered severe droughts in 1991/92, 2011/12, and 2016/17, exacerbating the Somali population's pre-existing vulnerabilities. Internal displacement has been widespread due to violence and drought (World Bank, 2018a). The 2016/17 drought resulted in the relocation of about one million Somalis, adding to the current population of 1.1 million internally displaced people (UNHCR 2018).

Like many unstable governments, Somalia suffers from a lack of statistics, forcing policymakers to operate in a statistical vacuum (Beegle et al., 2016). Years of civil war and ongoing violence have damaged Somalia's statistical infrastructure and ability, resulting in poverty due to scarcity and shortage of food (Hoogeveen and Nguyen 2017). The last complete population census was done and released by the government in 1975, while the Somalia Socioeconomic Survey in 2002 was the most recent. The most recent available data sources are the local Food Security and Nutrition Analysis Unit (FSNAU) and Food and Agriculture Organization (FAO) Food and nutrition surveys. At the same time, groups operating within Somalia conducted various smaller surveys. In relief, UNFPA conducted the first Population Estimation Survey (PESS) in order to prepare for a national census, estimating the overall population to be 12.3 million, with 42 percent living in cities, 23 percent in rural areas, 26 percent nomadic, and 9 percent internally displaced (UNFPA, 2014).

## 1.2 The Historical Context of Somalia's Food Insecurity

Food security is a concept that has changed considerably throughout time. There are roughly 200 definitions and 450 food security indicators. One publication of family food security (Maxwell and Frankenberg 1992) includes 194 research papers on the definition of food security and 172 studies on which evolution of the idea and the definition of food security.

Food security is described as "everyone having access at all times to enough nutritionally appropriate and safe foods in a socially acceptable manner for an active healthy life" (Nord et al., 2010). Another definition of household food insecurity is a collection in which households compromise diet quality due to insufficient household resources and/or limitations to food acquisition (Seefeldt & Castelli, 2009). This food shortage affects both developed and developing countries (Hamilton et al., 1997; Radimer 2002).

Nearly three decades between 1990 - 2020 of political insecurity in Somalia have resulted in an estimated 2.6 million internal displacements, leaving many Somalis very vulnerable to economic and security shocks. Somalia is especially vulnerable to natural disasters, particularly drought and flooding, which have resulted in repeated food and nutrition crises. (USADI 2020) Drought resilience is critical since Somalia is located in a drought-prone region and has seen some of the greatest famines in recent history.

Somalia has long suffered through unrest, droughts, and hunger. On the other hand, a normal drought is predicted to occur every four to five years, with a significant drought occurring once every ten years. Severe drought has been a reoccurring component in the region's long history of the region such as Haraama-cuune (1914), Hanawane (1924), Dooryaale (1928), Adhi-gaba (1934), Siiga-case (1954), Gaadhi-gaadhi saar (1964-65), Dabadheer, or Long Tail (1974-1975), Dhibi-jaale (1984) (Hartmann 2009; Feng, Qui, Pan & Tang 2021). Aside from these momentary crises, land constraints have been continuously growing due to increased deforestation in the north (Brons 2001).

Following the fall of the military administration in the early 1990s, Somalia suffered severe food insecurity; the famine from 1991 to 1992 was the result of a combination of drought and violence; between 1991 and 1992, about 240,000 to 280,000 people died from malnutrition and illness (Human Development Report 2001). The country had Africa's worst drought in 1992, raising food costs and causing widespread hunger. At the same time, armed gangs devastated Somalia. It was believed that one-quarter to one-third of all Somali children under the age of five had perished, with more than two persons per 10,000 dying each day. Indeed, the UN reported that Somalia's food security results were the worst in the world and the worst in Somalia since the 1991-92 famine, with an estimated 3.7 million people suffering a humanitarian disaster. (Jeffrey 1992)

According to satellite imputation estimates, the highest poverty levels are concentrated in southwestern Somalia and many regions in northern Somalia (Figure 2).

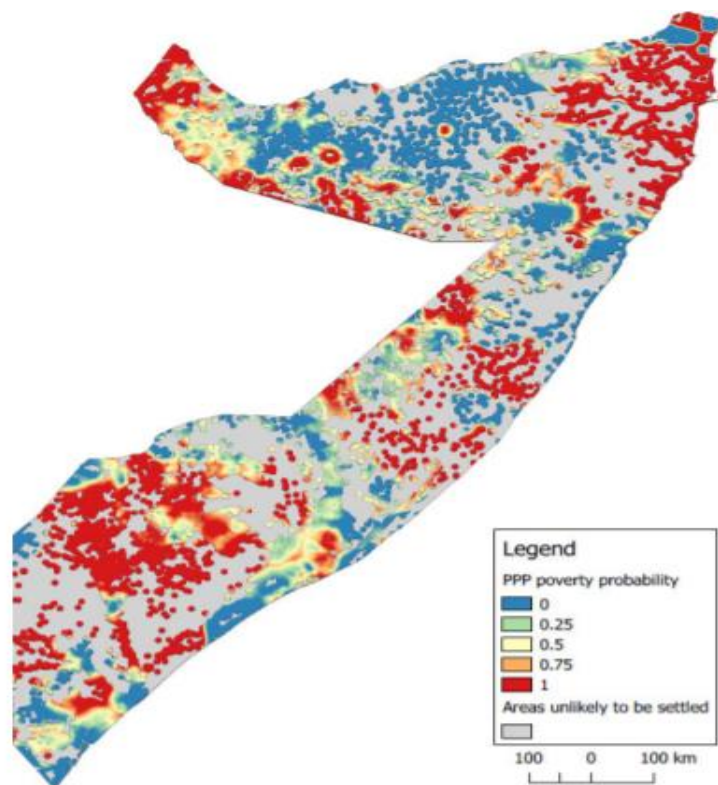


Figure 2. Map of Somali poverty at the district-level based on satellite citation

Similar to the scenario in 2011, about 250,000 people dead in the southern Somalia famine of 2011-12. The famine displaced and ruined hundreds or even thousands of livelihoods, which could be prevented or reduced the serve cause.

As Lauren Sutherland highlighted, the famine triggered the sanctions against Al-Shabaab. At the same time, the US aid to Somalia fell from \$237 million in 2008 to \$29 million in 2010. These restrictions have also "essentially prohibited the United States or United States-funded organizations from functioning in Al-Shabaab-controlled territories." (The nation 2011). Following a slow recovery from the 2011 food shortages and famine, Somalia's food security is once again 2021 are threatened. As local basic food costs continue to climb significantly while animal prices fall significantly, households' access to food is fast decreasing. As of May 2018, 2.7 million people cannot fulfil their daily food needs and require immediate humanitarian aid, with more than half a million on the verge of starvation. Approximately another 2.7 million Somalis want livelihood assistance to avoid a crisis. An estimated 300,000 children under the age of five are malnourished. At the same time, 48,000 are extremely undernourished and at high risk of illness and death (World Food Program 2021).

In the absence of humanitarian aid, over 3.5 million people across Somalia are likely to experience food consumption gaps or depletion of livelihood assets, indicating a Crisis or worse consequences, until the ending of 2021. The combined consequences of poor and irregular rainfall distribution, floods, and violence are the main drivers of food insecurity in Somalia. Furthermore, almost 1.2 million children under the age of 5 are likely to be acutely malnourished. In addition, nearly 213 400 are extremely malnourished. During 2021, persistent, large-scale food aid supplies and government assistance are expected to have reduced the size and intensity of food shortages. (OCHA 2021)

## 2. METHODOLOGY

### 2.1 Research Questions

Somalia is one of the poorest nations in Sub-Saharan Africa due to decades of civil conflict and government disintegration. Nearly seven out of ten Somalis are poor, the sixth-highest rate in the region. (Pape and Karamba, 2019). Poverty is widespread and deep, and unless suitable policies are put in place, food insecurity and vulnerability will stymie future economic and social growth.

According to Pope (2017), international remittances are a vital source of revenue for Somalia, which has a substantial diaspora. The migrant population and refugees out of the country have surpassed more than two million and quadrupled from 1990 to 2017. Remittances, experts estimate at \$1.3 billion per year, are almost the same as government grants and more than three times total foreign direct investment. The SFHS data emphasize the effect of remittances on wellbeing. Households who receive foreign remittances are less likely to be poor as they increase their spending on education. Even though Somalia's remittance market is still relatively underdeveloped and expensive.

Economic growth prospects will be critical for achieving long-term poverty and vulnerability reduction. Strategies to provide jobs, particularly for young Somalis, will be critical. Improving service delivery to individuals with disproportionately limited access will be important to building human capital. Investment in resilience will be required to avert livelihood loss for vulnerable rural households, particularly in the face of impending droughts. Agricultural insurance, allowing people to diversify their income, and providing access to roads and clean water are examples of such approaches.

Somalia faces significant economic problems. However, solid data-driven policies and initiatives may help guide the country toward sustainable growth as it embarks on a new road through the debt relief (IMF 2020). As a result, the study seeks to answer the following questions:

- How international economic reforms impact Somali poverty?

- Why will aid dependency not help Somali poverty? And what can be done about it?

## 2.2 Qualitative Research Method

A qualitative research approach is used to answer the research questionnaires stated above. Since the primary objective of this study is to uncover the answer to the question "why," a qualitative research technique is more appropriate than a quantitative framework. According to Diggs-Brown (2011), a qualitative approach concerns the "why of an action or behaviour" that may effectively identify the target audiences.

Qualitative research is a form of social science research that collects and analyzes non-numerical data to understand social life via a study of specific people or locations. The qualitative research method is intended to reveal the meaning behind the activity. (Crossman 2019)

Diggs-Brown argues that Qualitative research "does not quantify the amount, degree, or frequency of feelings" and "does not offer accurate data that may be deduced to a population." On the other hand, a qualitative research approach allows researchers to collect detailed contextual information. The significant advantage of qualitative research is the chance to investigate the target audience, i.e., Somali society related to the issues of food insecurity and hunger. (Diggs-Brown 2011) According to Rubin and Babbie (2012), a qualitative research technique reveals tendencies in human experiences. It allows for the generation of theoretically more profound findings that are not always possible in a quantitative research framework.

The qualitative research method encompasses a wide range of research approaches, methods, strategies, data collecting, systematic analysis, and new information about the topic being researched. The qualitative research technique is used to investigate, describe, and explain events in their natural surroundings in a rich, detailed, and personalized context. The qualitative technique is commonly linked with interpretative epistemology. It refers to data gathering and analysis types that rely on comprehending social processes emphasizing shared

meaning. (Amungwa 2013). What is more, the grounded theory application is used to provide answers to research problems and develop new questions for future study. (Amandeep 2014)

Grounded theory (GT) is a research approach concerned with developing a theory that is 'grounded' in evidence that has been collected and analyzed methodically. (Glaser & Strauss, 1967) It is used to discover social links and collective behaviours referred to as social processes. (Crooks 2001). It is a general process for constructing a theory based on evidence systematically gathered and analyzed.

### 2.3 Research Ethics

Relevance of study, transparency of research, reliability, and integrity of results, and the researcher's reputation which are essential in the academic community characteristics that affect the prestige of science and the possibility of applying practical new information. As a result, research ethics is more than just a "formality" required by academic journal editors. It is a significant part of research that is influenced by trust in scientists, data protection, anonymity, confidentiality, and the ability to build and maintain trust-based relationships with respondents. Research ethics is more than simply requirements written in a code of ethics. It is also the researcher's philosophical and value viewpoint and decades of discussion and learning from failures, as evidenced by a review of the history of research.

