



COMPARATIVE ANALYSIS OF DEMOCRATIC GOVERNANCE AND REVENUE COLLECTION IN THE HORN OF AFRICA, CASE OF SOMALILAND AND SOMALIA.

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Abstract

This article conducts a comparative analysis of democratic governance and revenue collection between Somaliland and Somalia from 2019-2024. It examines historical and contemporary practices of democratic systems and revenue mobilization challenges in both territories. The analysis reveals divergent trajectories, with Somaliland demonstrating stronger democratic institutions and more effective tax collection. In contrast, central Somalia remains fragile. This study utilized secondary data from reputable sources including government ministries in Somaliland and Somalia, the World Bank, IMF. The findings provide insights into how political stability, institutional design, and international engagement shape revenue generation and public governance. Specifically, this study compares revenue collection systems and identifies key differences and similarities in approaches to mobilizing funds. It also analyzes the impact of democracy on tax efficiency and effectiveness in Somaliland and Somalia.

Keywords: Democratic Governance, Domestic Revenue, International Support Budget.

I. Introduction

The Horn of Africa, particularly Somaliland and Somalia, presents a compelling case study for understanding the complex interplay between democratic governance and revenue collection. The region's historical context, marked by indigenous statehood dynamics, political violence, and external influences, has significantly shaped its contemporary political and economic landscape. (Reece,1954). Somalia, grappling with internal divisions, terrorist threats, and humanitarian crises, faces significant challenges in establishing effective governance and generating sufficient domestic revenue. Despite the adoption of integrated financial management systems aimed at enhancing transparency and donor confidence, Somalia continues to struggle with low domestic revenue collection, further hampered by ongoing security concerns. (Abbink et al., 2022). In contrast, Somaliland, exhibiting greater political stability with successful elections and relative political coherence, has achieved a more robust revenue collection system, primarily through inland revenue

and customs duties. This success can be attributed to the establishment of functional revenue agencies and a stronger commitment to transparency and accountability than the Somalia. (Little, 2013).

II. Brief History of Somaliland and Somalia

In the late 19th century, the region that would become modern-day Somaliland was under British control, while the rest of what would become Somalia was an Italian colony. As nationalist movements gained strength in the 1950s, Britain and Italy began working together to prepare their respective Somali territories for independence. Somaliland achieved independence on June 26, 1960, followed by Somalia on July 1, 1960. (Gesheker, 1985). The legislatures of the two countries quickly met and declared their unification as the Republic of Somalia. However, it soon became evident that the south, formerly Italian Somalia, held a dominant position within the new state, leading to a power imbalance and ultimately shaping the future of the newly formed nation (Renders, 2012).

The Somali National Movement (SNM), an armed group dedicated to overthrowing President Siad Barre, emerged in northern Somalia during the 1980s (Farah & Lewis, 1997). By the late 1980s, the country had descended into full-scale civil war. With the Barre regime collapsing in January 1991, the SNM seized the capital, Hargeisa (Walls, 2009). In May 1991, the Republic of Somaliland declared its independence, initiating a long campaign for international recognition (Renders, 2012).

Formerly a British protectorate, Somaliland briefly declared independence in 1960 before uniting with Somalia (Bradbury, 2008). However, following the outbreak of civil war and the collapse of President Siad Barre's regime in 1991, Somaliland reasserted its independence (Renders, 2012).

With Hargeisa as its capital, Somaliland has established itself as a self-governing entity with an independent government and a functioning democratic system (Walls, 2009). Despite lacking international recognition, Somaliland has been praised for its political stability and peaceful transitions of power (Renders & Terlinden, 2010). The Somaliland government continues to advocate for recognition as an independent state, asserting that it has restored its sovereignty (Farah & Lewis, 1997).

