The political economy of connectivity in the Somali Horn of Africa

GIANLUCA IAZZOLINO AND AHMED M. MUSA *

The Somali Horn of Africa (HoA) 1 is primarily depicted in the International Relations (IR) literature as a political and security quagmire, 2 albeit animated by transnational capital flows and a dynamic business sector. International policymakers and observers specifically praise the Somali telecommunications and money transfer sectors as glaring examples of ‘what works in Somalia’. 3 The risk of political violence and terrorism in the region, combined with high levels of legal liability and financial and reputational risk associated with counterterrorism-mandated financial vigilance, 4 has so far shielded Somali telecommunications and financial conglomerates from external competition. These local firms have thrived in a formal regulatory void, capitalizing on the local need to connect with a far-flung diaspora through remittances and mobile communication 5 and, more recently, building superplatforms that offer a wide range of services, from digital finance to e-commerce and ride-hailing services.

The significance of these business conglomerates in Somali state-building has been discussed in political science and IR literature. 6 Recently, for instance, Tobias

* This article is part of a special section in the July 2024 issue of International Affairs on ‘The crisis in the palm of our hand: smartphones in contexts of conflict and care’, guest-edited by Jethro Norman, Signe Marie Cold-Ravnkilde and Matthew Ford. This research was funded by UKRI GCRF DIDA (grant number EP/T030127/1). We thank the participants for their time and valuable contributions, the reviewers for their insightful comments, and the editors of this special issue for their encouragement.

1 In this article, Somali Horn of Africa only refers to the largest Somali sovereign political entities in the region, Somalia and Somaliland, and does not include the ethnic Somali communities in Djibouti, Ethiopia and Kenya.


6 Tobias Hagmann and Finn Stepputat, eds, Trade makes states: governing the greater Somali economy (London:
Hagmann and Finn Stepputat have deployed a ‘corridor approach’ to conduct an empirical investigation of the governance of commodity circulation and flows along economic corridors, and the way that this commodity circulation (un)makes public authority in the ‘greater Somali economic space’. However, in our contribution to this special section, the case of the Somali HoA serves to illustrate how the popularity of the smartphone in Africa has ushered in a new generation of technocapitalists. We focus on the political economy of connectivity in the Somali HoA to chart the emergence of firms in Somalia and Somaliland at the intersection of telecommunications and finance, eventually controlling logistics through digital platforms that enable the circulation of people, goods and value across the region. We also examine the historical and political elements that have shaped a peculiar instance of digital capitalism against a backdrop of protracted insecurity and state fragility. Our analysis is driven by the question: to what extent does the process of digital infrastructuring in the Somali HoA corroborate or challenge theoretical assumptions about the construction, consolidation and governance of the digital economy in the global South, and specifically the articulation of public–private partnerships?

Our specific case-study provides insights into the multiple shapes that digital capitalism can take. To advance our analysis, we link the notions of digital infrastructural power and Keller Easterling’s definition of ‘extrastatecraft’. Digital infrastructural power refers to the state’s influence across its territory through the provision of digital services and goods. This notion builds upon Michael Mann’s influential definition of infrastructural power as the ‘capacity of the state to actually penetrate civil society and implement its actions across its territories’. As we demonstrate with our case-study, the digital infrastructural power of the state in the Somali context is mediated, supported and often challenged by private digital platforms, embedded within local and translocal networks and leveraging pre-existing social institutions that regulate intra- and inter-kinship relations. This interaction shapes an infrastructure space where, as Easterling points out, ‘nested forms of sovereignty’ emerge, with formal and informal governance mechanisms and public and private interests colliding. The concept of ‘extrastatecraft’ thus encompasses ‘the often undisclosed activities outside of, in addition to, and sometimes even in partnership with statecraft’.

The case of digital platforms in the Somali HoA is the lens through which we chart the evolution of the unique digital landscape of the region over fifty years of political instability and economic volatility. This evolution has been driven.
The political economy of connectivity in the Somali Horn of Africa

by local capitalists, entrenched in transnational networks bound by kinship ties, increasingly digitally-mediated\textsuperscript{13} and regulated by a complex interplay of state laws and customary norms. We thus bring both theoretical and policy contributions to the ongoing scholarly debates on the role of non-state and business actors in institution-building in post-conflict settings. At the theoretical level, we engage with the broader literature on variegated digital capitalism, which has predominantly centred on the global North. Our exploration of the implications of the state’s heavy reliance on platforms that are privately owned and managed unveils spaces of value extraction at the interface of the political and moral economy. This latter concept challenges the notion that exchange practices are solely profit-driven, emphasizing instead the role of ideas such as redistribution and fairness.\textsuperscript{14}

Our focus on the Somali HoA, a region on the margins of global digital capitalism, allows us to problematize state/private dynamics and the significance of informal governance mechanisms in contexts marked by state fragility. Our analysis also offers insights to policy experts and analysts working on post-conflict institution-building by drawing attention to the role of a specific and increasingly central type of local capitalists—digital platform owners—in either bolstering or undermining state institutions.

This article draws from over a decade of research conducted by the two authors in the Somali HoA between 2013 and 2023, during which we engaged with over 80 businesspeople, policy-makers and representatives from civil society organizations. It is structured as follows. The first section establishes the theoretical framework by situating our study within ongoing discussions on varieties of capitalism and digital capitalism, while also highlighting the synergy between digital infrastructural power and ‘extrastatecraft’. In the subsequent section, we delve into capital accumulation and connectivity within the context of the Somali HoA. We then describe the Dhaweeye/Rikaab and Geeve mobile platforms and situate them within the local digital ecosystem. Finally, we reflect on the significance of our analysis in understanding digital infrastructural power in relation to the multifaceted nature of digital capitalism beyond the confines of the global North.

