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Beyond capacity building

Rethinking aid, institutions and the Somali state



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What this paper argues

- Somalia's institutional reconstruction has produced real results. Debt relief at the HIPC Completion Point in December 2023 reduced external debt from 64 per cent of GDP to under six per cent, and domestic revenue reform has continued since. The question is no longer whether international assistance has helped rebuild the state.

- A ministry can hold trained staff, systems and policies without exercising meaningful authority. The harder transition is from institutions that international assistance helps to operate towards institutions whose authority, financing and legitimacy are rooted in Somali society.

- Aid is not external to the political economy it works in. When foreign assistance was cut in 2025, Somali domestic revenue fell with it — through personal income tax, customs and sales tax. The aid system is inside the tax base, not beside it.

- 'Capacity' bundles together technical competence, budget, legal mandate, political authority, territorial reach and legitimacy. These are not interchangeable, and calling all of them capacity gaps obscures the binding constraint.

- Somalia does not lack institutions. It has an abundance of them, public and private, formal and customary. The useful question is not which institution is missing but who actually performs the function — who decides, who pays, who delivers, who holds the information, and who answers to citizens when it fails.

- The federal government has set itself a concrete horizon: domestic revenue covering operational spending by 2027, with the 2026 budget financing social spending from domestic resources for the first time. That is a state-building milestone, and it should reshape what partners fund and measure.

- Every externally financed programme should answer one additional question: what institutional relationship will exist after this programme that did not exist before it?

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Who this is for	Development partners, federal and state institutions, and implementing organisations designing the next phase of institutional support to Somalia.	
What it covers	Why capacity support has produced organisations without always producing authority, and what would have to change in how assistance is designed, financed and measured.	
What it is not	An evaluation of any programme or partner, and not a case against technical assistance. It argues for where technical assistance sits, not whether it should exist.	
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When does institution-building become state-building?

For more than two decades, Somalia's international partners have invested heavily in rebuilding institutions. Ministries have been established and restructured. Officials have been trained. Financial management systems have been introduced. Strategies, legislation, coordination mechanisms and accountability frameworks have multiplied. There has been genuine progress, and it is measurable.

Yet an uncomfortable question remains. A ministry can hold trained personnel, equipment, policies and procedures without exercising meaningful authority. A government can operate sophisticated financial systems while depending on externally financed programmes for basic services. A reform can satisfy a donor benchmark without substantially changing the relationship between citizens and public authority.

Somalia therefore faces a transition deeper than conventional capacity building. The central challenge of the next decade is to move from institutions that international assistance helps to operate towards institutions whose authority, financing, incentives and legitimacy are increasingly rooted within Somali society itself.

This distinction matters because aid is not external to the political economy of state-building. It changes it. The result in Somalia is not simply a weak state but a crowded governance system, in which government, international agencies, businesses, NGOs, clan institutions, religious authorities, diaspora networks and communities all perform functions elsewhere associated primarily with the state. The policy challenge is not only to strengthen government organisations. It is to reorganise the relationships between these actors so that Somali public institutions become the recognised centre of increasingly important collective decisions.

How this paper was prepared

This is an argument paper rather than a research report. It draws on Radar Consultancy's advisory and evaluation work with federal and state institutions, UN agencies and donors in Somalia, and on the published fiscal, programme and evaluation record cited in the notes. It presents no new primary research and evaluates no individual programme. Where its claims about the fiscal position are time-sensitive, the notes identify the source and date.

What has actually changed

The case for taking Somalia's institutional progress seriously is documentary rather than rhetorical. Three developments stand out.

Debt and credibility

In December 2023 the Executive Boards of the IMF and the World Bank's IDA approved Somalia's Completion Point under the enhanced HIPC Initiative, providing total debt service savings of about US\$4.5 billion. External debt fell from roughly US\$5.3 billion, some 64 per cent of GDP at end-2018, to about US\$0.6 billion, under six per cent of GDP, at end-2023.¹

A revenue programme with a date on it

Reform has continued through customs modernisation, a new Income Tax Law signed in May 2025, and a Medium-Term Revenue Roadmap under which the authorities aim to raise the revenue-to-GDP ratio by around 0.3 percentage points a year and to have domestic revenue fully cover operational government spending by 2027.²

Domestic money for social spending

The 2026 budget accommodates additional security and election spending and, for the first time, social spending financed from domestic resources, intended to mitigate the social impact of foreign aid cuts. The overall deficit for 2026 is projected at around three-quarters of one per cent of GDP.³

THE FINDING THAT SHOULD REFRAME THE DEBATE

When foreign assistance was cut in 2025, the effect landed on Somali public revenue directly. The IMF estimated the revenue loss at about US\$8 million for the year, arising mostly from lower personal income tax – following frozen salary payments to local NGOs dependent on US or UN funding – together with lower customs duties as imports compressed and lower sales tax as reduced cash transfers depressed consumption.⁴ Aid is not a parallel system sitting beside the Somali fiscal state. It is inside its tax base.

That single finding carries most of this paper's argument. If the aid system is part of the revenue base, then the design of aid is a fiscal and political question, not only a programmatic one – and an orderly transition matters more than a rapid one.

¹ IMF and World Bank, Somalia HIPC Completion Point, 13 December 2023; IMF, *Key Questions on Somalia*.