Stern and Elliott (1997) observed that research ethics is a separate category of professional ethics since "high-quality" science necessitates ethical conduct. Research projects designed to investigate social identity differences in organizations are motivated by a desire to effect positive change that will eventually lead to a more just society, rather than one that allows status quo power perpetuation and continues to marginalize certain people, preventing them from achieving personal and career goals (1997)

The question creates the research problem, "How are the ethical difficulties of the study exposed and how to overcome them in the research of the degree of management culture development?"

According to Resnik (2011), the establishment of ethical norms first contributes to accomplishing the goals of scientific research knowledge, honesty, and error avoidance. For example, prohibiting data falsification improves fairness and helps avoid errors.

Second, according to Resnik, ethical standards promote trust, responsibility, mutual respect, and fairness since scientific research typically needs close collaboration and coordination across many different individuals and institutions.

According to Guillemin et al. (2010), who interviewed Australian researchers, ethics committees and research guidelines were not recognized as important tools for field research researchers, despite the significant effort committed to ethical review. According to Wiles et al. (2006), increased research regulation requires researchers to pay instinctively to the social environment in which consent occurs.

## 2.4 Research Objectives

This study investigates the links between external and internal Somali poverty influences and participatory development via innovation. More specifically, it examines the opportunities and strategies for low-income groups to improve development, engage in development processes, and reduce poverty via participation, innovation, and self-improvement.

In this study, Somalia was chosen as a target nation. There are multiple motivations to study, particularly in today's Somalia. Aside from the author's long-standing interest in this fascinating diverse country and its food shortages challenges which makes the country a valuable base for tackling this study's aim. As a result, the country provides a fertile ground for examining the current path of development, poverty, and the role of involvement in development efforts, mainly through the eyes of the local people, as shown in (Figure 3).



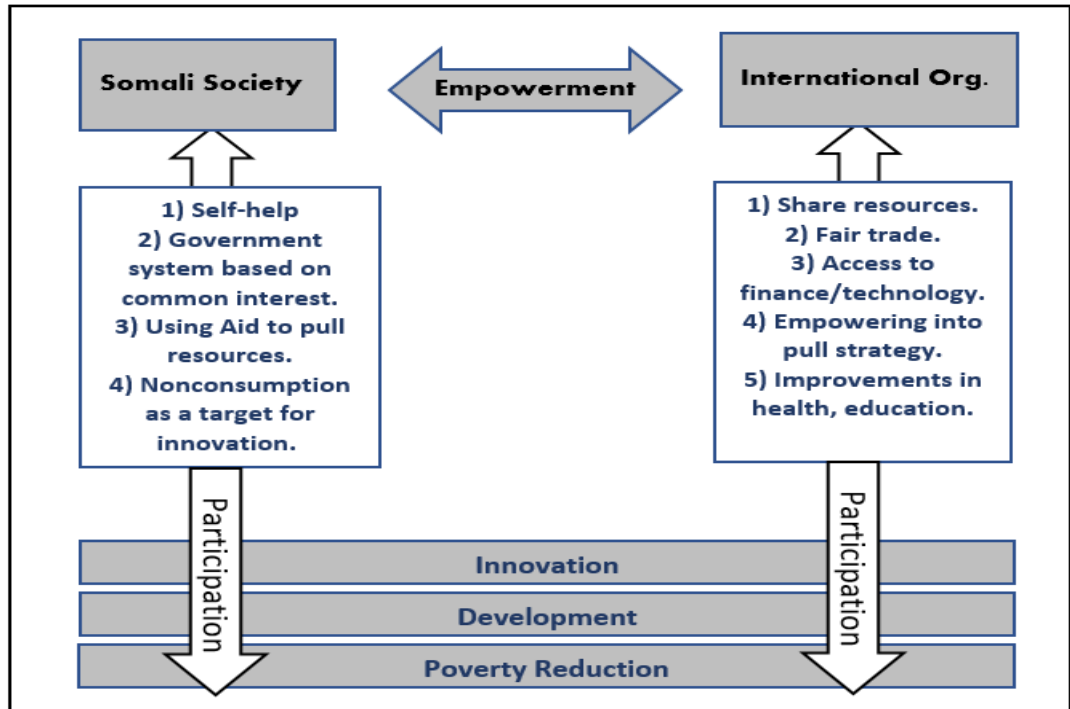


Figure 3: The path to achieving Somali development (own image)

Based on the present situation, the Somali government and Somali's strong ambition to accomplish development, the demand for equal economic growth, poverty reduction, and genuine involvement is high in the nation, despite the fact that it is a significant problem.

### 3. EXTERNAL FACTORS INFLUENCING TO SOMALI POVERTY

#### 3.1 The Neo-Colonialism and Their Policy

Most of the African countries gained their independence in the 1960s. In May 1963, the leaders of the then independent African countries gathered in Addis Ababa, Ethiopia. Many speeches were delivered, with the main thrust included those African countries that have regained their independence. The primary focus and the objective were to ensure that they exercised their regained mandate for the benefit of the people to ensure that the people were liberated from ignorance, disease, and poverty.

Ghana's president Kwame Nkrumah delivered the most powerful speech ever delivered by an African leader on the 21st of May (Small 2017). He reminded the leaders gathered on that day on several topics.

- First: He warned them not to dilute themselves since recovering their independence from the colonizer would cause them to recoil and become inert. Nkrumah was correct in a subtle manner that the colonial ruler would be more pernicious.
- Second, he warned his audience that it was necessary and urgent that Africans develop to think as one in the future. If they stayed divided, they would remain weak; (Small 2017).
- Third, Nkrumah made African countries aware of their invalid boundaries created in Berlin. If Africa tried to redraw the boundaries, the conflict would never end, which was reinforced in Cairo in 1964 on the inviolability of inherited boundaries. (Ahmed 2015)

Africa is at the dinner table today. For example, many wars of varying intensity in the north, south, east, and west in Somalia. So, there is a sense in which Africa has always been a line to the topic of intervention. (Terdiman 2008) Since colonial power has not left Somalia but only possessed into a neo-colony. The honourable ministers indicated that Somalia was still at the dinner table. They believe they have a divine duty to instruct what to do. In the minds of many African leaders

believe they have a divine duty to accept whatever they are told. Western's prominent achievement over Somali leaders was controlling the brain because the brain is the creature of repetition, whoever feed the most ideas will rule it. What did Nazi Joseph Goebbels say "come up with a lie, be consistent telling it, it does not have to be the truth, but the brain cannot resist the temptation to believe something that is regularly presented (Stafford 2016). The former American President Ronald Reagan stated in the 1980s, "the United States of America does what is in her best interest." Does Somali act in her best interests? Do Somali leaders act in the best interests of their countries? Interference will be present in both obvious and subtle ways. (Lumumba 2018)

The mentality is what the Honourable Minister was referring to, which has been examined. To sum it up, when former Portuguese leader Marcelo Caetano was asked why can't you allow the colonies to gain independence? Marcelo said in substance, "as I have examined world history over the years, the following have emerged: that the Caucasians have been responsible for monumental discoveries in the development of man" (Lumumba 2018), and the conceptual West's unguarded moments or guarded moments that is what they think, and that is the bitter truth; that is how they relate to Somalia. So, the idea that they will interfere is something they think is their God-given duty.

It is remarkable how the conceptual West preaches to Somalia about Peace Prizes, while Western Countries primary income are the arms productions. (Stebbins, & Comen, 2019). When looking at the majority of what western foreign exchange earns (Bitzinger 2014), it is military and security items, so they speak with their mouths what they do not believe in their hearts.

It is in the best interests of the neo-colonial agenda, which is the indirect dominance of former colonial powers, to maintain their involvement in a settled manner to limit growth in developing countries and keep them as suppliers of cheap raw materials and labour. (Halperin 2020) Neo-colonial administrations operate through indirect forms of control, notably through multinational organizations' economic, financial, and trade policies. Neo-colonial administrations come as operating via indirect forms of control, specifically through the socioeconomic, financial, and trade policies of multinational

organizations. The International Monetary Fund and the World Bank are accused of neo-colonialism by making loans (and other types of financial help) conditional on receiving nations taking the necessary steps that benefit those represented by these organizations. (Halperin 2020).

The election is one of the indirect modes of control; for example, in February 2017, Somalia held its presidential elections following an arduous campaigning process which is characterized by corruption, vote-buying, and delays. (Election Guide 2017). Because of Somalia's ethnic basis, legislators were chosen by clan delegations rather than universal suffrage. They voted for the country's president. According to Wakiil, more than 100 of the country's 275 parliamentarians hold foreign passports, as seen in (Figure 4) (Abdi Latif Dahir 2017). Furthermore, the majority of presidential candidates and some lawmakers hold foreign passports, and 16 of the 24 candidates permitted to compete for the nation's top position hold foreign passports.

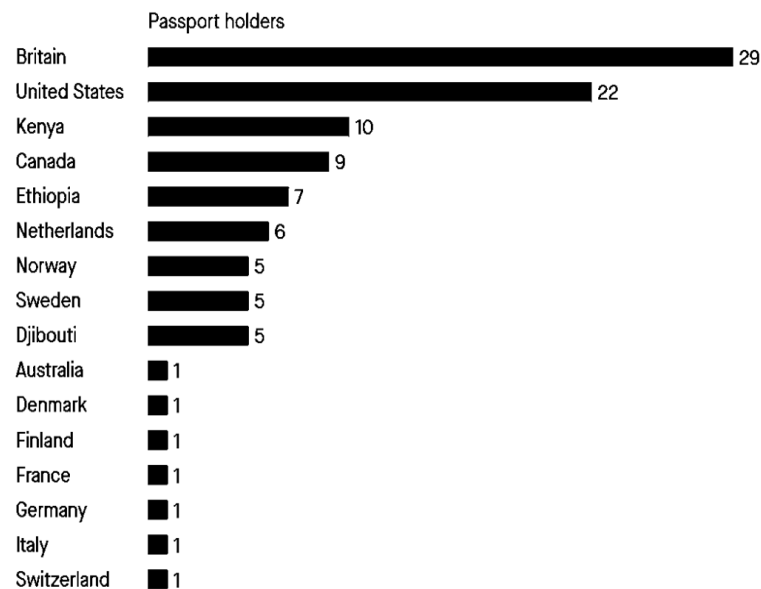


Figure 4: A third of Somalia's 275 lawmakers hold foreign passports (Wakiil)

According to a study published in 2017 by the Heritage Institute for Policy Studies and Somalia's first think tank (Stuster 2013), many Somalis doubt the patriotism of these foreign passport holders throughout the sort of election campaign.

### 3.2 How Did Somalia's Government Become a Failed State?

Somalia gained independence from colonialist Rule in 1960. Siad Barre, who advocated a political philosophy called scientific socialism, came to power as Somalia's president in a coup in 1969. He first formed an alliance with the Soviet-Union, from which he got weaponry, military assistance, and financial aid. In 1977, Barre launched an invasion on Ethiopia to recapture the populated Somali land surrendered to Ethiopia to achieve his irredentist ambitions. When the Soviet Union decided to support Ethiopia, Siad expelled the Soviets from Somalia and sought patronage with the US by providing access to Somalia for military sites in exchange for substantial international aid. In the concept of Cold War geopolitics, the United States considered Somalia as a strategic prize due to its strategic location on the Indian Ocean and its closeness to the Persian Gulf. Throughout the 1980s, the United States made Somalia its second-largest recipient of foreign aid in Africa, providing Barre with hundreds of millions of dollars in military and economic assistance. (Besteman 2011)

Regardless of how one interprets Barre's rule, several factors are clear: his alliances with the United States (and formerly the Soviet Union) weaponized the country and maintained his regime; he used massive state resources gained from foreign aid to bolster his bases of support, primarily in his clansmen, against northern clans, indigenous riverine ethnic groups, and communities that protested their exclusion from his largesse; and his practice of paternalism.