The African Union's 2005 fact-finding mission to Somaliland affirmed the country's territorial boundaries as those inherited from the British colonial era upon its accession to independence in 1960. Specifically, Somaliland is bordered by the Red Sea and Gulf of Aden to the north, the Federal Government of Somalia to the east, Ethiopia to the west, and Djibouti to the northwest. This indicates that Somaliland claimed its territorial, population, and government functioning more effectively than Somalia but not international recognition yet (AU Fact Findings Report, 2005)

Somalia's journey since the collapse of its state institutions in 1991 has been marked by protracted conflict and contrasting trajectories. While the south has grappled with ongoing instability and the rise of Islamist groups like al-Shabaab, the northern regions now Somaliland have witnessed the emergence of Government Somaliland, a self-declared independent state that has gradually rebuilt its governance structures and embarked on a path toward democratization, public institution and generated domestic revenue to improve democratically and institutionally (Mohamoud, 2006).

The Somalia struggle has involved the formation and challenges faced by the Transitional Federal Government (TFG), the intervention of Ethiopian and AMISOM forces, and a prolonged conflict against al-Shabaab. While al-Shabaab lost control of major towns in 2012, it continued to operate in rural areas until a renewed counter-insurgency campaign in mid-2022. Somalia's future remains uncertain, with the south facing ongoing security challenges (Malito, 2013).

Somalia's fragile statehood is characterized by a lack of effective control over territory and a fragmented security landscape. While the federal government struggles to exert authority, various armed actors, including al-Shabaab, clan militias, and the secessionist state of Somaliland, control significant portions of the country. The government's reliance on the ATMIS peacekeeping force highlights its inability to establish a monopoly on the use of violence, a crucial element of statehood (Ajú, 2022). Despite a strong sense of Somali nationalism, the ongoing conflict and the emergence of non-state actors are challenging the legitimacy of the nation-state and fueling disputes over citizenship. This fragmented security landscape and the lack of a unified national identity raise concerns about the future of Somalia's state-building efforts (Tadesse, 2023).

Somalia's economy exhibits a pronounced dependence on imports and private consumption, heavily reliant on remittances. Exports contribute minimally to GDP, resulting in a substantial trade deficit that is financed by remittances and international budgetary support. This reliance on external sources highlights the fragility of the Somali economy (Ali, & Isak, 2019).

The economic landscape is characterized by significant disparities in wealth and income, leading to high levels of poverty and unemployment. A lack of infrastructure further exacerbates these challenges. While the economy is largely privatized, the absence of effective regulation has fostered anti-competitive practices and monopolistic tendencies, hindering economic growth and development. Livestock, trade, communication, and mobile money services are key contributors to GDP, with agriculture, particularly livestock production, accounting for a significant portion of economic activity (Flooding, 2020). In contrast, Somaliland's economic structure broadly mirrors that of Somalia, with a similar reliance on imports, private consumption, and remittances, there are notable differences in terms of external dependence and institutional governance. Somaliland's economy relies less heavily on international budget support, with domestic revenue contributing significantly to the national budget. This increased reliance on domestic revenue suggests a greater level of economic autonomy compared to Somalia. However, Somaliland's institutional governance, despite functioning, remains weak in terms of accountability and transparency. While Somaliland's institutions exhibit a higher level of functionality compared to Somalia, significant challenges remain in strengthening accountability and transparency within the government (Hersi, 2018).

III. Literature Review:

Democracy

Democracy, a system where power originates from the people and is exercised for the common good through fair and competitive elections, embodies the ideal of popular sovereignty. This system, rooted in principles of justice, openness, representation, transparency, and accountability, holds the promise of a government accountable to its citizenry. (Trantidis, 2017)

However, the implementation of democracy often faces significant challenges, leading to deviations from its idealized form. One such challenge is the high cost of electoral events, which can create fertile ground for corruption. In countries like Africa, for example, the financial burden of elections can foster a culture of illicit practices, undermining the very principles of fairness and transparency that democracy strives for. Furthermore, while democracy aims for broad participation and representation, it can sometimes evolve into a form of "pseudo-democracy," where a select group of elites or experts wield disproportionate power, effectively creating an oligarchy (Diamond, 2008).