The ‘variety of digital capitalism’ debate in IR

Over the past thirty years, the popularity of the ‘varieties of capitalism’ perspective has waxed and waned. Originating in the early 1990s, this approach emerged in response to the end of the Cold War, challenging the notion of a universal capitalist model. Instead, it identified two contrasting templates: one emanating from the United States and United Kingdom, and the other revolving around central and northern Europe, as well as Japan.\textsuperscript{15} Shaped by divergent historical trajectories, these models boasted myriad distinct features, spanning from institutional arrange-


\textsuperscript{15} Michel Albert, Capitalisme contre capitalisme (Paris: Le Seuil, 1991).
ments to forms of governance, and relations with shareholders and financial institutions. Central to this comparative political economy was the emphasis on the interplay between ‘governance rationalities (and) the immediate institutional environment’. The scholars exploring this line of inquiry advanced a research agenda that characterized the firm not merely as a legal entity, transactional nexus or bundle of competencies, but as a social institution deeply rooted in, and shaped by, the institutional and cultural resources of its national environment.

In subsequent phases of the ‘varieties of capitalism’ discourse, the role of the firm has garnered increased prominence. The firm is portrayed as a rational actor ‘the strategically calculating behaviors of which are simultaneously shaped by, and give rise to, institutional environments’. A key aspect of this comparative approach revolves around how firms interact with each other and the state to tackle coordination problems. As we will demonstrate in the empirical section of our article, the significance of Somali firms, including telecommunications and money transfer operators, cannot be overstated. These firms function as social institutions that are deeply embedded within their institutional and cultural contexts, drawing on pre-existing resources, particularly clanship, to enhance coordination during tumultuous periods. It is striking, however, how empirical analyses from the majority world, especially Africa, remain conspicuously absent from discussions on varieties of capitalism in comparative political economy circles. In fact, anthropologists, Africanists and international development scholars contributing to the so-called African capitalism debate have remarked on the ‘impressively consistent lack of interest in African economics that runs through all the schools of comparative political economy’. In doing so, they have stressed the theoretical and analytical contributions of economic anthropology speculations on economic regimes featuring informal relations rooted in kinship and mutual obligations, blurring the line between individual benefits and collective responsibility, and dovetailing with donor commitments and financial institutions.

Equally noteworthy—albeit more understandable, given the infancy of the debate—is the absence of references to the global South in discussions on digital capitalism within comparative political economy and International Relations. This concept aims to capture the dominance of digital media, particularly the internet, by US corporate interests through norms and regulations championed by the US government and international bodies like the World Trade Organization with an explicit neo-liberal agenda. However, discussions on digital capitalism have evolved to encompass broader phenomena such as digitalization, datafication, the

consolidation of digital power into the hands of large technological corporations and, more recently, the emergence of digital platforms as proprietary infrastructures.

At the heart of the digital economy are digital platforms, which serve as private digital infrastructures facilitating access to users and matching demand and supply of services or products.\(^{23}\) While most research on the platform economy—or on platform capitalism, ‘gig work’, on-demand economy and peer-to-peer economy, just to mention the most popular iterations of the concept\(^{24}\)—is based on high-income countries, studies focusing on the platformization of development\(^{25}\) have explored the contribution of digital platforms for job creation,\(^{26}\) smallholder farmers’ access to markets\(^{27}\) and provision of services for underserved population segments in the majority world.\(^{28}\) Kelton et al.\(^ {29}\) have argued in this journal that private digital platforms acquire infrastructural power through virtual sovereignty, consisting of the development and control of software and hardware to influence people’s behaviour. They create parallel governance structures that dovetail, overlay or sometimes clash with government regulations. This infrastructure space of ‘extrastatecraft’ reflects public–private tensions around the allocation of roles and responsibility and the conflation of ‘economic logics typical of platforms with the public interests and quasi-universal services formerly characteristic of many infrastructures’.\(^ {30}\)

However, discussions on the platformization of infrastructural power in the global North are of limited help to understand settings like the one at the centre of our study, where the boundary between economic logics and public interest is blurred. A notable exception is Jane Guyer’s explanation of the ‘platform economy’ as a conceptual structure ‘built out of a vast variety of moving components, constantly tinkered with, diverted and mined for advantage in some places and shored up against erosion in others’.\(^ {31}\) The articulation of these moving components, which Guyer organizes into *legacies, logics and logistics*, captures the genealogy and functioning of assemblages that, while resting on established

---


arrangements and reproducing themselves according to built-in principles and practices, are open to innovation.

By showing how the emergence and transformation of Somali digital platforms reflect this articulation of legacies, logics and logistics, we put forward the contention that the platform economy, and the public–private tensions it engenders, must be understood against specific political economies. In the next section, we delve into our case-study by examining these public–private tensions around infrastructure governance within the recent history of the Somali HoA.

**Private infrastructural power in the Somali Horn of Africa**

The paramount importance of the telecommunications and remittance sectors for Somali society and the country’s economy stems from a longstanding history of mobility within and across the HoA and is woven into established trade networks and diplomatic frameworks that can be traced back to the period before independence.\(^{32}\) The movement of goods between coastal areas and the interior was made possible through the practice of *abaan* [clan protection], whereby merchant protectors from major kinship groups received a commission from merchants based on the value of the traded commodities.\(^{33}\) After the end of Italian and British colonial rule, the penetration of capitalist modes of accumulation into the Somali nomadic economy resulted in a significant increase in the volume of trade in both livestock and imported goods.\(^{34}\) The military government that assumed power in October 1969 restructured the Somali economy, introducing scientific socialism\(^{35}\) by nationalizing vital economic sectors. The migration of a significant number of Somalis to Gulf countries during the 1970s oil boom boosted the development of the remittance system,\(^{36}\) the basic mechanisms of which have survived to the present day. Most remittances found their way into the Somali territories through a set of money transfer practices known as *xawaalad*, a variation of the Arabic *hawala* system. *Xawaalad* operates through the trading of credits and debts among agents (or *hawalado*), a method that has historically been popular across the Muslim world. The *xawaalad* system relies on social infrastructure, particularly kinship and clan-based trust networks. Somali trade has consistently been intertwined with these social networks and relationships, serving to mitigate risks in the absence of effective state institutions that would otherwise reduce trade-related risks.