Somalia has been in a national-wide "civil war" from 1990 to 2011, resulting in the devastation of its rural and urban economies. The mainstream media carelessly blames the hunger for severe drought without investigating the more significant reasons. A climate of "lawlessness, gang violence, and chaos" is also cited as a critical cause of the famine (Kitur 2016).

Somalia is classified as a "failed state" or a country that lacks governance. (Byrne 2013). Nevertheless, how did it become known as a "failed state"? Foreign intervention, as well as confidential assistance for armed militia organizations, is abundantly documented. According to the UN, hunger exists in southern Bakool and Lower Shabelle, territories by Al Shahab, a jihadist militia organization

associated with Al Qaeda. Both the United Nations and the Obama administration charged Al Shahab of putting a "sanction on foreign aid agencies in its territories in 2009." (BBC 2011)

The early 1980s were a game-changer. Sub-Saharan Africa was subjected to the IMF-World Bank structural adjustment program (SAP). The recurring food shortages of the 1980s and 1990s were caused in significant part by IMF-World Bank called "economic medicine." (Hussein 2013). During the Ten Years of IMF, "economic medicine" in Somalia created the groundwork for the country's descent into economic instability and social chaos. Salaries in the public sector had fallen to 3 dollars per month by the late 1980s because of the Washington consensus's recurring "austerity measures."

Despite repeated droughts, Somalia remained economically self-sufficient till the late 1970s. Its national economy had been destabilized since the early 1980s, and food crops had been devastated. (Aluko 2001). The beginning of the civil war in 1991 was preceded by economic upheaval. The economic and social instability caused by IMF "economic medicine" had prepared the ground for the start of a US-sponsored "civil war." (Chossudovsky 1997).

With a long history of commerce and economic growth, a country was turned into a territory. In a shocking twist, this vast open space contains substantial oil reserves. Prior to the start of the Somali civil war in 1991, 4 leading United states of America oil companies had already established themselves: Far beneath the surface of Somalia's tragic drama, four major US oil companies are sitting quietly on a potential fortune in exclusive agreements to discover and exploit tens of millions of acres in the Somali hinterlands. Conoco Inc. was the only major international business to keep a working office in Mogadishu over the 1991 and 1992 of countrywide chaos and actively participated in the United Nations-sponsored humanitarian military operation. (Los Angeles Times 1993) According to records obtained by The Times, over two-thirds of Somalia was assigned to American oil companies Conoco, Amoco, Chevron, and Phillips in the last years before Somalia's pro-US President Mohamed Siad Barre was deposed. The country descended into turmoil in January 1991. (Mark 1993).

In 1969, President Mohamed Siad Barre established a post-colonial administration; and substantial social programs in health and education were launched. Rural and urban infrastructure was constructed during the 1970s; and tremendous social development, including a mass literacy campaign. In the 1970s, Somalia introduced the first official Somali script (William 2006), and aggressive self-help and societal development programs were achieved. (Gundel 2002). However, how did an otherwise developing country collapse into lawlessness and unending wars, taking the lives of countless Somalis?

### 3.3 The IMF's Role in Creating Food Scarcity in Somalia

How did Somalia being a sufficient food nation in the 1970s, become so vulnerable to imported food and aid? According to Michel Chossudovsky, the IMF's assistance in the early 1980s exacerbated the Somali agricultural crisis. Somalia's economy was built on "exchange" between nomadic herders and small farmers. Resettlement initiatives in the 1970s (Besteman, 1996 & Patrick, 2011) resulted in the growth of a sizable commercial pastoralism industry. Other considerations of the legislation of land reform driven by ethnic promotion and a desire to eliminate the indigenous people, who made up about 25% of the Somali population and lived in riverine areas prior to the arrival of pastoral Somalis. (Heine 1978) Somalia is currently known as a homogenous nation as a result of this land policy which eliminated the indigenous farmers. (Nelson, 1981). Until 1983, livestock accounted for 80 percent of export profits. Despite repeating droughts and floods, Somalia was nearly self-sufficient in food until the 1970s. (Chossudovsky 1997).

The IMF and the World Bank intervention in the early 1980s worsened Somali agriculture's problem. (Muhumed, & et al., 2016) The structural adjustment program increased Somalia's reliance on imported grain. Food aid grew 15-fold between the mid-1970s and the mid-1980s, at an average of 31 percent each year. This inflow of inexpensive excess wheat and rice sold on the domestic market, combined with rising commercial imports, resulted in the displacement of domestic farmers and a significant shift in food consumption patterns to the disadvantage of traditional crops (maize and sorghum). (Farzin, 1991).

The IMF's devaluing of the Somali currency 'shilling' in June 1981 was followed by regular devaluations, resulting in price increases for gasoline, fertilizer, and agriculture supplies. The impact on farmers was immediate, notably in rain-fed agriculture and irrigated farmland. Urban purchasing power dropped. Government extension programs were cut, infrastructure crumbled, and the liberalization of the grain market and the flood of 'food aid' resulted in the poverty of rural areas. (Essombe 2017).

Moreover, government-connected officials, army personnel, and merchants took up many of the most remarkable agricultural lands during this period. Rather than supporting domestic food production, donors encouraged the growth of 'high value added' fruits, vegetables, oilseeds, and cotton for export on the finest irrigated acreage. (de Waal 1993).

Prices for imported livestock medicines rose in the early 1980s due to currency devaluation. The World Bank advocated for user fees for veterinarian services to nomadic pastoralists, including animal vaccinations. A private veterinary medication market was promoted. (Chossudovsky 1997).

The responsibilities provided by the Ministry of Livestock were phased out, and the Ministry's veterinary laboratory services were to be funded entirely on a cost-recovery basis. The World Bank states that "veterinarian services are crucial for livestock development in all areas, and they may primarily be delivered by the private sector" (...) Because few private veterinarians would opt to practice in isolated pastoral regions, better livestock care will rely on "para vets" funded by medication sales.' (Holden, & et al., 1996).

The privatization of animal health was paired with a lack of emergency animal feed during droughts. The commercialization of water, and neglect for water and farmland conservation. The consequences were predictable: the herds were destroyed, as were the pastoralists, who made up half of the country's population. This initiative's 'secret goal' was to remove nomadic herders who participated in the old trade economy. (Baumann 1990). According to the World Bank, 'adjustments' in herd size are helpful because nomadic pastoralists in Sub-Saharan Africa are often seen as a source of environmental damage. (Michel & et al., 2003)



The failure of veterinary services also helped affluent nations' interests indirectly. In 1984, Somali livestock shipments to Saudi Arabia and the Gulf countries dropped as Saudi beef imports were routed to suppliers from Australia and the European Community. However, Saudi Arabia's prohibition on Somali cattle was not lifted until the rinderpest disease epidemic was eradicated. (Janzen 1986).

The reorganization of government spending under the supervision of the Bretton Woods institutions, which promoted economic growth, also had a significant influence on the destruction of food agriculture. Agricultural infrastructures failed, and agricultural maintenance spending fell by roughly 85 percent since the mid-1970s. (Mubarak 1996).

The IMF prevented the Somali government from mobilizing local resources. The budget deficit was established at a high level. Furthermore, donors increasingly gave 'aid' in the form of 'food aid' rather than capital and equipment imports. The latter would then be sold on the local market by the government, with the earnings (labelled "counterpart funds") utilized to finance the domestic expenses of development initiatives. As of the early 1980s, "the selling of food aid" had become the state's primary source of revenue, allowing donors to seize control of the whole financial process. (Menkhaus 2011).

The collapse of health and education programs was a result of economic changes. By 1989, healthcare spending had dropped by 78% compared to 1975 estimates. (Michael & Thomas, 2010). According to World Bank data, recurrent investment in education was under \$4 per year per primary student in 1989, down from \$82 in 1982. Between 1981 and 1989, school attendance fell by 41% (despite a significant rise in the school-age population), textbooks and educational supplies vanished from classrooms, school buildings degraded. Nearly a quarter of primary schools closed. Teachers' pay has dropped to shockingly low levels. (World Bank 1991).

The IMF-World Bank program has forced the Somali economy into a vicious circle: herd decimation has driven nomadic pastoralists to hunger, which has retaliated against grain farmers who have sold or bargained their grain for cattle. The pastoralist and farmers economy's entire social fabric were ripped apart. The decline in foreign exchange revenues from falling cattle exports and remittances

(from Somali workers in Gulf nations) weighed heavily on the balance of payments and the state's public finances, causing the government's economic and social programs to crumble.

Small farmers were disrupted due to the dumping of subsidized US grain on the domestic market, which was compounded with an increase in agricultural input prices. The urban population's poverty also resulted in a decrease in food consumption. As a result, state funding in irrigated regions was frozen, and productivity on state farms fell. Under World Bank supervision, the latter were to be closed or privatized. According to World Bank calculations, real public sector earnings have fallen by 90 percent since the mid-1970s. Average public-sector pay had dropped below \$3 per month, precipitating the inevitable downfall of the civil administration. (Reginald & Vali, 1987).

The World Bank suggested a scheme to restore civil service pay (part of a civil service reform). However, this goal had to be met within the same financial envelope by dismissing around 40% of public sector personnel and removing salary bonuses. By 1995, the civil service would have been reduced to 25,000 employees under this proposal (in a country of six million people). Several funders expressed strong interest in paying the costs connected with government servant retrenchment. (Chossudovsky 1997). Despite the impending crisis, the international donor community did not attempt to repair the country's economic and social infrastructure, restore buying power, or rebuild the civil service. The Economic adjustment measures proposed by creditors in the year leading up to the collapse of General Siyad Barre's government in January 1991 caused for a further tightness of public spending, the restructuring of the central bank, and the rebuilding of the civil service. (Nafziger 1996).

Debt service obligations accounted for 194.6 percent of export profits in 1989. The IMF loan was terminated due to Somalia's unpaid loans. However, the World Bank granted a \$70 million structural adjustment credit in June 1989, frozen a few months later due to Somalia's poor economic performance. Prior to awarding new loans and discussing debt rescheduling, debts with creditors had to be cleared. Somalia was shackled by servicing debt and economic reform. (Elmi 1995).

The ideas killer debts and economic reform policies are more radical than it appears. The International Monetary Fund, and the World Bank, two organizations at the heart of international development strategy, have guarded their reasons for rivalry. Nonetheless, their rivalry and competing agendas have confused the advice they provide to Africa. (Elliott, 2016) They have sparked unnecessary arguments, at times putting ideology before facts, prevaricated between precise prescriptions and polite ones, and dispersed resources across a wide field. (Calderisi 2006).

These two organizations are as inseparable as oil and water. The Bank takes pride in investing in economies' long-term health. The IMF's strategy is more short-term, conventional, and rigid (IMF 2021b). For example, if international coffee prices rise, the Bank will want small farmers to get a larger share of the revenue; the IMF would most likely want governments to utilize the proceeds to reduce the public deficit or debt.

The IMF is responsible for monitoring economic developments in all nations, including rich ones, not just in Africa. (IMF 2021a) The Bank is proud of its capacity to generate funds in the international financial markets. the management is dominated by Western nations rather than subject to the one country–one vote formula that often paralyzes the United Nations General Assembly. (Vestergaard, & Wade, 2013).