Beyond the mechanics of elections, the quality of a democracy is further assessed by the accountability of its institutions, the guarantees it provides for freedom and equality, and the overall effectiveness of its democratic processes. These factors, encompassing both inputs and outputs, determine the extent to which a democracy truly reflects the will of the people and serves their interests. While democracy holds the promise of a just and equitable society, its implementation is often fraught with challenges. The high cost of elections, the potential for elite capture, and the need for robust institutions and guarantees of freedom and equality all contribute to the complexities of achieving a truly democratic system. Understanding these challenges is crucial for ensuring that democracy remains a viable and effective form of governance (Adegboye, 2013)

Governance

Governance, derived from the Latin "gubernare" (to rule), encompasses the direction and control of organizations, both public and private. It involves establishing structures, rules, and mechanisms for accountability, transparency, fairness, and disclosure. Good governance is crucial for effective management in corporate and non-profit settings, as well as for supporting development efforts at the national level. Governance, therefore, is a multifaceted concept that influences organizations and societies at all levels, emphasizing the importance of robust institutions and leadership for effective management (Fukuyama, 2016).

Democratic governance, rooted in the principle of popular sovereignty, vests power in the people, ensuring that government operates "of the people, by the people, and for the people." This system aims to optimize social, economic, cultural, and political life, fostering legal certainty and prosperity, which in turn can contribute to a stable and predictable environment for revenue collection (Chandhoke, 2003)

Democratic Governance

Democratic governance operates across multiple levels, with networks of governance interacting at transnational, national, and local levels. This multi-layered structure significantly impacts the form and functioning of democracy, leading to diverse perspectives on its effects. Some view democratic governance with worry, concerned about its potential limitations, while others hold hopeful expectations for its positive impact. A third group expresses enthusiastic support for its transformative potential, particularly about its impact on revenue collection (Touchton & Peixoto, 2021).

The importance of democratic governance for human development and sustainable revenue collection is widely recognized. Good governance is often equated with democratic governance, serving as the bedrock for sustainable development and a fair and efficient tax system. It acts as a unifying force, aligning development priorities and ensuring their effective implementation, including the collection of revenue to fund these priorities (Martinez, & McNab, 1997).

As an author in post-conflict societies, democratic governance plays a crucial role in promoting reconciliation and fostering lasting peace, which in turn can create a more stable environment for revenue collection. Somaliland is a more peaceful country than Somalia that contributed effective revenue collection, a key aspect of democratic governance is the establishment of transparent and accountable systems for revenue collection. This includes

Public participation: Citizens have a voice in shaping tax policies and ensuring that revenue is used effectively for the common good. **Accountability:** Government officials are held responsible for the efficient and equitable collection of taxes. **Transparency:** Information about tax policies, revenue collection, and expenditure is readily available to the public. By fostering these principles, democratic governance can contribute to a more sustainable and equitable system for revenue collection, ultimately supporting human development and peace.

IV. Conceptual Framework of Revenue Collection

The efficient collection of taxes and fees is crucial for the functioning of any government, especially in democratic systems where public revenue fuels essential services and infrastructure. A robust conceptual framework for revenue collection, encompassing various key elements, is essential for ensuring a fair, transparent, and effective tax system that supports democratic governance. Administrative Strategies and Effective administrative strategies are crucial for managing tax collection processes, including streamlined procedures, clear communication, and accessible channels for taxpayer interaction (Gituma, 2017).

Compliance Measures, Strong compliance measures, such as audits, investigations, and penalties for non-compliance, help ensure that taxpayers fulfill their obligations. **In Human Resource Management,** investing in well-trained and motivated tax administrators is essential for efficient and ethical tax collection. **Technology Integration,** Leveraging technology, such as online filing systems, data analytics, and automated processes, can significantly improve efficiency and transparency in revenue collection. **Public Enlightenment,** Promoting public understanding of the tax system, its importance, and the benefits it provides is crucial for fostering taxpayer compliance and trust (Berger, A. N., & Udell, 2006)

A broader diagnostic framework for revenue administration underscores the importance of analyzing environmental factors, historical influences, organizational strategy, and management functions. Understanding these factors is crucial for identifying potential bottlenecks and developing targeted interventions to improve revenue collection systems. The principles of democratic governance, including transparency, accountability, and public participation, are essential for a fair and effective revenue collection system (Gicho, 2018). This framework ensures that: Tax policies are developed through a participatory process: Citizens have a voice in shaping tax policies and ensuring that revenue is used effectively for the common good. Government officials are held accountable: Government officials are held responsible for the efficient and equitable collection of taxes. Information about tax policies, revenue collection, and expenditure is readily available: Transparency fosters trust and accountability, ensuring that the tax system operates fairly and effectively (Prichard, 2010).