The political economy of connectivity in the Somali Horn of Africa

During the 1980s, as the Somali central state succumbed to corruption, economic upheaval and political unrest, this system became significantly more important to the livelihoods of Somali citizens.37 Clan-based ‘franco-valuta’38 money systems provided Somali entrepreneurs with the means to transfer their financial assets out of the country, while local households depended on these systems to receive essential funds from relatives abroad.39 During this period, Dahabshiil, the most prominent Somali hawala firm, solidified its business model. Established in 1970 as an import company in Burco (Burao) in present-day Somaliland, Dahabshiil was founded by Mohamed Saeed Duale, who initially worked as a remittance broker and hailed from the local Habr Je’lo (also Habarjeclo) Isaaq clan. As political oppression intensified in northern Somalia and escalated into armed conflict in the late 1980s, Dahabshiil relocated to Ethiopia, where the company played a pivotal role in facilitating the transfer of remittances from the Isaaq diaspora to displaced populations.40 Additionally, it provided support to the Somali National Movement (SNM), the primary guerrilla group opposing the regime of Siad Barre. A crucial aspect of Dahabshiil’s strategy was its collaboration with clan elders, laying the foundation for its political network.41

Following the collapse of the central government, the already fragile national financial system crumbled, wiping out the savings of hundreds of thousands of Somali citizens and undermining trust in state banks. Consequently, Somalia and Somaliland (formerly Italian Somalia and British Somaliland) pursued separate paths. As a result, the financial institutions that emerged in these distinct entities took diverging trajectories, shaping local political economies in various ways.

Analyses of these diverging paths within the field of IR have highlighted the contentious politics of peacekeeping operations and aid,42 the Somali geopolitical conundrum,43 the relationship between state failure and maritime piracy44 and the role of oligarchic corporate networks in carving up rent-seeking opportunities in Somaliland.45 A key factor that has driven a wedge between the historical trajectories of Somalia and Somaliland since the collapse of the Somali state in 1991 is the role of local businesspeople vis-à-vis the state. While state-building efforts in

38 The franco-valuta system was designed as a response to Gulf States’ rules preventing migrants from investing locally. It enabled Somali workers to transfer money to Somalia in the form of imported goods. The system was phased out in 1981 and re-introduced for one year in 1984 (see Vali Jamal, ‘Somalia: understanding an unconventional economy’, Development and Change 19: 2, 1988, pp. 203–65).
40 Mark Bradbury, Becoming Somaliland (Bloomington, IN and Oxford: Indiana University Press and James Currey, 2008).
43 Zach Vertin, Red Sea rivalries: the Gulf, the Horn, and the new geopolitics of the Red Sea (Doha: Brookings Doha Center, 2019).
Somalia were repeatedly undermined by competition along clan lines between business and armed actors over control of the territory, economic infrastructure—such as ports and airports—and international aid, in Somaliland local business-people were an integral part of the bottom-up governance process, buttressing the economy, helping legitimize state institutions, providing much-needed revenues to the state and finally stemming the risk of full-scale political violence.\(^4^6\) Mobilizing the concept of ‘political marketplace’, Alex de Waal significantly attributes the effectiveness of the institutional bargain in the newly independent Somaliland state to a serendipitous alignment of business interests, shrewd communication and political loyalties, arguing that ‘the Somaliland authority, acting de facto at the behest of the business community, successfully regulated violence’.\(^4^7\)

In the aftermath of the proclamation of independence of the ‘Republic of Somaliland’ in 1991, Dahabshiil restructured its commercial operations to meet the increasing demand to connect Somalis residing outside Somalia with their relatives remaining in the homeland. It opened branches in countries where Somalis had sought refuge and resettlement, spanning across Africa, Asia and the West. Additionally, affluent businessmen from Somaliland repatriated their wealth from neighbouring Djibouti, where they had found sanctuary during the conflict in Somalia. They actively contributed to the state-building process in Somaliland, leveraging relationships established with local authorities during the war of independence. These efforts included contributing to the construction of national infrastructure and helping maintain the value of the officially issued Somaliland shilling relative to the US dollar. Key sectors such as import, telecommunications and finance both benefited from and contributed to the stability of local political institutions. Recognizing the role of businesspeople in Somaliland’s reconstruction, political leaders and policy-makers initially adopted lenient regulations and taxation policies towards the influential business class, facilitating capital accumulation. As time passed, and the government tried to exert greater control over strategic economic sectors, business actors successfully resisted, including attempts in the early 2000s to increase the rate of value-added tax to 30 per cent, and to mandate the use of a single international carrier for all telecommunications.\(^4^8\)

The money transfer and communications sectors evolved concurrently. The historical integration of the Somali remittance and telecommunications industries is influenced by both business and socio-cultural factors. In the absence of a stock market, \textit{hawala} firms played a crucial role in raising funds for the telecommunications sector. Most telecommunication companies, referred to as \textit{shirkaad} in Somali, were founded by entrepreneurs who established accounts with \textit{hawala} firms. They then allowed selected buyers, often from the same clan as the founder and primary shareholder, or local religious authorities, to acquire a stake in the \textit{shirkaad}. This practice facilitated the formation of strategic partnerships, not only at the business


\(^4^7\) Alex de Waal, \textit{The real politics of the Horn of Africa: money, war and the business of power} (Cambridge, UK: Polity, 2015), p. 140.