To make matters worse, the World Bank and IMF are continually in conflict, despite having negotiated a series of "coordination agreements" over the past 20 years. These efforts occurred in the context of at least 25 attempts by the two institutions define how to work together. (Gutner 2020)

Without fear of contradiction, the conceptual west and their dominance of the world economy want Somalia not to stabilize and mitigate poverty, despite their assertions to the contrary. Because conflict is a major industry today, in Somalia and the many peace conferences held, but who supplied the arms? Who makes safe heavens? It is the notion of the West. Interference exists and is part of the neo-colonial project. The neo-colonial goal requires Africa to remain inside the sphere of influence; in other words, interference is the Mother's Milk of European

economies. The tragedy of Somalia's economy illustrates how macroeconomic policies may devastate a country and destroy its way of life.

### 3.4 Somalia's Lesson on Man-Made Famine in Sub-Saharan Africa

The experience of Somalia's economy demonstrates how a country may be destroyed by the application of food "aid" and macroeconomic policies at the same time. Many countries have been applied the same economic reform plan executed in Somalia in the developing world. (Aluko 2001).

The World Bank, and the International Monetary Fund (IMF), and World Trade Organization (WTO) are far more prominent culprits in this case. The story has always been the same in Latin America, Asia, and Africa. The destabilization of peasant producers by a one-two punch of IMF-World Bank structural adjustment programs eviscerated government investment in the countryside, followed by a massive influx of subsidized U.S. and European Union agricultural imports after the World Trade Organization's Agreement tried to rip open markets.

Most of Sub-Saharan Africa remained self-sufficient in food at the time of independence. The continent shifted from being a net exporter of essential food staples to relying on imports and food aid in less than 40 years. See (Figure 5).

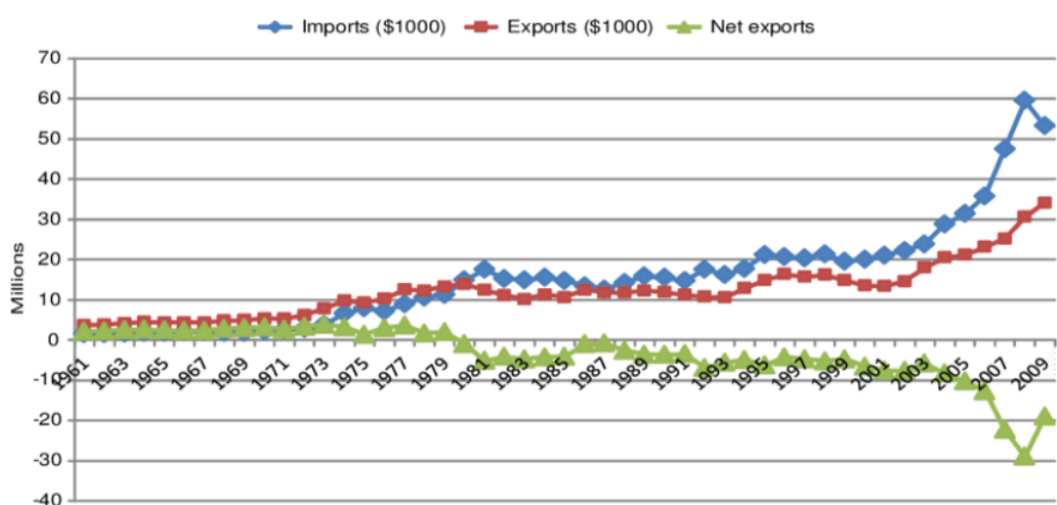


Figure 5: Net Agriculture export from Africa 1960 to 2009. ([www.foaster.fao.org](http://www.foaster.fao.org))

In 1966–1970, for instance, net exports averaged 1.3 million tons per year, with non-cereals accounting for three-quarters of total exports. As (Figure 6) shows,

Africa food trade overview from 2012 to 2016, Sub-Saharan Africa imported 4.4 million tons of basic food per year in the late 1970s. This figure had increased to 10 million tons per year by the mid-1980s (Paulino 1987). Imports of cereal rose from 2.5 million tons each year in the mid-1960s to more than 15 million tons in 2000 and 2001. (FAOSTAT data, 2004).

Subsidized cattle and dairy goods imported (duty-free) from the European Union have contributed to the collapse of Africa's pastoral economy. (Lutge, & Uhl, 2021). Since 1984, European beef imports to West Africa have risen sevenfold: "low-quality EC beef sells for half price of domestically sourced meat." Producers in Africa the Sahel region are discovering that no one is willing to buy their herds" (Kamran 2019)

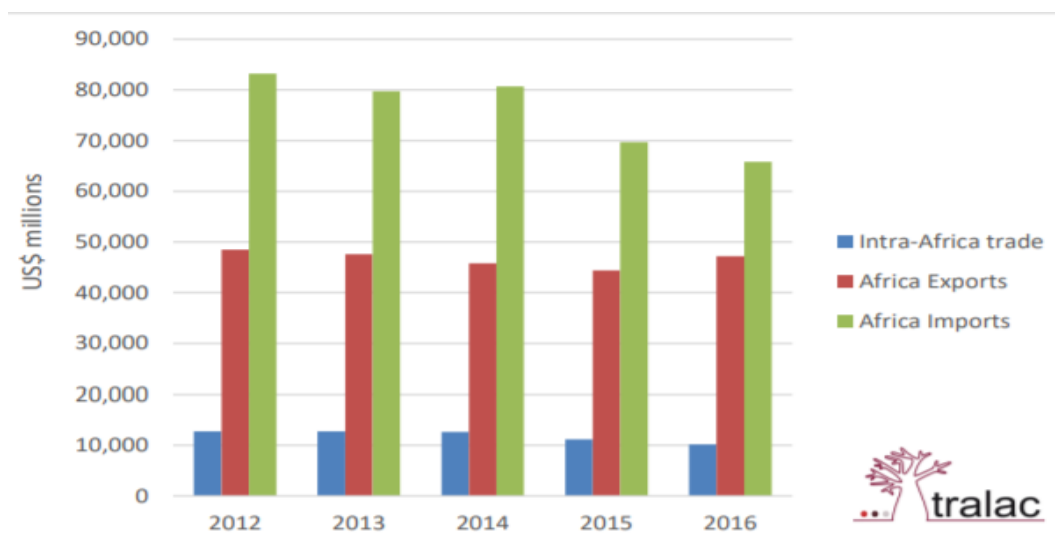


Figure 6: Africa food trade from 2012 to 2016. (UN ITC Trade Map database)

The case of Somalia demonstrates that a lack of food did not cause famine in the late twentieth century. On the other hand, famines are exacerbated by a worldwide surplus of grain staples. Since the 1980s, grain markets have been privatized under World Banking regulations. The US grain surpluses have been exploited intentionally, as in Somalia, to undermine the peasants and destabilize national food production. Under these conditions, the latter becomes considerably more sensitive to the whims of droughts and environmental deterioration. Across Africa, the pattern of "sectoral adjustment" in agriculture under the supervision of the Bretton Woods institutions has been unmistakably

destructive of food security. Dependence on the global market has grown, with “food aid” to Sub-Saharan Africa increasing more than sevenfold since 1974 and commercial grain imports more than doubling. Sub-Saharan Africa’s grain imports increased from 3.72 million tons in 1974 to 8.47 million tons in 1993. Food aid rose from 910,000 tons in 1974 to 6.64 million tons in 1993. (Michel 1997).

“Food aid,” on the other hand, was no longer restricted to the Sahelian belt’s drought-stricken countries. It was also channelled into countries that were known self-sufficient in food. Zimbabwe (formerly known as Southern Africa’s breadbasket) (Maphosa 1994) was severely impacted by the famine and drought that swept over the region in 1992. The country’s maize crop dropped by 90%, with the majority of the grain-growing on less fertile terrain.” Despite this, tobacco for export (aided by modern irrigation, finance, and research) produced a bumper crop during the height of the drought. The hunger pushes the people to eat termites; much of Zimbabwe’s tobacco harvest’s export revenues were needed to satisfy the country’s foreign debt. (Nand 2011).

Farmers have progressively abandoned traditional food crops through Africa as part of the structural adjustment program; in Malawi, formerly a net food exporter, maize production fell by 40% in 1992. However, tobacco output quadrupled between 1986 and 1993, and tobacco was allotted 150,000 hectares of prime land. Throughout the 1980s, African governments were subjected to extreme austerity programs. Rural development spending was severely reduced, resulting in the collapse of agricultural infrastructure. Water became a commodity under the World Bank initiative, to be sold to impoverished farmers on a cost-recovery basis. Due to a shortage of money, the state was forced to withdraw from water resource management and conservation. Water sources and boreholes eventually dried up due to neglect or were privatized by local merchants and wealthy farmers. This commercialization of water and irrigation led to the collapse of food security and starvation in semi-arid places. (Nand 2011).

In reality, when comparing most African countries' GDP per capita in the 1960s to the GDP per capita in 2015, as indicated in (Figure 7) that most African nations are poorer today than in the 1960s.

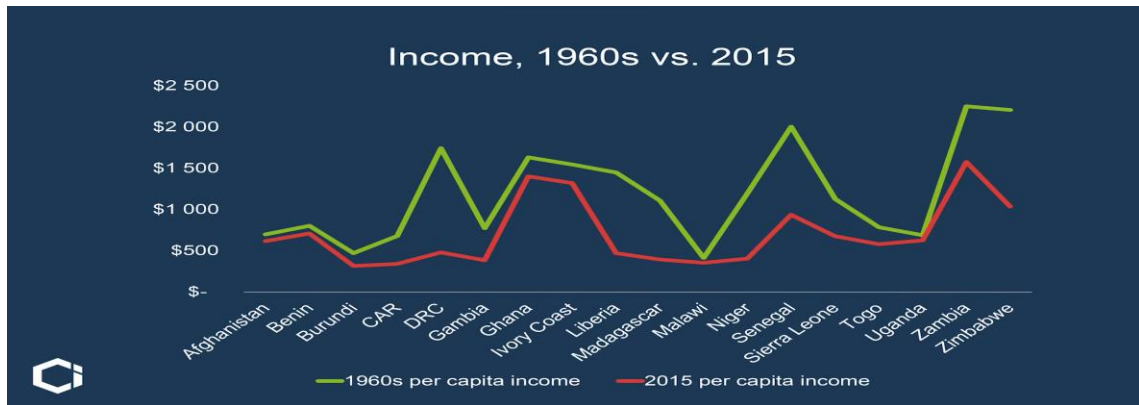


Figure 7: The decrease in African countries GDP per capita from 1960s to 2015.

While “external” environmental elements contribute to the onset of famine and the societal effect of drought, famines in the age of globalization are artificial. They are not the result of a lack of food but a global oversupply system that undermines food security and ruins national food production. This excess, tightly monitored and controlled by multinational agri-business, is eventually conducive to the standstill of production and consumption of fundamental food staples and farmers' poverty worldwide.

### 3.5 Impact of Environmental Disasters on Poverty in Somalia

There are several major environmental challenges in Somalia, including deforestation, land degradation, increased aridity and overgrazing, water scarcity, waste disposal, climate change, and ecosystem services. These difficulties have a detrimental effect on poverty, health, the economy, and environmental and human resilience. On the other hand, floods and droughts are significant contributors to Somali poverty.

#### 3.5.1 Drought

Somalia is one of the most vulnerable countries to climate change. The frequency of climate-related disasters is quickly rising. Somalia has seen more than 30 climate-related disasters since 1990, including 12 droughts and 19 floods, more than a tripling of the number of climate-related hazards recorded between 1970 and 1990. Since November 2016, there have been 739,000 drought-related displacements. In May 2017, 46,000 people were displaced due to the drought.

In addition, 480,000 children have been displaced since November 2016. (UNHCR 2017)

In 2011 the El Niño was the worst drought in Somalia for 60 years and triggered an official declaration of famine. An estimated 260,000 people were lost in just 2012 alone. According to a UN study and the US-funded Famine Early Warning Systems Network, half of them were children under five (Fews Net).