V. Interrelation between Governance and Revenue Collection

The relationship between democratic governance and tax revenue collection is multifaceted and crucial for sustainable economic development. Research has consistently demonstrated the pivotal role of good governance in fostering an

environment conducive to efficient and equitable tax revenue mobilization (Hussain, et, 2022). In a democratic system, improved governance characterized by political stability, the rule of law, and effective conflict resolution mechanisms has a positive impact on tax revenue collection. A predictable and transparent political landscape, underpinned by a robust legal framework, provides a foundation for stable and well-designed tax policies. This, in turn, encourages taxpayer compliance and reduces economic uncertainties that often undermine revenue generation efforts (Hassan, et, 2021).

Conversely, the governance practices adopted by tax authorities and revenue agencies have been shown to influence tax evasion levels. Countries that implement comprehensive corporate tax governance frameworks, featuring strong internal controls, independent oversight, and transparent financial reporting, tend to experience lower rates of tax evasion. This suggests that good governance practices can deter illicit financial activities by increasing the likelihood of detection and reducing opportunities for exploitation (Salman, 2022).

However, the impact of governance on tax aggressiveness is more nuanced. While company-level governance, such as board composition and corporate social responsibility initiatives, may not significantly affect tax aggressiveness, political connections have been observed to have a positive impact on tax avoidance strategies, particularly in the manufacturing sector in Indonesia. This highlights the need for a multifaceted approach to governance that addresses both institutional and political factors to combat tax aggressiveness effectively (Nasution, & Pirzada, 2020).

To optimize tax revenue collection and combat tax evasion, enhancing the quality, stability, and enforcement mechanisms of democratic governance is essential. This involves: Strengthening democratic institutions: Building robust and accountable institutions, including independent judiciaries, regulatory bodies, and tax administrations, is crucial for ensuring a fair and transparent tax system. Promoting transparency and accountability: Increased transparency and accountability in government operations, including tax policies and revenue collection processes, fosters trust and encourages taxpayer compliance. Enhancing enforcement mechanisms: Effective enforcement mechanisms, such as audits, investigations, and penalties for non-compliance, deter tax evasion and ensure that all taxpayers contribute their fair share (Hilson, 2008).

VI. Theories of Democratic Governance and Revenue Mobilization

Institutional theory offers crucial insights into the dynamics of democratic governance. This theoretical perspective highlights the pivotal role of both formal and informal structures in shaping the processes and outcomes of governance. Institutions, defined as the rules, norms, and decision-making procedures that guide and constrain the behavior of actors, are essential for the effective functioning of democratic systems (Ostrom, 1990). Institutions play a vital role in aggregating the diverse preferences of citizens, preventing cycling among decision-makers, and enabling credible commitments within the democratic framework (Shepsle, 1979). By providing stable and predictable rules of the game, institutions contribute to the stability and effectiveness of democratic governance, ultimately leading to better outcomes such as higher economic growth and improved welfare for citizens (Robinson, 2012).

Furthermore, the concept of governance networks, a debated form of interactive governance, has emerged as a significant factor in understanding the dynamics of democratic governance. While there are varying perspectives on the influence of governance networks on democratic processes, ranging from concerns about their potential to undermine

traditional structures to enthusiasm about their ability to facilitate more inclusive and responsive decision-making (Bevir, 2011), these networks have undoubtedly impacted how democratic governance is practiced and experienced at different levels.

The conceptual framework of institutional participatory governance further emphasizes the importance of institutional structures in promoting the inclusion of minority groups and marginalized communities, thereby achieving a fairer and more responsive government (Fung, 2003). This approach recognizes the interplay between institutions, participation, and governance, underscoring the need to design and implement institutional arrangements that foster meaningful citizen engagement and empower diverse stakeholders in the decision-making process.