\(^4^8\) de Waal, \textit{The real politics of the Horn of Africa}. 

\textit{International Affairs} 100: 4, 2024
The political economy of connectivity in the Somali Horn of Africa

level but also in the political realm. However, while shirkaad companies typically have a flexible and fragmented ownership structure, a small number of interconnected shareholders maintain control over the company. Even though the shareholder base may include individuals from different clans, shirkaad companies are thus perceived to have a distinct clan identity, that of the main shareholder(s). Consequently, these shareholder-owned companies are closely associated with specific clans.

Both communications and remittances play a vital role in fostering connections between the Somali diaspora and the home country. Even before the collapse of the state, communication companies provided supplementary services to hawala, facilitating coordination between remittance senders and recipients. Hawala agents, in turn, offered affordable and swift technologies for exchanging information with relatives abroad. Even in Kenyan refugee camps, where displaced Somalis sought refuge from political turmoil, money transfer services were often situated in areas where people queued to use a two-way radio system known as taar. This radio system was the only means of communication with family members who had resettled overseas or those who were still in Somalia. The intertwining of remittances and communication infrastructures enabled a continuous conversion of social capital into financial capital and vice versa, supporting both survival and the potential for improving one’s living conditions. At the same time, there is evidence of the complex role of diaspora in conflict settings; the involvement may be direct—supporting conflicting parties by providing money and arms—or indirect, where remittance money is used for the conflict.

It was within this context of over-reliance on diaspora support that the Barakaat Group of Companies (BGC), a conglomerate that exerted significant influence over the Somali telecommunications sector, emerged in the early 1990s. Founded by Ali Ahmed Nur Jim’ale, a businessman from the Hawyie Habr Gedr clan in Mogadishu, BGC comprised various entities, including the hawala company Barakaat Money Transfer, Barakaat Telecommunications, Red Sea Telecommunications, Globe Tel Telecommunications, Barakaat Bank of Somalia and Somali Refreshment Company. At its peak in 2001, Barakaat Telecommunications was the leading company in Somalia and the largest employer, with Ali Ahmed Nur Jim’ale remaining its majority shareholder. The remaining shares were divided among over 600 shareholders. During the 1990s this conglomerate thrived in a volatile environment characterized by the absence of formal financial institutions in Somalia and by limited access to financial services for refugees in humanitarian settings.

50 Musa and Horst, The role of business.
51 Anna Lindley, Protracted displacement and remittances: the view from Eastleigh, Nairobi (Geneva: UN High Commissioner for Refugees, 2007).
52 Horst, ‘Transnational nomads’.
54 Interview with former Barakaat executive, June 2014.
This context became even more challenging from 2001, following the 9/11 terror attacks, when Somalia’s money transfer companies faced mounting international scrutiny. In October of that year the US Treasury included Barakaat Money Transfer, at that time the largest Somali hawala firm, in a list of 62 organizations and individuals suspected of ties to Al-Qaeda. This led to the freezing of all the company’s assets, leaving thousands of BGC financial services account-holders without access to their savings. Concert Communications, a US-based joint venture between AT&T and British Telecom, disrupted the international gateway of Barakaat’s international phone service shortly thereafter. The downfall of Barakaat Money Transfer had devastating consequences for the livelihoods of many families, but in the medium term—and unintentionally—had the effect of an antitrust intervention, paving the way for the expansion of Dahabshiil and triggering a comprehensive transformation of the entire Somali telecoms sector.

Shaping up the Somali digital landscape

Following the collapse of the BGC conglomerate, its assets were acquired in 2002 by three new affiliated firms: Hormuud, headquartered in Mogadishu and serving south-central Somalia; Golis, based in Bosaso, the commercial hub of the autonomous federal member state of Puntland and operating in Puntland territories; and Telesom, established in Hargeisa, the capital of Somaliland, and serving Somaliland territories. These three companies have interconnected systems and share similar financial services, such as Taaj Hawala, the Wafi digital wallet and Salaam Bank, or localized versions of mobile money: EVC, Sahal and ZAAD, respectively.

Since its inception, Hormuud has predominantly been controlled by the Hawyie clan and operates as a company providing landline, mobile communication, internet access and, since 2008, mobile banking services. It reported 3.6 million subscribers in 2020 and an estimated annual turnover of US$40 million, establishing itself as the leading mobile network operator (MNO) in south-central Somalia. In 2009, Hormuud introduced E-voucher, the first Somali mobile money service modelled on M-Pesa, launched by Safaricom in Kenya two years earlier. E-voucher enabled the storing of value and transactions of up to US$2,000 and relied on a network of agents. In 2011, it was renamed EVC Plus, lowered the

56 Lindley, ‘Between “dirty money” and “development capital”’.
57 James Cockayne with Liat Shetret, *Capitalizing on trust: harnessing Somali remittances for counterterrorism, human rights and state building* (Goshen, IN: Center on Global Counterterrorism Cooperation, 2012).
59 Initially led by Ahmed Mohammed Yusuf, a businessman from Mogadishu who reportedly acquired the assets and equipment of Al Barakaat, the company’s spokesperson denied any connection to the Barakaat Group of Companies at the time. However, it later came to light that the majority shareholder was once again Ali Ahmed Nur Jim’ale, who had resided in Dubai and Djibouti since 2001 and owned the hawala Tawakal. The company’s main offices were situated in Mogadishu and Dubai, where many Somali businessmen had relocated since the late 1990s.
transaction upper limit to US$300, and offered accounts specifically for traders. Furthermore, it was interoperable with Golis’s mobile money platform, Sahal, in Puntland and Telesom’s ZAAD platform in Somaliland, thereby providing an alternative channel to hawala for smaller transfers.