Throughout November 2016, there have been an estimated 739,000 drought displacements as of May 31, 2017. More than 480,000 displaced people, or 65%, are under 18. Furthermore, children under the age of five accounts for more than one-quarter (195,000) of all those displaced are the most vulnerable to starvation and disease. (UNHCR 2017).

Another drought is predicted to intensify the humanitarian situation in 2021. More than 80% of the country will be facing drought conditions at the end of 2021. Even though the Gu rains, which are monsoon-like rains that occur in the region in March, have begun in several regions of the nation, predictions suggest below-average rainfall. Drought conditions are likely to affect at least 3.4 million people by the end of the year, with around 380,000 relocated. Water scarcity has hampered access to clean water, and the cost of water has risen by 60% in some locations. (OCHA 2021)

### 3.5.2 Flood

The Somali Flash Floods are a series of flash floods that occur yearly in Somalia. The floods are caused by the Gu rains (Davies 2013). Flash floods impact the lower Jubba and lower Shabelle districts of Somalia every year between March and July, just after the Gu rains. These flash floods wreak devastation and ruin, resulting in fatalities and displacement. Flooding has had a greater impact in recent years than in previous years. This is due to the growth of the Somali population and the continuous lack of preparedness procedures, and weather factors may also demonstrate it.



The Gu rains deliver yearly rainfall to Somalia's southern region. Flash floods are nearly usually caused by rainfall and impact the floodplains. However, flood damage has gotten considerably more severe in past years, with 2006, 2011, 2012, and 2013 inflicting far more damage than previously. (Davies 2013)

At least 300,000 individuals were impacted by the 2006 flood (McKenzie 2006). The floods in East Africa in 2006 were the worst in 50 years (Gettleman 2006). According to reports, the floodwaters drowned the livestock, submerged the crop, carried away homes, and starved the inhabitants on unimaginable scales.

At least 400,000 people were evacuated as a result of the 2007 flood. (OCHA 2006) Heavy rains and flooding in southern Somalia took place in 2011, displacing 1,000 people and impeding the delivery of humanitarian goods (OCHA 2011). Flooding killed at least 25 persons in 2012, drowned 5,000 livestock animals, and displaced 20,000 people. (OCHA 2012). A flood killed at least seven individuals, and 50,000 were displaced in 2013. (Davies 2013).

Moderate-to-heavy rains in May and April of 2018 considerably raised river levels. They caused severe flooding in south-central Somalia, with water levels exceeding a 50-year return period by early May. The United Nations reported that floods had harmed at least 630,000 people, displaced an estimated 215,000 people, submerged agricultural areas, and destroyed infrastructure in 2019. (OCHA 2018).

Floods harmed about 1 million people in 2020 alone while displacing 400,000. The Beledweyne District in central was the most devastated, affecting 25 villages and 85 percent of the town of Beledweyne. 40% of Jowhar inhabitants were also uprooted from their houses. According to reports (Guled 2020), at least 25 people have perished due to the severe rains, including nine children who died. Riverine flooding in the Middle Shabelle region has affected an estimated 25,000 people in 15 villages in Jowhar, displacing residents in eight villages and inundating fields. (Guled 2020).

#### 4. THE ROLE OF INTERNAL INFLUENCES IN SOMALI POVERTY

Poverty in Somalia is caused by civil war, limited resources, natural calamities, and a lack of an active central government. Clan/tribe conflicts over essential resources such as food and water, accompanied with the economic decline (internal or external), resulted in social inequality, extreme poverty, scarcity, insecurity, and political instability. The situation has expanded to the point where political power is concerned; whoever can claim leadership of a clan may claim a part of the limited resources and political power.

Poverty in Somalia has worsened During Corona Virus pandemic, as the country's prime minister declared a national emergency (Kahiye 2021). While the country is in this state of emergency, politicians can still not agree on a fair election since the 2020 election has been postponed several times. (Mohamed 2021). Unfortunately, there is no simple solution to breaking the cycle of conflict and insecurity at the root of Somali poverty. However, many factors contribute to Somali factories, such as piracy, Terrorism, and tribalism, which are abundantly documented before. Therefore, this thesis discusses the following which are critical internal factors that have shaped Somali poverty:

##### 4.1 Corruption in the Law Enforcement.

Corruption is rampant across the security system. Impunity is common, and authorities lack effective control over the police force (Egal 2016). Furthermore, the cops are ineffective (International Peace Institute, 2014). Companies in Somalia are obliged to either work with violent organizations or equip themselves against threats to remain safe from crime (Majid & Norman, 2020)

The Somali National Army is the most significant security institution in the country. It is rife with corruption: Army chiefs have routinely overstated military numbers to acquire more funds. Furthermore, family, and financial links connect authorities in charge of provisioning with the corporations entrusted to distribute food rations (worth USD 8 million per year) (UN Security Council 2015). Corruption and theft within the army prompted President Hassan Sheikh Mohamud to urge the removal of the army chief in 2015. (UN Security Council 2015).

The country's legal system is based on the Provisional Constitution, which criminalizes abuse of authority, bribery of national, foreign authorities, However, the government does not correctly enforce anti-corruption legislation, and officials participate in corruption with impunity (HRR 2015). To a considerable part, governance in Somalia is dependent on informal methods and institutions, which in turn are based on patronage and clientelist networks supporting personal interests and affiliations. International money has helped solidify and contributed to the current political system's consolidation. Prominent officials are routinely involved in accusations of corruption and theft. International money has further solidified the present political system, and senior officials are frequently implicated in allegations of corruption and embezzlement of foreign monies (BTI 2016). Financial disclosure regulations do not apply to either appointed or elected officials (HRR 2015).

State-building efforts are impeded by widespread corruption and theft of public monies (khalif 2020). Somalia lacks a well-developed tax system. The major sources of money for the government are international financing and payments made at sea and airports; however, there is little transparency in the collecting or distributing these funds (U4, Anti-corruption Center). Institutions in the country are inefficient, and there are no integrity procedures to combat corruption. Somalia has signed the African Union Convention on Combating and Preventing Corruption. However, it has yet to ratify or accede to it. Somalia is not a signatory to the United Nations Convention Against Corruption.

#### 4.2 Theft and Extortion in Public and Private Sectors

Bribery in Somalia refers to alleged levels of corruption in the country's public and private sectors. The informal sector dominates Somalia's economy, mainly livestock, remittances, and telecommunications. (Chêne 2012) According to the International Crisis Group (ICG), the "chaotic, unregulated laissez-faire market system" that emerged following the collapse of the Siyad Barre regime in 1991 is widely credited with igniting an entrepreneurial spirit in Somalia. It is also partly responsible for fuelling corruption. (International Crisis Group 2011). According to the ICG and the U4 Anti-Corruption Resource Centre, Somalia's thriving telecoms industry. (Chêne 2012)

Somalia's government was rebuilt in 2000 based on tribe sharing, creating an ideal environment for corruption. During Somalia's coalition government's brief time, corruption was deemed a widespread concern. The unity administration was formed in 2008 following an UN-brokered conference in Djibouti between the Somali Transitional Federal Government (TFG) and the moderate Islamist Alliance for the Re-liberation of Somalia (ARS). This agreement allowed parliament to be expanded to 550 seats to accommodate the new ARS members. (Central Intelligence Agency 2009).

Shortly after that, Transparency International rated Somalia bottom in its annual Corruption Perceptions Index (CPI), a statistic that purports to reflect the prevalence of corruption in a country's public sector. (Corruption Perceptions Index, 2009). According to a World Bank investigation (BBC 2012a), around \$130 million, or 68 percent of cash received by the coalition government in 2009 and 2010, went unaccounted for. (BBC News 2012b)

A report prepared for the TFG in 2011 by the Public Finance Management Unit, a Somali government body tasked with overseeing the country's fiscal management, reported that over \$70 million in cash payments from Arab donor countries had gone missing, with a total of \$300 million unaccounted for once internal revenue was considered in. (Houreld 2012)

In July 2012, the UN Monitoring Group on Somalia and Eritrea (SEMG) delivered a report to the UN Security Council that roughly 70% of funding meant for development and rebuilding in Somalia went missing between 2009 and 2010. (Security Council of the United Nations 2012). The UN Observing Group on Somalia and Eritrea (SEMG) said in July 2013 that 80 percent of withdrawals from Somalia's Central Bank were for private use. (Blair 2013). The prime minister's office also released a report describing the report as misleading. It proposed that it would consider filing an insult and libel lawsuit if some of the accusations contained in the paper were not rein addition. The Prime Minister's Office issued a statement criticizing the story as misleading and untrue, indicating that if any of the allegations in the publication were not withdrawn, it might consider initiating a defamation and assault action. (BBC News 2012).

### 4.3 Misuse of Public Procurement

The business faces substantial corruption risks regarding public procurement in Somalia. Most public tenders are classified as confidential (BTI 2016). Secret contracting, in which authorities finalize public procurement transactions without transparency or accountability, is frequent (HRR 2015). According to reports, specific regional organizations have completed contracts with oil firms without the government's involvement (BTI 2016).

Corruption has been found to divert and misappropriate public revenues (HRR 2015) frequently. In one prominent example, it was observed that the central bank of Somalia made about 80% of payment transfers to private individuals for non-business activities (BTI 2016; HRR 2015). Government officials with close connections to the president aggressively exploited the central bank to manage seized assets abroad, including cash and gold kept in banks during the Somali civil war and government property abroad (HRR 2015). After the specifics cases were exposed in 2013, the bank's governor resigned. His predecessor, chosen by the President, resigned a few weeks later due to excessive political influence and corruption (BTI 2016). The scandal has prompted the administration to form a Financial Governance Committee to regain the trust of international funders. The committee is which charge of preventing corruption and ensuring transparency in the administration of public assets; nevertheless, only a relatively small percentage of government contracts are shared with the committee (BTI 2016).

## 5. HOW CAN SOMALI PEOPLE LIFT THEMSELVES OUT OF POVERTY?

It may appear counterintuitive, but research, as shown in (Figure 9), indicates that eliminating poverty would not result in long-term prosperity for many countries. According to R. Glenn Hubbard and William Duggan (2011), complex realities about reducing poverty suggest that developing nations will only experience economic progress until a strong local business sector is established. Furthermore, they argue that if the Non - Governmental Organisations' presence is larger and more dominating than the local business sector, countries will not progress and instead become dependent on the aid that supports the 'artificially' funded development NGOs projects. As Hubbard and Duggan argue, non-governmental organizations (NGOs) can aid humanitarian causes such as refugee and disaster relief. However, they cannot lift an entire developing country out of poverty.

Poverty will indeed be eliminated by investing in innovations that build a new market structure that allows producing, buying, and selling a product or service. Direct inflows of money do not reliably create permanent prosperity into undeveloped countries to improve poverty indicators like low-quality education, substandard health care, poor institutions, non-existent infrastructure, and a slew of other measures where improvement would imply wealth. Many nations prosperity begins to take root in an economy when invested in a particular sort of innovation known as market-creating innovation, which often provides a starting point and foundation for long-term economic growth.

### 5.1 Establishing Market Creating Business to Alleviate Poverty

What would happen if the focus was altered from conventional development-based solutions to innovation and market-based solutions? When talking about innovation, not only looking for high-tech items. The definition of innovation corresponds to a change in the processes through which an organization transforms labour, capital, materials, and information into higher-value products and services accessible to a whole new segment of people in a society who are called “non-consumers.”. (Clayton 2000)

Every economy consists of both consumers and non-consumers. In successful economies, consumers typically exceed the proportion of non-consumers for many products. Non-consumers are individuals who have been striving to achieve progress in some way but unable to do it because a suitable solution has historically been out of reach. This is not to say that there is no solution on the market. Nevertheless, many non-consumers cannot buy existing solutions or lack the time or skill to utilize the product appropriately.