As a Researcher in the context of revenue collection, institutional theory provides valuable insights into how formal and informal structures shape the effectiveness and outcomes of this critical governance function. The strength and credibility of revenue collection institutions, the transparency and accountability mechanisms in place, and the degree of citizen participation in the revenue mobilization process can all have significant implications for the fairness, efficiency, and democratic legitimacy of the overall system. By drawing on the theoretical foundations of institutional theory, governance networks, and institutional participatory governance, policymakers and scholars can gain a deeper understanding of the complex interplay between institutions and democratic governance, ultimately informing the design and implementation of more effective and inclusive revenue collection systems.

VII. Theories of Revenue Mobilization

The theory of revenue collection encompasses a multifaceted approach to managing the demand for an organization's products and services effectively. This concept, often referred to as revenue management, involves the systematic optimization of pricing, inventory, and distribution channels to maximize revenue (Talluri & Van Ryzin, 2004; Kimes, 1989).

One key theoretical perspective within the realm of revenue collection is the deterrence theory, which emphasizes the use of penalties and tax audits to ensure compliance, particularly in the context of municipal and governmental revenue collection strategies (Allingham & Sandmo, 1972; Yitzhaki, 1974). This theory posits that individuals and organizations are more likely to comply with tax regulations when they perceive a higher risk of being caught and penalized for non-compliance (Andreoni et al., 1998).

Furthermore, the motivation and resourcefulness of individual revenue collectors have been recognized as crucial factors in achieving revenue collection goals. A study focusing on the Bolgatanga Municipality in Ghana, for instance, highlighted the importance of revenue collectors' attributes, such as their commitment, communication skills, and ability to leverage available resources, in enhancing the efficiency and effectiveness of the revenue collection process (Kuusaana & Eledi, 2015).

By understanding and applying these theories and practices, organizations can enhance their revenue collection processes and ultimately improve their financial sustainability and growth. Revenue management strategies, grounded in the optimization of pricing, inventory, and distribution channels, can enable organizations to better align their offerings with market demand, leading to increased revenue and improved profitability (Talluri & Van Ryzin, 2004; Kimes, 1989).

Similarly, the implementation of deterrence-based approaches, such as the use of penalties and tax audits, can contribute to improved tax compliance and increased governmental revenue collection, particularly in the context of municipal and national revenue generation efforts (Allingham & Sandmo, 1972; Yitzhaki, 1974).

Moreover, the emphasis on the role of individual revenue collectors' motivation and resourcefulness underscores the importance of human capital in the revenue collection process. By investing in the training, development, and support of revenue collectors, organizations and governments can empower these individuals to more effectively and efficiently manage the revenue collection process, leading to enhanced financial outcomes (Kuusaana, 2015).

As an author, the theory of revenue collection encompasses a multifaceted approach that encompasses revenue management strategies, deterrence-based compliance mechanisms, and the importance of human capital in the revenue collection process. By understanding and applying these theoretical perspectives, organizations, and governments can enhance their revenue collection practices, ultimately contributing to their financial sustainability and growth

VIII. **Material and Methods**

This comparative study of democratic governance and revenue collection in Somaliland and Somalia adopts a robust triangulation methodology, drawing upon a diverse range of secondary data sources. The researchers have meticulously verified and cross-referenced data obtained from the Ministries of Finance in both entities, covering the period from 2019 to 2024. The key data sources include government documents and reports, academic journal articles, as well as datasets from renowned international organizations such as the World Bank. In the domain of revenue collection, the analysis delves into the taxation systems, tax revenue as a percentage of GDP, and the efficiency of revenue mobilization. This data is systematically gathered from government budget documents, fiscal reports, and the comprehensive databases maintained by the World Bank and the International Monetary Fund (IMF). The triangulation of these multifaceted data sources, ranging from governmental to academic and international, enables a rigorous and comprehensive analysis of the complex issues surrounding democratic governance and revenue collection in Somaliland and Somalia. The researchers have employed a systematic approach to identify and analyze the key similarities and differences between the two entities, providing a well-grounded and nuanced understanding of these critical socio-political and economic domains.

Result and Discussion

comparative analysis of the breakdown of total revenues for the Federal Government of Somalia (FGS) and Somaliland in 2019:

Table 1: Comparative Analysis of Revenue Source for Somaliland vs Somali 2019.