In Somaliland, Telesom became the leading mobile network operator (MNO), outperforming competitors like Sitco (the first ever mobile operator there), STC (Somali Telecommunication Company), Somtel and Solteco. While Ali Ahmed Nur Jim’a.le held most of the shares, the remaining 51 per cent went to over 1,400 other shareholders. In 2009, as Somalia’s Hormuud introduced EVC Plus, Telesom launched ZAAD, a mobile money platform that allowed money transfers with no fees. Two years later, Telesom established Salaam Bank to connect mobile money with traditional banking. ZAAD customers could now easily transfer money between their phones and bank accounts using their mobile devices. This opened doors to various services, including shari’a-compliant micro-loans, bill payments (school fees, utilities, etc.) and grants.

The rapid popularity of mobile money necessitated a strategic realignment within both the telecommunications and remittance sectors. While several smaller, geographically-bound money transfer operators experienced a decline in their business volume, established hawala providers were compelled to undertake significant operational expansions or forge strategic alliances with dominant players to survive. Recognizing the burgeoning mobile money landscape, Dahabshiil, the preeminent hawala operator, strategically acquired a significant stake in Somtel, a telecommunications company established in Burao, Somaliland, in 1997. This move, enacted in 2008, aimed to leverage Somtel’s infrastructure for financial service expansion. Subsequently, in 2015, Dahabshiil launched its eDahab mobile money platform. By capitalizing on its vast network of agents, eDahab facilitated seamless fund transfers to and from existing Dahabshiil accounts.

Despite substantial infrastructural investments in Somalia for expediting data services and extending network coverage to underserved regions, such as Middle Juba, Gedo and Bakool, eDahab struggled to compete with platforms offered by Hormuud, Golis and Telesom. While first-mover advantage undoubtedly played a role in the success of these affiliated companies, their ability to cultivate a loyal customer base stemmed primarily from the establishment of a robust network effect and the fulfillment of a widely recognized demand for foreign currency transactions.

Hormuud/Telesom/Golis established ties with other major hawala firms through banks based in Mogadishu, Hargeisa, Bosaso and Djibouti and, in 2015, started partnering with the online remittance company HomeSend, based in Belgium, to allow web-based money transfer through the UK-based WorldRemit and Sweden’s Transfer Galaxy. These websites enabled remittances to be sent directly to mobile wallet users across Somalia.

---

60 Based on several interviews conducted between 2015 and 2020 with mobile money operators in Somalia and Somaliland.
The emergence of Somali ride-hailing platforms

In 2007, against the backdrop described above, a group of Telesom/Hormuud shareholders founded Tabaarak ICT in Mogadishu. The company swiftly rose to become the leading provider of information and communications technology (ICT) services in the Somali territories, experiencing significant expansion after 2011 by attracting capital from within the Somali business community to venture into new sectors. During this period, the ICT sector emerged as a promising investment opportunity, drawing attention away from the real estate sector. Tabaarak ICT specialized in providing ICT-related business solutions to supermarkets, hospitals and universities. By 2017, recognizing the need to diversify its investment portfolio, the company decided to expand its horizons. In February 2018, Tabaarak ICT launched Somaliland’s inaugural ride-hailing and e-commerce platform, Dhaweeye, initially focusing on ride-hailing services. Later, the platform expanded its offerings to include e-commerce services, establishing offices in Hargeisa. Subsequently, in June 2018, it expanded its presence to Mogadishu and Puntland under the name Rikaab. The launch of its service initially faced resistance from existing taxi drivers, who saw their profits as likely to diminish due to Dhaweeye/Rikaab’s competitive pricing. While traditional taxis charged a flat rate of US$25 for distances between 1 and 10 kilometres, Dhaweeye/Rikaab implemented a pricing model of $0.50 per kilometre. However, Tabaraak ICT engaged in negotiations with informal taxi organizations in Hargeisa and Mogadishu to highlight the business potential for both full- and part-time drivers.

As recalled by a Tabaraak ICT executive, once the purpose of the app was explained in meetings with taxi drivers, the benefits of the platform became evident in terms of cutting waiting times and, in general, rendering the ride-hailing market more efficient:

If you’re a schoolteacher earning less than $200 a month and doing a second job, you don’t want to waste your time just waiting outside a hospital for a customer. With our app, while you wait for a customer, you can make a delivery.61

In response, in 2022 Somtel launched Geeye (previously Safar), a mobile application offering transportation booking services for taxis, food delivery and parcel delivery. Geeye, headquartered in Hargeisa, later launched additional operations in Mogadishu and Puntland.

Moreover, unlike Uber, Taxify and other global ride-hailing platforms that typically charge between 15 per cent and 25 per cent in commission fees, Dhaweeye/Rikaab opted to waive these fees for the first two years. They introduced a fee structure, variable depending on the city, only in late 2021, after the COVID–19 pandemic subsided. This strategic decision proved successful, resulting in a pool of 20,000 drivers across Somaliland and Somalia. Geeye pursued a similar approach, allowing drivers to register and use the application free of charge.