Establishing Market-creating inventions, as the name suggests, generates new markets. Nevertheless, not just any new markets; new markets that service individuals for whom no products existed, or existing products were either too expensive or too difficult to obtain for several reasons. These inventions reduce the cost of expensive and complex items, allowing many more people to buy and utilize them. Market-creating inventions collectively serve as a basis for many of today's prosperous economies, lifting millions out of poverty in the process. (Iqbal 2014)

Market-creating innovations have the potential to boost up a country's economic engine. Successful market-creating innovations have three main outcomes.

- First, by definition, they create jobs since more and more people are needed to produce, promote, distribute, and sell new ideas. Jobs are an important aspect in determining a country's economy.
- Second, they generate revenues from a large segment of the population, which are often used to support most public services, such as education, infrastructure, and health care.
- Third, they have the potential to change whole nations' mindsets. Today, many advanced nations were previously impoverished, corrupt, and poorly governed. However, the abundance of inventions triggered a process that transformed these economies.

This sort of innovation not only builds markets but also produces employment. When new markets and consumers emerge, corporations must recruit more people to manufacture, promote, distribute, sell, and service the product. Market-

creating technologies have the potential to provide both local and worldwide job opportunities. In effect, as entrepreneurs simplify and lower the cost of their products, an increasing number of individuals in society buy and employ them.

When an innovator creates a new market that is aimed at a large population that has previously been unable to buy the product by the non-consumers, the innovator must recruit many more people not just to manufacture the product or service but also to deliver it to the new customers. The larger the gap between consumption and nonconsumption, the larger the potential market. And the greater the market size, the greater the influence. This commitment to market-creating inventions frequently develops the underlying infrastructure, including education, transportation, communication, and institutions such as government rules and regulations and other components of many of today's functioning civilizations. In economies, this activity generates a virtuous cycle that further fosters the development of new markets.

Another advantage of investing in market-creating innovations is that local entrepreneurs develop innovations and reap the benefits of the innovation's success. The profits are more likely to support subsequent inventions locally. Consider this in 2020: more than \$70 trillion in global assets under management (Statista 2020). While global foreign direct investment (FDI) is expected to decrease by 42 percent to \$859 billion in 2020, trillion are allocated for foreign direct investments (FDI). (UNCTAD 2020). The majority of the money remains at home.

When many people in a region realize that they may begin to address many of their issues in a productive way by participating in the new market as investors, producers, or consumers, they are more likely to shift their perspective on their society. This is one of the ways that new markets begin to affect a society's culture, which may make or break a country's ability to develop.

As a result, jobs, and profits are created to support other essential aspects of a developed society, in a pleasant virtuous loop, are drawn by the invention for it to prosper. Once these new markets are established, the economy becomes more sustainable as more revenue supports schools, roads, hospitals.



Poverty is excruciating. It always manifests itself as a scarcity of resources, such as food, sanitation, drinkable water, education, health care, and public services in poorer regions. As a result, it is reasonable to believe that poverty is essentially a resource issue. Based on that presumption, governments have pursued an aggressive push strategy of development that is entirely resource-based. With great intent, organizations such as World food development push resources that wealthy communities have, and poor communities do not have to fix a problem.

## 5.2 A local Resource pulling (Self- Sufficiency) Approach

According to the research, Self-supporting (pull methods) are significantly more effective in triggering long-term economic growth.

- First, they are created by the entrepreneurs in response to the problems of common customers or unique market demands.
- Second, pull strategies use a more investigative or inquisitorial approach to problem-solving than more advocacy or assertive. The innovators are there to learn and then solve challenges in a sustainable way, rather than pushing what they think to be the appropriate answers to specific development puzzles, no matter how well intended.
- Third, pull strategies prioritize generating or responding to a market's demands. Rather than just treating the symptoms with a push strategy of development. What if thought about creating organizations that provided solutions that could pull in the resources that many of these organizations needed well illustrate the power of pull by explaining how one company Tolaram targeted hunger by introducing instant noodles in Nigeria.

So, in 1988, Nigeria was an emerging country ruled by the military, with a life expectancy of 46 years. Approximately 80% of the people lived on less than \$2 per day. (UCHA 2010). There was a significant lack of infrastructure, education, transportation, and electricity. However, instead of focusing on all the problems in Nigeria, these two brothers, Harish, and Sergeant Aswani, decided to invent a

product that fed millions of people and introduced an instant noodle to the market. (Kuar 2015).

To meet demand and sell the product in 1988, they needed to build a manufacturing plant. However, there was a lack of infrastructure. To build a manufacturing plant, they had to invest in an electricity generation plant, a water treatment facility, a waste management system, distribution and logistics, and truck drivers. Nigeria lacked food stores and retail outlets, making it difficult to bring these noodles to people's homes. As a result, they had to invest in retail sites. These retail sites were able to offer other things, which resulted in creating a large number of employments. (Efosa 2019).

So, just getting a simple pack of noodles into the home of the average Nigerian required investments in an electricity generation plant, a wastewater facility treatment plant, logistics and distribution, warehousing, and retail stores. This created tens of thousands of jobs while solving the problem of providing an easy-to-cook meal for the average Nigerian.



Figure 8: The economic impact of Tolaram on Nigeria's economy. (Ojomo 2019)

Over the past 30 years, a single pack of noodles has been able to pull close to half a billion dollars into the Nigerian economy, generating upwards of 50,000 employments. The company invested in education because whenever they need

someone to do something in the company and the schools do not provide the skills, they invest in education.

As a result, Tolaram hires a fresh graduate from a local university and provides employment and training to the new employee. First, the company boosts the productivity of its activities and, by extension, the regions. Second, it lowers unemployment and, consequently, indirectly lowers crime because individuals with jobs are less inclined to participate in illegal activities to support their requirements. (Gillian 2015)

### 5.3 Is international Aid helping or hurting Somali Development?

Throughout the 1960s, 1970s, and 1980s, Somalia was reliant on aid. Somalia depends extensively on foreign economic, development, humanitarian, and non-economic assistance. This assistance was mainly provided by the Western World, oil-rich Arab countries, and the former Soviet Union. Furthermore, Somalia was heavily reliant on external loans and credits during this era, and the country's total debt spiralled out of control.

According to existing literature, Somalia's economic and development aid had a negligible positive impact on the economy. Instead, it resulted in negative economic consequences such as slowing local production and changing consumer saving and consumption behaviour. The Somali people became largely dependent on food aid and food imports. Throughout the years, the Somali economy suffered from pervasive corruption, as well as "institutional inadequacies, bad management, a paucity of skilled staff, and a lack of competence for economic policy analysis" (Mubarak 1996).

According to Omer (1992), donor countries were not interested in the appropriate use of the aid they provide "as long as their interests were not jeopardized." The Western media occasionally pick up on the squandering of their taxpayers' money, with Somalia being referred to as "the graveyard of foreign aid" in several situations. The aid was frequently utilized for personal gain by government officials and anybody else who may be engaged in administering the cash with an "easy-come-easy-go mindset."

Today, Somalia is in the process of rehabilitation and restoration. As a result, it is critical to learn from the past in order to keep the nation's economy from becoming overly reliant on foreign aid. The phenomena of assistance reliance occupy the thoughts of Somali authorities, even though Somalia is a prosperous nation in terms of natural resources, oil, gas, livestock, and agricultural land. These natural resources have a better future with a more robust governance structure.

During 2017 and 2018, Somalia received US\$2 billion in official development assistance (ODA), following an annual average of US\$1.3 billion between 2012 and 2016. (Ministry of Planning, Investment and Economic Development, 2019a). This translates to an ODA to GDP (Gross Domestic Product) ratio of 21% in 2016 (Office of the Prime Minister, 2017) and 27% in 2018 (Ministry of Planning, Investment, and Economic Development, 2019b). This increase indicates Somalia is heavily reliant on aids, as shown in (Figure 9). Somalia's current situation might highly justify that the nation is recovering from a protracted civil war, terrorism, piracy, tribal warfare, and other types of civil disturbance.

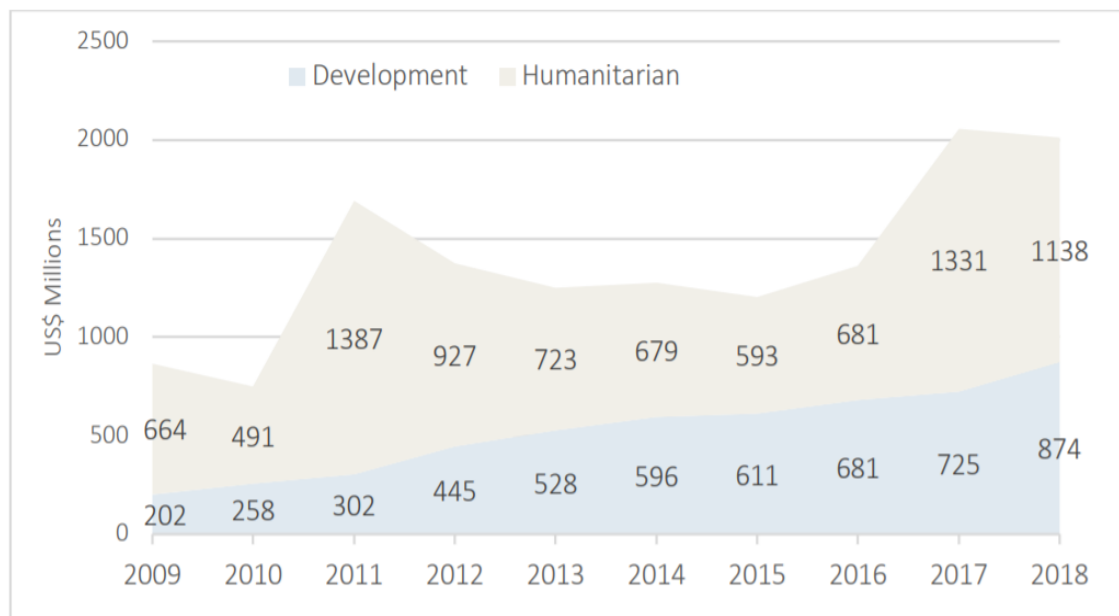


Figure 9: Statistics on Somalia's Official Development Assistance from 2009 to 2018.

The sad situation in Somalia during the civil war and reconstruction face of the government between 1990 and 2021 raises the question of whether the situation was different during the Somali state's glory years from 1960 to 1990. In reality,

data reveals that Somalia remained heavily on relied on foreign aid during the three decades following independence for all of their development programs (Laitin and Samatar, 1984; Samatar 1985; Mets 1993; Mubarak 1996), with occasional need on humanitarian and military aid. This assistance came from a variety of nations at various times. However, most of it came from the Western world, the Arab world, and the former Soviet Union, as indicated in Table 1.

Table 1: Export, Import, and Official Grant Aid – Somalia (in Millions of US\$).  
Source: World Bank (1987).