Revenue Source	FGS (US\$ millions)	Somaliland (US\$ millions)
Consolidated Domestic Revenue	229.8	213.9
Tax Revenue	173.3	174.6
Tax on Incomes, Profits, and Capital Gains	11.7	18.3
Tax on Goods and Services	47.1	59.1
Tax on International Trade and Transactions	109.0	97.2
Other Taxes	5.5	0.0
Non-Tax Revenue	56.5	39.3

SOURCE: World Bank Revenue Report (2020)

The data shows that Somaliland generated higher overall domestic revenue compared to the FGS, with \$213.9 million versus \$229.8 million respectively. This is largely driven by Somaliland's stronger performance in tax revenue, which amounted to \$174.6 million compared to \$173.3 million for the FGS. Notably, Somaliland outperformed the FGS in two key revenue sources: tax on incomes, profits, and capital gains (\$18.3 million versus \$11.7 million) and tax on goods and services (\$59.1 million versus \$47.1 million). However, the FGS had a higher level of revenue from taxes on international trade and transactions (\$109.0 million versus \$97.2 million for Somaliland).

The FGS generated more non-tax revenue compared to Somaliland, with \$56.5 million versus \$39.3 million respectively. This suggests that the FGS may have a stronger capacity to generate revenue from sources other than taxation. Overall, the data indicates that Somaliland has a more robust domestic revenue base, particularly in terms of tax revenue collection, compared to the FGS. This finding aligns with Somaliland's reputation for maintaining a relatively stable and functional economy, even in the absence of international recognition.

comparative analysis of the revenue collection for Somaliland and the Federal Government of Somalia (FGS) in 2023:

Table 2: Comparison of Domestic and Donor Revenue in Somaliland and Somalia 2023

Revenue Source	Somaliland (US\$ millions)	Percentage	FGS (US\$ millions)	Percentage
Domestic Revenue	486.1	95%	283.0	29.8%
Donor Revenue	25.6	5%	667.4	70.2%
Total Revenue	511.7	100%	950.4	100%

Source: Finance Ministries in Somaliland and Somalia (2023)

Domestic Revenue: Somaliland's domestic revenue stands at \$486.1 million, accounting for a substantial 95% of its total revenue. In contrast, the FGS's domestic revenue is \$283.0 million, representing only 29.8% of its total revenue.

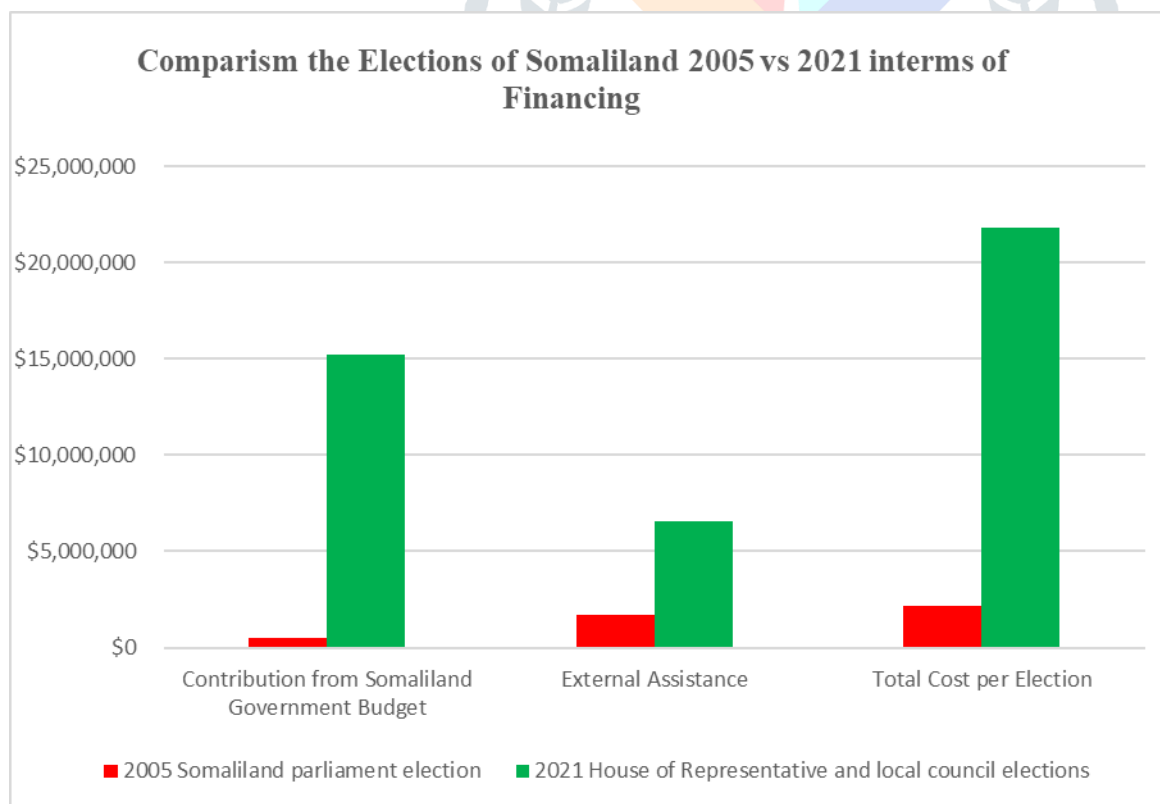
Donor Revenue: Somaliland's donor revenue is \$25.6 million, making up a mere 5% of its total revenue. The FGS, on the other hand, relies heavily on donor revenue, which accounts for \$667.4 million or 70.2% of its total revenue. The stark contrast in the revenue structures of Somaliland and the FGS highlights the significant implications for their respective democratic governance. Somaliland's heavy reliance on domestic revenue sources, which account for 95% of