61 Interview with Guure Abdi, Tabaraak ICT, 12 March 2021.
This expansion was framed in terms of creating job opportunities for young people, enhancing the reputation of Telesom/Hormuud, Tabaraak’s main shareholder, as a company dedicated to the welfare of the Somali people, and increasing its political influence over the governments of Somalia and Somaliland. Eventually, in January 2020, Dhaweyye/Rikaab extended its reach by opening a branch in Addis Ababa, Ethiopia, launching an app named Faras for the Ethiopian market. In early 2021, it expanded further into Nairobi, Kenya. According to one of Tabaraak’s ICT professionals:

The Dhaweyye/Rikaab was initiated as a pilot project. Upon witnessing its success, investors turned their attention to the Ethiopian market, which is more extensive than Somalia’s. Faras app quickly became the predominant ride-hailing service with over a million subscribers. Since then, we have branched out to Kenya, Tanzania, Uganda, and South Africa, all operating under the brand name ‘Faras’, which translates to ‘horse’ in Somali, Amharic and Kiswahili. 62

In each country, the ride-hailing platforms initially recruited from the local Somali diaspora, aligning with a strategy commonly observed among Somali firms—particularly in industries like oil—for the purposes of expanding their operations. 63 Local offices relied on diaspora organizations and word of mouth, including social media, to attract not only licensed drivers with vehicles but also young individuals eager to learn to drive and own a car. In Somalia and Somaliland, the ride-hailing platforms utilized their network of agents for recruiting new drivers and promoting the services offered by the platform. Kinship relationships played a pivotal role during this phase, as local agents primarily tapped into their own clans to provide job opportunities to unemployed members. By leveraging kinship as a form of social capital, the firm deeply ingrained itself within the local social fabric, fostering loyal relationships that minimized conflicts over pay and working conditions, unlike experiences observed in platform work elsewhere in the world, which often involve labour disputes. Local agents acted as intermediaries between the firm, the drivers and the customers, offering assistance to those interested in using the app but uncertain how to navigate it. Additionally, trust established through kinship enabled aspiring drivers to apply for loans to purchase vehicles. To endorse someone for a loan, the platforms conducted informal reference checks on aspiring drivers based on recommendations from family members or respected community figures, including local agents who would vouch for the borrower’s credibility. Due to the business connections of Dhaweye/Rikaab’s parent company, Tabakeek, with Telesom/Hormuud, the platforms had a special agreement with Salaam Bank and other banking institutions affiliated with Telesom/Hormuud. Similarly, Geeye had arrangements with Dahabshiil Bank. For the purposes of food delivery, the ride-hailing platforms established a fleet of motorbikes, with estimates from Tabareek suggesting that 60 per cent of the bikes operating across twelve cities in Somalia and Somaliland were owned by

63 Iazzolino and Hersi, ‘Shelter from the storm’.
the platform, while the remaining 40 per cent were owned by individual riders. During the training process, the ride-hailing platforms provided drivers not only with driving lessons but also with guidance on local regulations and taxes, particularly for operations in Kenya and Ethiopia.

At the present stage, these ride-hailing platforms do not utilize algorithmic management, although there are plans to develop it in the future. Instead, in the countries where they operate, they have recruited customer service operators to handle and manage customer orders, as well as dispatchers to assist drivers/riders with their assignments. To accommodate varying levels of technological proficiency and the different types of mobile handset on the market, the ride-hailing platforms offer multiple options for requesting services. These include an app for smartphones, a USSD (Unstructured Supplementary Service Data) menu, accessible through Telesom/Hormuud and Somtel SIM cards for basic phones, and a phone number. Dhaweeye/Rikaab also introduced a loyalty programme through subscriptions to cultivate a loyal customer base and encourage repeat business.

The ‘extrastatecraft’ role of ride-hailing platforms became particularly evident in their expansion into e-commerce. They facilitated connections between hundreds of small and medium enterprises across the Somali territories, including fast-food shops, online stores, restaurants, small rural producers and traders. These businesses used the platform to showcase their products and services, engage with customers and coordinate delivery. Somali ride-hailing platforms envisioned evolving into superplatforms akin to those emerging across the global South, drawing inspiration from China’s Tencent-developed WeChat. Much like WeChat, these envisioned superplatforms would offer customers access to a diverse range of services—from ride-hailing to food delivery to loans and off-the-grid solar energy—all within a single platform interface. This seamless integration of services aimed to enhance convenience and accessibility for users, and the popularity of these platforms transcended Somali borders, resonating among ethnic Somalis in the broader HoA. In Ethiopia, for instance, Dhaweeye/Rikaab’s sister firm Faras quickly emerged as a key player in the local ride-hailing sectors. In an interview, an executive pointed out that:

Not only is it cost-effective—having been free for its first two years of operation—but it has also recently implemented a modest 10 per cent commission on each ride. This is notably lower than our competitor, which charges a 14 per cent commission per ride.

Faras’ Somali ownership has stirred tensions with local competitors and authorities, as recalled by a Faras executive: ‘Our competitors have sometimes tried to leverage state institutions against us. However, we have also gained the support and sympathy of senior leaders who understand and empathize with the history of Somali marginalization.’ In the next section, we discuss the implications of our findings for the broader debate on varieties of digital capitalism in Africa.

64 Interview with Rikaab executive, 15 March 2021.
Digital extrastatecraft in the Somali Horn of Africa

The expansion of telecommunication and mobile money infrastructures across the Somali HoA and beyond has laid the foundation for the consolidation of a digital landscape. Here digital firms compete with each other and manage different digital ecosystems, offering a broad range of services. By shaping this infrastructure space, they have positioned themselves at the centre of governance processes. Despite vocal denials that they play a political role, they exert de facto infrastructural power in ways perceived as political by observers across the Somali HoA.