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Official Grant Aid</b>
1975	88.6	162.2	100.2
1976	81.0	176.1	39.7
1977	71.3	256.9	105.9
1978	109.5	275.5	78.0
1979	106.0	394.2	58.1
1980	134.2	461.0	143.0
1981	114.0	422.0	150.0
1982	136.9	484.0	157.0
1983	100.7	450.0	148.0
1984	62.0	406.0	174.0
1985	92.5	362.0	179.0

The table above depicts Somalia's trade balance and government grant aid received between 1975 and 1985. According to the statistics, Somalia had a trade deficit throughout the decade. However, it thankfully received significant grant help to cover this shortfall. Somalia received nearly US\$1.3 billion in government grant help from 1975 to 1985. Although not shown here, the country used foreign loans and credits to pay the trade imbalance. Despite foreign help and grants, Somalia relied extensively on foreign loans and credits during the 1970s and 1980s, even though loans are frequently seen as a component of official or systematic aid.

History has demonstrated the significance of innovation in development. After The American Civil War (1861 – 1865) (History.com 2009), the United States experienced an economic revolution liberated households from an unremitting daily grind of severe manual labour, household drudgery, darkness, isolation, and

early mortality where the average life expectancy is only 45 years. while the mortality rate is a shocking 200 deaths per thousand births. Less than 5% of people have access to indoor toilets. Food accounts for around 52 percent of the average person's hard-earned salary. There is little assistance from the government and widespread corruption at all levels, from municipal to federal. (Robert, 2016).

Sewage spewed out into alleyways in several big towns across the United States. Waste was strewn outside residences and left to decay, and horse faces carpeted the streets. In 1890, more than half of New Yorkers lived in crowded, cramped, poorly ventilated apartments with children urinated on the walls. (Robert 2016). An average North Carolinian housewife carried 36 tons of water, more than 148 miles in a year, only to get her family's daily water. (Robert 2016). In 1900, the murder rate was more than twice as high as in 2016. (FBI 2016).

In the 1850s and early 1900s, the United States of America had worse demographics than Somalia's in 2020. To understand what transpired in America. Did they push lots of resources to eliminate poverty, or did they take a different approach? The approach is America innovated as a response.

#### 5.4 How to Escape Poverty by Innovation: America's Lesson.

In the early 1900s, an automobile was considered a luxury item that only the wealthy could afford. However, in 1908, Henry Ford changed everything. (Batchelor 1994). Ford decided to create an automobile that was simple and inexpensive to the average American. Moreover, there were no roads in America to drive on the automobile. However, he was successful, he persisted, and consequently, millions of people have introduced cars into their lives. He produced tens of thousands of jobs, and businesses cantered on the automobile began to develop. People began to build suburbs on the outsides of cities, and agriculture became more productive due to the ease of transporting food from farms to cities. The United States government attempted to build roads in the 1800s, but they could not get the necessary funds. However, because of Henry Ford's ingenuity, the government was able to tax citizens through car sales and

gas taxes. As a result, they were capable of building highways. The infrastructure comes after the inventions.

Ford was not alone; he was born in an America with an innovative culture, such as Tudor in 1806 established a business of ice harvesting (McNamara 2014). McCormick, in 1831 invented the mechanical reaper (Wilson 2021). John Deere established a steel plow in 1837 (Bogue 1985). Ssinger innovated a sewing machine in 1856 (Jack1957). Kodak introduced amateur photography in 1898 (Brock 1982). Moreover, Amadeo Giannini, founded Bank of Italy in 1904, is calling today Bank of America. (McKenney, Mason, & Copeland 1997). Despite the fact that America's demographics were worse than in Somali today, entrepreneurs in the 1800s and early 1900s invented easy and inexpensive goods for millions of Americans to incorporate into their lives. Companies needed to generate employment in order to serve these clients, and as a result, development occurred.

South Korea has a similar story of economic change through innovation. No one would have imagined South Korea's rapid development a few decades ago. The country's change has been an economic miracle. (Kleiner 2001) Nevertheless, that is exactly why the growth of Japan and South Korea from poverty to wealth teaches poor Somali several important lessons.

- The first is that investing in innovation is achievable regardless of how a country finds itself. The marketplaces that these innovations generate and sustain bring in much-needed resources. Moreover, because those components are being drawn in to support a market, their survival chances are high.
- The second lesson is that entrepreneurs focusing on local needs are essential for driving market-creating inventions. Locals can convert the problems of ordinary citizens into sustainable solutions and economic opportunities because they are also involved in those challenges. Local entrepreneurs may create a feeling of pride in their population, encouraging production and prosperity. This appears to be one of the most beneficial things in a country: demonstrating that locals can fix their problems with a few foreign resources.

- Finally, integration is required when countries are in their early stages of development. Developing communities, by definition, lack the necessary education, transportation, trade, and governance infrastructures that are already established in wealthy economies. As a result, innovators seeking to do business in these nations must integrate their operations in order to be successful by pulling in the resources and assistance necessary for their businesses to grow, whether infrastructure, education, or Healthcare, they are inadvertently engaged in nation-building. Somalis learn from these countries that wealth is a process, not an event requiring a constant commitment to innovation.



## 6. WHAT CAUSES CORRUPTION IN SOMALIA?

### 6.1 Understanding Why Corruption exists?

Corruption is one of the major reasons why countries do not progress. According to a recent International Monetary Fund assessment, the yearly cost of bribery alone is between \$1.5 to \$2 trillion. (Lagarde 2016). Since bribes are only one type of corruption, corruption's entire economic and social consequences are likely to be a lot higher. The corruption problem is so widespread and destructive that hundreds of millions of dollars are spent each year trying to eradicate it throughout the world—and yet corruption persists.

The new way of looking at the problem of corruption Rather than asking, “How to eliminate corruption?” it is not more convincing to ask why corruption exists first place? The key is understanding why so many individuals decide to involve corruption.

Today, more than two-thirds of the countries measured by Transparency International, the international NGO committed to combating corruption, score lower than 50, out of a possible 100, on the annual Corruption Perceptions Index.

A score of 0 is very corrupt, 100 is very clean. The average score across the world is 43. According to the organization, six billion of the total 7.6 billion people live in countries with “corrupt” governments. (Transparency International 2015) While Somalia receives 12 points, it is the world’s 12<sup>th</sup> most corrupt country in 2021. (Trading economics 2021)

Corruption is not a recent phenomenon. Many of today’s successful countries were formerly extremely corrupt; some were as bad as Somalia. Corruption, on the other hand, is not a permanent condition. Alternatively, at the very least, it does not have to be. Although it is commonly known that there is still corruption in even the most developed nations, including America, it is no longer a principal component of these societies. So, what caused the shift?

The standard logical solutions toward understanding the causes of corruption appear to be good leadership, a shift in a society’s moral values, or the

establishment of the correct institutions. This is significant since many anti-corruption efforts are almost entirely aimed at governance and are based on establishing a sense of right and wrong. Suppose this was the key to combating corruption. Why have these great efforts had such a limited influence on winning the war on corruption?

According to Transparency International's most recent Corruption Perceptions Index study, "the majority of nations are making little or no progress in eradicating corruption. (Transparency International 2017)

Matt Andrews, underlined a similar point in a Guardian article, saying, "Billions of dollars are spent each year on institutional reforms in development, to improve the functionality of governments in under-developed countries" (Sayedoff, Levine, & Birdsall 2005). However, assessments by the multilateral and bilateral organizations that support such reforms demonstrate that achievement is often limited. According to their assessments, up to 70% of reforms appear to have had a muted impact. They create new laws that are never enacted, new budgets that are never applied, and new units and agencies that are understaffed and underfunded. In summary, new forms may develop, but they are devoid of functionality. (Matt 2013)

Corruption is the better method, a workaround, a utility in a situation when there are few other choices. Corruption is recruited for a Job to Be Done, or, more particularly, to assist people in achieving progress in a specific circumstance. This is crucial to explore different approaches to fixing the problem once understood why people turn to corruption.

Fighting corruption can seem like a game of Whac-A-Mole, in which a player uses a hammer to knock toy moles that appear at random from various holes on the playing field. The player hit one, and then another mole appears in another hole.

So, focusing on the symptoms of corruption rather than striving to grasp its roots properly. To get to the bottom of this, it needs to pose two critical questions: To begin, why is overt corruption so much more prevalent in poorer nations than in richer ones? Second, how did many of today's prosperous nations become less openly corrupt?

## 6.2 What Makes People to become a Corrupt? And Why?

In establishing trust and openness, it is necessary first to comprehend why individuals hire corruption to solve their problems in the first place. This concept is often used since it encompasses the fundamental aspects of corruption:

- First, the overwhelming majority of people in society want to develop. Most people desire to enhance their financial, social, and emotional well-being from the unemployed to the rich. It is why people attend school, take vacations, and visit places of worship. It is also why people save money, purchase houses, create businesses, and run for office. Each of these items contributes to people's sense of progress in life somehow or another. When society provides just a few genuine opportunities for advancement, corruption becomes more attractive.
- Second, every person, like every business, has a cost structure. Consider the following basic example. Suppose a Somalia soldier gets \$100 per month but has a cost structure that requires spending \$300 per month. In that case, the soldier is vulnerable to corruption, regardless of what the laws require. (Abdi Sheikh 2017)

As a result, the ordinary soldier might be expected to demand bribes, especially in an environment where law enforcement and prosecutions of corruption crimes are absent. According to BBC (2020), "Hundreds of troops went on strike in the capital of Mogadishu, blocking streets and forcing businesses to close in protest of unpaid salary. The soldier is not essentially a bad person; individuals are innately good; however, the circumstances of his existence force him to make difficult decisions in order to survive. (BBC 2020)

- The third reason people hire corruption is that most people regardless of income level will seek to subvert existing law enforcement strategies in order to advance or benefit themselves. According to Harvard academics Edward Glaeser and Andrei Shleifer, who studied the rise in regulations in the United States at the turning of the twentieth century. (Glaeser and Shleifer 2003) Humans are programmed to make the best option possible

in any given situation. When faced with legislation that restricts one's capacity to accomplish something, most individuals conduct an instantaneous necessary calculation. "Is it necessary to obey this legislation, or can be get away with breaking it?"

- The fourth category is personal gain (U4 Anti-Corruption 2018). Because the income gained through corruption does not benefit the entity or group that the official is assigned to represent or serve, it is private. The antithesis of public good becomes private gain. However, the benefit does not have to go to the official issue; it might go to a selected family member, friend, colleague, or political party. Also, everything of worth may be considered a benefit: this includes the money and material items and power and influence and other benefits – even sexual favours.

A lack of effective leadership does not always cause corruption. Although this is undoubtedly a factor, the underlying causes are significantly more fundamental. Corruption is defined as "hiring" the most sensible answer for what appears to be the greatest good of the possibilities accessible to everyone at the time. People are aware of the corruption, yet it is embedded in the system. Corruption is considered an unavoidable cost of doing business because progress is happening simultaneously.

Equally developed and underdeveloped countries are affected by corruption. Take, for example, China. According to some estimates, corruption costs the Chinese government \$86 billion every year. (endowment.org 2017) which is more than the combined GDP of 61 nations. Between \$1 trillion and \$4 trillion has allegedly fled the country and its people since 2000, with some of the funds related to top leaders, including President Xi Jinping's brother-in-law. According to one report, the 153 Communist Chinese Parliamentarians' net worth exceeded \$650 billion in 2017, increasing nearly a third from the previous year. (Sul-Lee 2018)

So, what can be done to combat corruption? What if anti-corruption organizations decided to focus less on fighting corruption? Harvard's Glaeser and Shleifer (2003) argue: "When the government's administrative ability is severely limited, and both its judges and regulators are prone to intimidation and corruption". To

put it another way, how many new laws, institutions, or public mandates are formed to combat corruption or impose transparency will be meaningless if a country lacks the capacity to implement the laws already in place.