its total revenue, demonstrates a high degree of financial self-reliance and fiscal sovereignty. This financial autonomy allows Somaliland to make decisions and implement policies that are aligned with the needs and aspirations of its citizens, without being unduly influenced by external donors. This, in turn, strengthens the government's accountability to the Somali people and enhances the legitimacy of its democratic institutions.

In stark contrast, the FGS's heavy dependence on donor revenue, which makes up 70.2% of its total revenue, poses a significant risk to its democratic governance. Reliance on external funding sources can lead to a loss of fiscal autonomy, as donor countries and organizations may impose conditions that influence the government's policy decisions and priorities. This can undermine the government's accountability to its citizens and the credibility of its democratic processes.

Moreover, the volatility and unpredictability of donor funding can create budget uncertainties, making it challenging for the FGS to effectively plan and execute long-term development strategies. This vulnerability to external funding sources can undermine the government's ability to respond to the needs and aspirations of its citizens, potentially fueling social unrest and weakening democratic governance. To address this challenge, the FGS should strive to increase its domestic revenue generation capacity, through measures such as improving tax administration, broadening the tax base, and reducing tax evasion. This would not only strengthen the government's financial autonomy but also enhance its accountability to the Somali people, ultimately contributing to the consolidation of democratic governance in the country.

Graph 1: Importance of Domestic Revenue for Democratic Governance: Evidence for the Elections: 2005 vs. 2021



Source: developed by the author using data from SLNEC.

The data collected by Somaliland National Electoral Commission (SLNEC) presented in the graph highlights a significant increase in Somaliland's government contribution to its democratic elections over the years, despite the

country's persistent challenges with poverty. In the 2005 Somaliland parliament election, the government's contribution was \$500,000, which accounted for approximately 23% of the total election cost of \$2,172,705. The remaining 77% of the funding came from external assistance. Fast forward to the 2021 House of Representative and local council elections, the government's contribution had increased dramatically to \$15,241,379, representing a staggering 70% of the total election cost of \$21,800,000. The external assistance for this election amounted to \$6,558,620, accounting for the remaining 30% of the total cost.

In 2022, the Somali government presented the international community with an estimated budget of \$15.5 million for the presidential elections, including \$2.5 million for security measures. This request was made due to the limited government budget in Somalia (Ministry of Finance, 2022).

Conversely, in his 2024 national address, the President of Somaliland, Muse Bihi Abdi, stated that Somaliland was prepared to hold both presidential and national party elections. The estimated budget for these elections was \$20 million, with the government having allocated approximately 80% of the necessary funds (SLNTV News, 2024).