Telecommunications and financial sector firms vie for influence in the political arena to advance their competing interests while shielding their endeavours from strict regulation and taxation. Our informants emphasized that election time is a crucial moment for observing the entanglement of politics and business, as telecoms and large money transfer firms are primary sources of funding for candidates’ campaigns. Due to the lack of local media which is free of political influence in both Somalia and Somaliland, allegations of cosy relationships between telecommunications companies and political parties are often weaponized for political gains and are difficult for independent observers to verify.

While digital firms have avoided attempts to pay taxes based on the number of SIM cards, opting instead to pay lump-sum taxes, they have had to navigate a fragmented sovereignty terrain. For instance, since launching its mobile money service, Hormuud has experienced a fraught relationship with the militant organization Al-Shabaab, which controlled significant portions of the territory in south-central Somalia through violence, coercion and intimidation. Initially banned by the group, Hormuud’s service was viewed as disruptive to its scheme for obtaining cash payments. However, Al-Shabaab later relaxed the prohibition and began targeting Hormuud’s telecommunications and mobile money operations, at times closing down branches and detaining staff in retaliation against their refusal to pay extortion fees. Over the years, the Federal Government of Somalia has recognized the telecommunications sector’s significance as a crucial revenue source for the militant organization—an accusation corroborated by international reports. This situation highlights the paradox whereby telecommunications companies engage in tax avoidance while inadvertently funding armed groups through protection money.

To counter these criticisms, digital firms have used their resources strategically, to bolster their image and legitimacy. They publicly support institution-building efforts, recognizing that regional political stability and security are crucial for their transnational businesses. An example of this strategic philanthropy occurred in May 2020, when representatives of Telesom and Dahabshiil

announced—in ceremonies hosted by Somaliland’s vice-president, Abdirahman Abdilahi Ismail Zailici, donations valued respectively at US$840,000\textsuperscript{70} and $800,000\textsuperscript{71} to Somaliland’s COVID–19 preparedness and response committee. The contributions included personal protective equipment, medical supplies and financial aid to support families affected by the pandemic. Similarly, in April 2022, Telesom made another significant donation of US$600,000 (comprising $500,000 from the Telesom Group and $100,000 from Telesom staff) to the national relief committees established by the Somaliland government after a fire devastated Hargeisa’s Waaheen market.\textsuperscript{72} In Somalia, Hormuud leveraged the Hormuud Salaam Foundation (HSF), Somalia’s first corporate philanthropic organization, established jointly with Salaam Somali Bank, Taaj Money Transfer and Buruuj Construction Company to support COVID–19 response efforts. HSF partnered with the task force established by the Somali Ministry of Health to launch a toll-free COVID–19 helpline and provided financial support through EVC Plus to provide medical staff and technical expertise to health facilities.

The relationship between digital firms and the Somali state and society is embedded in a moral economy rooted in kinship relations, reciprocity and redistribution. However, it also aligns with broader patterns of capitalism, exemplified by global North corporations like Uber and Meta, which also provided support during the COVID–19 pandemic while balancing profit extraction with ‘moral sentiments’.\textsuperscript{73}

Operating within a semi-regulated environment and facing unique challenges shaped by multiple crises, Somali digital platforms encounter distinct obstacles. Given the transnational nature of sectors like finance and telecommunications, digital entrepreneurs often establish bases in countries such as Djibouti, the United Arab Emirates, the UK and Sweden for operational needs and financial security. Initially focusing on the Somali market, digital capitalists now grapple with the challenge of effectively reinvesting their substantial capital. They are diversifying into sectors like real estate and agriculture while expanding their ride-hailing platforms internationally, tapping into diasporic connections based on kinship relations in countries like Ethiopia and Kenya.

This strategic expansion has propelled the emergence of influential transnational firms. Despite the persistent political instability in Somalia since 1991, Somali entrepreneurs have utilized their networks adeptly to establish major enterprises spanning imports, finance, telecommunications and ride-hailing services, catering to all regions of Somalia. However, it is essential to recognize that these businesses


1526
are intricately intertwined with local politics. As mentioned earlier, many business leaders actively engage in conflict-resolution efforts and invest significantly in politics to safeguard their commercial interests.

Moreover, the most prosperous and influential companies often maintain close ties to powerful clans. Somali business tycoons leverage their connections to safeguard and enhance their ventures. This involves lobbying against regulations that could threaten their profits and advocating for protectionist policies, which frequently impede the entry of international and non-Somali enterprises into the Somali market. Additionally, these companies wield their societal influence to negotiate for tax exemptions. As the governments of Somalia and Somaliland endeavour to assert control over the private sector, businesses persistently resist potential governmental encroachments that could jeopardize their autonomy.

The transformations outlined above underscore a distinct form of digital capitalism, marked by unique characteristics specific to the Somali context. To begin with, it is noteworthy that only Somali telecommunications companies operate within the Somali HoA, a stark departure from the rest of the continent, where multinational corporations vie for customers. This peculiarity stems from two intertwined reasons. The first is that the security and legal environments in the Somali HoA are perceived as largely inaccessible to investors lacking the trust of well-established clan and business networks. Second, Somali telecommunications companies utilize kinship systems to protect their market from competitors. In this unique market, only companies affiliated with influential and powerful kinship networks can enter and compete, underscoring the pivotal role of accessible social infrastructure as a determining factor unique to the Somali context. As a result, while—in the global North—disputes involving digital firms are typically resolved through formal channels such as courts and law-enforcement agencies, most conflicts within the Somali HoA are settled through informal means, often involving community elders. Furthermore, the digital ecosystems revolving around local major technology firms have flourished within a regulatory framework influenced by traditional networks and governance mechanisms. Guyer’s conceptualization of the platform economy as being shaped by legacies, logics and logistics highlights the continuity between the way in which digital firms operate and the informal norms that have underpinned the hawala system. Such firms have displayed varying degrees of support for additional regulation, at times endorsing government legislation while undermining attempts to formalize the industry. Despite significant progress towards formalizing the mobile money, telecommunications and remittance sectors, the limited authority of the Federal Government of Somalia in many parts of south-central Somalia has resulted in disputes being resolved outside the state’s legal system, which is often viewed as sluggish and corrupt.