Instead of the Somali government continuing to fight corruption vigorously with the few resources available or asking people to fire corruption without providing them with anything else to hire is unrealistic. What if the Somali government concentrated on facilitating the formation of new marketplaces that assist residents in resolving their daily problems? Governments will start generating more income in order to upgrade their judicial, law enforcement, and legislative systems. Furthermore, markets create jobs, providing people with a viable alternative to accumulating money through illegal methods.

When looked at commonly held ideas of building solid institutions and eliminating corruption as preconditions for an economy's progress, innovation, particularly market-creating technologies is a vital driver for change. Regardless of the presence of solid institutions or the level of corruption, market-creating technologies have the power to pull in what is required.

### 6.3 How Can Innovation Help in the Fight Against Corruption?

Corruption permeated practically every aspect of Somali society. Reports of politicians embezzling millions of dollars were prevalent. It was common for police personnel to steal or extort money from ordinary, industrious residents. Scarcity: People benefit from gaining access to something scarce, making corruption attractive.

However, research on innovation and wealth over the last several years has revealed that corruption is not the main impediment to Somali progress. Conventional thinking about corruption and its link to development is incorrect. However, it is also holding many developing countries behind. So, the theory goes: in a poor and corrupt country, the greatest hope for decreasing corruption is to adopt excellent laws, enforce them effectively, and allow for development and innovation to thrive. On paper, it makes sense, which is why many governments and development organizations invest billions of dollars each year

on institutional reform and anti-corruption initiatives. However, many of these programs fail to minimize corruption because the equation is backward. Societies do not develop because corruption has been decreased. Because they have developed, they can eliminate corruption. Furthermore, societies grow as a result of investments in innovation.

People in underdeveloped nations constantly complain about corrupt politicians who embezzle state funding. However, because the economic opportunity is limited in many of these nations, corruption becomes an appealing means to obtain fortune. Developing countries also complain about government workers such as police officers extorting money from ordinary industrious individuals. However, most government workers are severely underpaid and live in deplorable conditions.

In this relationship between corruption and scarcity, necessities such as food, education, health care, economic opportunity, and employment are in short supply in most undeveloped countries. This offers an ideal environment for corruption to grow. Investing in businesses that make products more inexpensive and available to a greater number of people combats scarcity and generates revenue for governments to spend in their economies; when this occurs on a national level, it can change nations.

Consider the outcomes in South Korea. South Korea was a desperately poor and corrupt country in the 1950s. (Suh 2019) The country was ruled by a dictatorial regime that participated in bribery and fraud. Indeed, analysts at the time described South Korea as “an economic basket case,” it as “trapped in poverty.” In the early 1960s, journalist Mark Clifford (1994) characterized Korea as an economic basket case. Korea had a per capita gross national product of \$80 per year, approximately the same as Ghana, Sudan, and a little behind India. (Shim & Steers 2001) Even as late as the 1980s, South Korea’s institutions were equal with some of the poorest and corrupt African countries at the time. However, when companies such as Samsung, Kia, and Hyundai invested in technologies that made things far more accessible for the majority of the people, South Korea eventually became prosperous. As the country got rich, it converted from an

authoritarian to a democratic and reinvest in its institutions, which has paid off enormously.

For example, South Korea's president was sentenced to 25 years in jail in 2018 on corruption-related allegations. (Salcedo-Albarán, Garay, & Na. 2021) In reality, today's wealthiest countries were able to minimize corruption as they grew prosperous, not before.

However, the final implication is that corruption, particularly for the majority of people in underdeveloped nations, is solvable. Investing in innovations that make items considerably more accessible for many people helps to combat scarcity. It generates a long-term source of revenue for governments to spend in economies to improve their institutions. This is the essential missing element in the economic growth puzzle that will eventually assist in reducing corruption.

## 7. CONCLUSION

Among the most concepts, causes of income and wealth disparities across peoples, regions, and nations are often overlooked. As economist Henry Hazlitt phrased it, the actual problem of poverty has been one of production, not "distribution." The poor are poor not because anything is taken away from them but because they are not creating enough for whatever reason.

It is difficult to understand what is occurring in the Somali economy without first understanding the historical conditions that shaped today's individuals' physical and mental worlds. As noted by Ulrich Bonnell, "we do not live in the past, but the past remains within us." In general, interactions within and between geographic, cultural, political, and other aspects are needed in order to understand economic and social results.

Despite attempts to blame Somali poverty on exploitation by other nations or foreign investors, other factors besides humans have various geographic features as notable examples. It has been a major fundamental misfortune for the Somali nation to be positioned in a geographical situation that provides fewer promising opportunities for either wealth or growth. However, this does not imply that others have persecuted them.

Individuals, groups, races, and nations may be hindered by their cultural settings (tribe), just as their geographical environments have handicapped them. In either event, their misfortunes do not always imply victimhood, which necessitates individuals who victimize others. While civilizations are man-made, they were frequently created collaboratively by individuals who died long before the current generation was born. These cultures were most likely not created with malice against future descendants.

None of the examples of economic growth were the result of "foreign aid" or international money transfers. These economic raises were also not the result of "nation-building" by outsiders, whether foreign governments or various expertise supported by foreign organizations such as the World Bank or the International Monetary Fund.



So, Why Do Most Poverty Programs Fail and How Can They Be Improved? Books have been written on how to eradicate poverty. Organizations make it their goal to eradicate poverty. Organizations spend hundreds of billions of dollars attempting to end severe poverty every year. They have considerably succeeded, lowering the world poverty rate from about 35% in the 1990s to just under 10% in 2015. (World Bank 2018b) However, the bulk of the countries that have escaped poverty is in Asia, with China being the most significant.

The majority of people who have escaped poverty are Chinese. Moreover, more than half of the world's poor people live in Africa. So how come international organizations spend billions of dollars every year to alleviate poverty. However, some countries are poorer now than they were 50 years ago?

In the case of Somalia, Poverty is widespread. One out of every two Somalis lived in poverty in 2016, prior to the coronavirus pandemic crisis. The Somali population, poverty ranging from 26 to 70%, in North-eastern considered 27% and the Northwest 50% are slightly higher than the urban/rural variation (45/52%). Poverty in urban areas ranges from 26 (Northeast) to 57 percent (Mogadishu). Poverty rates in rural regions range from 34% Northeast to 61% in Northwest. Poverty is most widespread in Internally displaced camps, where seven out of ten individuals are extremely poor. Moreover, 1.1 million Somalis, or nearly 9% of the population, are considered internally displaced.

In 2017 and 2018, Somalia received \$ 2 billion in official development assistance (ODA). This marks a 57% increase in total ODA over the past five years (2012-2016), which averaged US\$ 1.3 billion per year. Over the last decade, development funding has progressively increased, from US\$ 202 million in 2009 to US\$ 874 million in 2018. See (Figure 9). In 2018, the European Union, the United Kingdom, and Germany contributed more than half of all development funding (US\$ 454 million) to Somalia. The United States, Germany, the United Kingdom, and the European Union were the leading humanitarian aid suppliers in 2018, accounting for 78 percent (US\$ 883 million) of overall humanitarian aid. (OCHA)

Organizations are spending millions of dollars attempting to reduce poverty but not achieving the best outcomes. The solution of aiding with eliminating poverty

is really where the problem lies? The first reason is that the end of poverty is not the same as prosperity; the ending of poverty is not the same as the end of the struggle.

As challenging as it is to eliminate poverty, it turns out that donors are focusing on the wrong issue. When focusing on poverty, everything is viewed through that perspective. Poverty almost manifests itself as an insufficient resource, a food shortage, lack of clean water, lack of schools, lack of roads, lack of medical facilities, a lack of everything that rich people have, and poor people do not. Most organizations conclude that poverty is a resource problem. So, they push these resources upon poorer communities in the hopes of eradicating poverty and creating wealth. However, the results are not precisely what they intended.

The progress of pushing resources is limited because many of the projects are anchored on eradicating poverty from 1975 to 2020. However, if it tweaked that just a little bit and asked a different question, how to create prosperity? The root cause of the problems is not a resource problem at all. The struggle is an innovation problem which innovation means simply putting into a practical solution to real problem

## 8. RECOMMENDATION

### 8.1 How Does Innovation Lead to Growth and Productivity?

Innovation is more than just a new product or service. It is a comprehensive system that often draws in new infrastructures and laws and can create new local jobs. For example, Somalia's largest communication offering company was established during the civil war. One of the best examples of this concept is how Hormuud employs over 20,000 full-time and part-time personnel with various skills (Mire 2020). Telecommunication engineers, customer service representatives, sales and marketing experts, and financial professionals are employed (Stratex 2010). Engineers make up around 45 percent of the firm's workforce (Nyambura-Mwaura 2013)

The product, however, is more than just a low-cost mobile phone; it is a complete system. It is the phone lines, which require engineers to install and maintain; it is the "scratch cards" (prepaid calling minutes), which are sold in informal retail shops; it is the form of advertisement, which creative artists and graphic designers do; it is the contracts, which are drawn up by lawyers, and the new projects financed by bankers; it is the regulations, which can now be enforced and modified to fit the needs of many in the country. It is, in effect, a whole system constructed on the backs of much new local employment.

Suppose companies like Hormuud emerge throughout many industries around the country. In that case, the economy will develop, corruption will decrease in those industries, and people will begin to move forward.

### 8.2 Empowering People by Pulling Rather Than Pushing Approach

Poverty always shows itself as a lack of resources, such as education, roads, hospitals, water, health care, and government. It is logical that organizations and governments would want to invest in—or push for—education, healthcare, wells, hospitals, and institutions and laws lacking in poor communities to alleviate poverty. Unfortunately, the impact of such attempts is usually insufficient.

Pushing institutions into law and regulation-making, anti-corruption measures, and infrastructure may fix problems temporarily. However, they almost always do not lead to long-term changes. The Somali nation will be able to achieve development and economic stability more easily if they create inventions that generate marketplaces, attracting the necessary resources. When a new market is developed to benefit the economy's stakeholders, such as investors, entrepreneurs, customers. The government is often encouraged to help sustain the market's resources—such as infrastructure, education, and legislation. Pull techniques ensure that there is a ready market waiting for. This has a substantial influence on long-term and sustained prosperity.

Pull strategies vary from push methods in almost every aspect. They are significantly more effective in generating long-term prosperity.

- First, pull on-the-ground entrepreneurs frequently develop techniques in response to regular people's difficulties or unique market demands.
- Second, they use an investigative or inquisitorial approach to issue solving rather than an advocacy approach.
- Third, pull strategies prioritize generating or reacting to a market's requirements. The formation of this new market attracts long-term solutions to health, education, infrastructure, and other important resources in society.

### 8.3 Focusing Non-consumption group as Target Market.

Once an opportunity in nonconsumption is recognized. A business model is developed to make a product or service available to a vast community of nonconsumers, speeding up is quite affordable. The first step, however, is to identify a nonconsumption zone. If chasing the consumer economy in the hopes of achieving growth, it may be pursuing a mirage. When Hormuud innovated mobile money product Taaj (a mobile banking service that lets customers save and transfer money using their phones), discovered an ample non-consumption opportunity in financial services. It created the EVC-Plus service to imitate the traditional banking system, which mainly focused the consumption economy.

According to Ahmed Mohamed Yusuf, CEO of Hormuud Telecom, over 67 percent of Somalis, particularly those in the most vulnerable communities, rely only on mobile money technology. (Jaco Maritz 2020).

Market-creating innovations snipped across geographies, industries, and economic borders, and they have the potential to generate new and exciting growth prospects for impoverished Somali nations today. As demonstrated by the examples above, many innovation industries from automobiles to financial services for market-creating developments be identified. The world is changed through innovation.

However, people must be ready to examine their assumptions and raise new questions for that to happen. That is the first step in exposing them to a world of possibilities that they had no idea existed.

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