Table 3: GDP Per Capita Comparison: Somaliland vs. Somalia (2021-2022)

Country	2021 GDP Per Capita (USD)	2022 GDP Per Capita (USD)	% Change (2021-2022)
Somaliland	775	852	10.0%
Somalia	577	592	2.7%

Source: Somaliland Ministry of Planning & National Development (MP&ND) and World Bank data.

Revenue Collection: Somaliland: Somaliland has a more stable and effective revenue collection system, with a stronger emphasis on tax compliance and a more developed infrastructure for tax administration. This allows Somaliland to generate more revenue, which can be used to fund public services and infrastructure development. Somalia: Somalia faces significant challenges in revenue collection due to ongoing instability, weak governance, and a lack of trust in government institutions. This hinders the government's ability to fund essential services and invest in economic development.

Democratic Governance and Peace: Somaliland: Somaliland has a relatively stable political system with regular democratic elections and a peaceful transfer of power. This stability attracts investment and fosters economic growth.

Somalia: Somalia has experienced prolonged conflict and instability, which has hampered economic development and discouraged investment. While there have been efforts to rebuild governance structures, the country remains vulnerable to political instability and violence.

Rule of Law: Somaliland: Somaliland has a more developed legal framework and a stronger judiciary, which provides a more predictable and stable environment for businesses and investors. This fosters confidence and encourages economic activity. Somalia: Somalia faces significant challenges in establishing the rule of law, with a weak judiciary and a lack of enforcement of contracts and property rights. This creates uncertainty for businesses and investors, hindering economic growth

Table 4: The ranking for GDP per capita the lowest 16 countries in Africa.

Rank	Country	GDP Per Capita (USD)
1	Mali	\$833
2	Burkina Faso	\$830
3	Gambia	\$808
4	Guinea-Bissau	\$776
5	Liberia	\$755
6	Chad	\$717
7	Democratic Republic of Congo	\$654
8	Malawi	\$645
9	Somalia	\$592
10	Niger	\$585
11	Mozambique	\$558
12	Madagascar	\$517
13	Sierra Leone	\$476
14	Central African Republic	\$427
15	Burundi	\$259
16	South Sudan	\$0
16	Eritrea	\$0

Source: World Bank Data, 2022

Mali (\$833), Burkina Faso (\$830), Gambia (\$808), Guinea-Bissau (\$776), Liberia (\$755), Chad (\$717), Democratic Republic of Congo (\$654), Malawi (\$645), Niger (\$585), Mozambique (\$558), Madagascar (\$517), Sierra Leone (\$476), Central African Republic (\$427), Burundi (\$259), South Sudan (\$0), and Eritrea (\$0).

Somaliland, which is not included in the original World Bank data source, has a GDP per capita of \$852 in 2022. This would place Somaliland's ranking higher than the bottom 16 countries listed, as its GDP per capita is greater than those 16 countries. However, Somalia, which is included in the data, has a GDP per capita of \$592, placing it 8th from the bottom, lower than Somaliland's GDP per capita of \$852.

IX. Conclusion and Recommendation

Somaliland and Somalia present starkly divergent trajectories in democratic governance and revenue collection. Somaliland, which unilaterally declared independence in 1991, has developed a relatively stable democratic system, holding regular one-person, one-vote elections, in contrast to Somalia's indirect elections dominated by clan elders. This political stability has enabled Somaliland to achieve a domestic revenue contribution of 95% to its national budget, compared to Somalia's reliance on only 29% of local revenue. Additionally, Somaliland has a higher GDP per capita than Somalia, reflecting its more robust revenue mobilization and efficient public service delivery. However, Somaliland's democratic progress remains incomplete, as it has not held fully free and fair elections since 1991, relying on a system of indirect representation. To foster sustainable development in the Horn of Africa, policymakers should encourage inclusive political dialogue and reconciliation in Somalia, support Somaliland's efforts to strengthen its democratic institutions, and promote regional cooperation to facilitate the sharing of best practices in revenue mobilization and public service delivery. Targeted international assistance and investment, with a focus on building resilient governance capacities, can further catalyze progress in both Somaliland and Somalia.

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