The state’s limited reach is also evident in the digital companies’ having assumed some responsibilities typically expected to be fulfilled by the government. These

75 Stremlau and Osman, ‘Courts, clans and companies’.
include tasks such as road construction around remittance offices, contributing *zakat* (Islamic almsgiving) to charity and providing security for technical infrastructure. These initiatives reflect a moral economy centred on principles of solidarity and trust, emphasizing the obligation to contribute to peace and reconstruction. Drawing on Janet Roitman’s\(^76\) assertion that ‘platform economies are designed to enable the production of value’, here we have illustrated through the expansion of digital money platforms and the example of Dhaweeeye/Rikaab that, in the Somali context, the production of value hinges on business models shaped by an institutional setting rooted in the significance of kinship networks. These networks play critical roles in raising capital, advancing expansion strategies, resolving competitor and worker disputes, and addressing regulation concerns.

While digital corporations in the global North leverage their digital infrastructural power by controlling data ingestion infrastructures, data and computing power, indigenous corporations in the Somali Horn of Africa (HoA) have shown limited interest in extracting value from data for commercial purposes or to train predictive models. However, there are indications that this stance may shift as governments in the region increasingly recognize the political significance of digital data. For example, in January 2024, agents from Somalia’s National Intelligence and Security Agency forcibly entered the Mogadishu offices of Hormuud and Salaam Somali Bank, demanding access to the data of subscribers and bank account holders. The raid resulted in the detention of three Hormuud staff members, with the firm accusing the government of intimidation. A few days later, the parties announced that they had resolved the controversy following negotiations.\(^77\)

**Conclusions**

The Somali digital landscape outlined in our article exists within both national and transnational spheres, shaped by historical state–business relationships and responses to various crises. We have traced the evolution of the Somali digital economy, demonstrating how business entities have played a crucial role in wielding infrastructural power since the collapse of the Somali state in 1991. In some cases, such as in Somaliland, these firms have supported the state, while in others, like Somalia, they have assumed its functions. Specifically, local giants like Telesom, Hormuud and Golis have expanded into the financial sector, offering traditional banking alongside mobile money solutions. Conversely, money transfer operators like Dahabshiil have entered the telecommunications arena. This expansion has occurred amid limited state authority and a lack of formal regulatory frameworks, exacerbated by competition between private companies to establish their digital infrastructures. As mobile phones, and later smartphones, became more accessible,


these firms diversified further, investing in emerging sectors like e-commerce and introducing innovative services such as Dhaweeye/Rikaab and Geeye, inspired by Uber but tailored to Somali contexts. We have thus argued that this unique model of digital capitalism, driving widely-used mobile money platforms and super-apps for ride-hailing, has been crafted by local digital firms adept at navigating a volatile political landscape.

By examining the emergence of the Somali digital economy, we not only shed light on the intricate relationship between business, technology and governance in the region, but also offer insights into the broader discourse on digital capitalism. We have highlighted in particular two important aspects that go beyond the Somali context: first, dynamics of capital accumulation that complicate analyses of state–business relations common in debates on varieties of capitalism; second, the lesser known dynamic on digital capitalism vis-à-vis emerging states in fragile and post-conflict contexts. The increased connectivity facilitated by smartphone adoption underscores the prominence of digital firms as extrastatecraft actors, expanding beyond finance and telecommunications to include logistics and mobility. Simultaneously, they seek and provide legitimacy from and to the state, which represents institutional stability for Somali citizens, the diaspora and international partners. As social institutions, these firms draw on resources such as clan networks and traditional norms to resolve disputes and shape expansion strategies, investment structures, and regulatory influence.

The discourse on digital capitalisms is subject to two primary limitations: first, it predominantly focuses on how platforms from the global North, such as Uber or Bolt, adapt to markets in Africa or Latin America; second, it mainly examines the economic and labour impacts of these platforms, with limited attention to their political relevance and their reciprocal influence on local political economies and modes of value extraction and capture. However, our analysis of digital ride-hailing and e-commerce platforms in the Somali territories shifts the focus to the socio-political context in which the local digital ecosystem operates. We explore how these platforms are intertwined with mobile money infrastructures and shaped by the political significance of kinship networks in navigating crises, ‘infrastructuring’ the state and contributing to state-building. Indeed, the case we analyse provides an opportunity to understand how digital platforms do not just ‘maintain and expand and create institutional voids’ to neutralize the state’s attempts to regulate the sector, but shape an alternative infrastructure space. The Somali digital firms central to our analysis have amassed infrastructural power by controlling logistics, thereby increasing their influence over the local political economy.

Furthermore, we have suggested that the unique characteristics of the local digital ecosystem manifest in the ways local platforms manage capital and labour, govern the digital environment and distribute value across society. Ride-hailing and e-commerce platforms represent an extension of the connectivity space that...
has evolved since the collapse of the Somali state in 1991. This space has been shaped by the development and convergence of the telecommunications and financial systems, facilitating capital flows and innovation insights from the global Somali diaspora, and guided by a moral economy inspired by Islamic principles of charity and communal welfare.

Finally, our findings challenge simplistic interpretations of digital capitalism and underscore the necessity of broadening the scope of analysis beyond the global North. We emphasize the importance of studying diverse contexts and acknowledging the global dissemination of business models originating from outside traditional centres of economic power.