² IMF Country Report 25/191 and the Statement by the Executive Director for Somalia, December 2025; Income Tax Law signed 16 May 2025.

³ IMF, Fourth Review of the ECF Arrangement for Somalia, October and December 2025.

⁴ IMF Country Report 25/191, 2025. Figures are staff estimates and should be checked against the most recent review before publication.

Twenty years later, the question has changed

In 2005 a five-year research programme financed by DFID and carried out by the Centre for the Future State challenged a prevailing assumption: that weak governance could largely be addressed by supplying governments with missing skills, resources, policies and institutional models. Its synthesis argued instead that the critical issue in state-building lies in the balance between effectiveness and accountability, and that governance should be approached through its underlying causes rather than its symptoms.⁵

The observation that has aged best is that apparently sensible reforms fail because institutions sit inside systems of incentives and power.

Training an institution	does not necessarily create demand for what that institution is supposed to do.
Creating an accountability body	does not necessarily create political incentives for accountability.
Writing rules	does not necessarily make following those rules worthwhile.

Somalia in 2026 is an unusually important test of that proposition. But it also exposes something the 2005 framework could not fully anticipate: the international development system has itself become a major institutional actor, with its own financing, employment, information and accountability structures. The question is therefore no longer only how aid can strengthen Somali institutions.

How can aid withdraw from functions that substitute for Somali institutions, while still supporting the conditions under which those institutions become capable, accountable and legitimate?

Those are different questions, and they imply different programmes.

⁵ Institute of Development Studies, Centre for the Future State, *Signposts to More Effective States: Responding to Governance Challenges in Developing Countries*, 2005, presenting the findings of a five-year DFID-financed research programme; commonly cited to its lead author, Sue Unsworth.

Stronger institutions, persistent external dependence

Somalia today is institutionally different from Somalia a decade ago. The federal government has strengthened public financial management, revenue administration and other core systems, and debt relief marked international recognition of that progress.

Taxation is not merely a financing mechanism. It can change the political relationship between citizen and state, because when citizens and businesses finance government the questions sharpen: what am I paying, who authorised it, where is the money going, what service am I receiving, and who is accountable when that service fails. This is the state–society bargaining that the 2005 research identified as fundamental to institutional development, and the reason reliance on external rents was treated as a risk to it.

The paradox is that state capacity has strengthened while many important functions remain embedded in systems financed, managed or strongly shaped by actors outside the state. Somalia continues to depend heavily on external assistance for basic services, and recent reductions in that assistance have made the structural position more visible — not only in service delivery, but, as the fiscal record shows, in revenue itself.

Recent research on the aid architecture in Somalia makes a related argument: that the humanitarian system remains substantially aid-centred, that its incentive structures can impede a transition towards Somali state leadership, and that maintaining the existing arrangement carries risks of its own.⁶ The implication is not that the system should be dismantled quickly. It is that it cannot be left unchanged while the institutions around it recover.

The more capable the state becomes, the longer an international architecture designed around its incapacity survives.

⁶ Complete this citation before publication with the specific ODI publication, author and date the argument draws on.

The capacity-building trap

Capacity remains one of the most frequently used concepts in development programming, and one of the least precise. It bundles together things that are not interchangeable.

WHAT 'CAPACITY' CAN MEAN	WHAT IT LOOKS LIKE WHEN THIS IS THE BINDING CONSTRAINT	WHAT A TRAINING PROJECT DOES ABOUT IT
Technical competence	Staff cannot perform the task to standard	Addresses it directly
Organisational capability	Systems and procedures do not hold under load	Partly addresses it
Financial resources	A mandate exists with no budget behind it	Nothing
Legal authority	The institution has no lawful basis to act	Nothing
Political authority	Decisions are taken elsewhere, whatever the mandate says	Nothing
Territorial reach	The institution cannot operate across the area it covers	Nothing
Institutional legitimacy	Citizens do not recognise the institution as the right authority	Nothing, and may reduce it

Calling all of these capacity gaps obscures the actual constraint, and governance programming then becomes circular. An assessment identifies weak capacity. A project provides training. A later assessment finds continuing weakness. A further programme provides more capacity building. The organisation may genuinely improve while the structural reasons preventing it from exercising authority remain untouched.

The 2005 synthesis warned against reading governance primarily through institutional deficits and importing institutional forms from richer countries, and argued for understanding what works locally and why. For Somalia in 2026 this paper proposes going further: **every capacity problem should first be tested as an incentive, authority and political-economy problem**, with the technical intervention designed only after that diagnosis.

From institutional form to institutional function

Somalia does not lack institutions. It has an abundance of them. Federal institutions coexist with Federal Member State administrations, municipalities, businesses, humanitarian agencies, NGOs, customary authorities, religious networks, diaspora organisations and community structures.

The useful analytical question is therefore not which institution is missing, but who actually performs the function. Consider basic services. If an international organisation finances a service, an NGO manages it, a private company supplies it, community elders negotiate access and government formally authorises it — who is governing? All of them, but not equally.

AUTHORITY FINANCING DELIVERY INFORMATION ACCOUNTABILITY

This paper proposes that institutional assessments in Somalia move beyond organisational charts towards functional governance mapping. For every important public function, five questions establish where governance actually sits.

Authority	Who decides — in law, and in practice when the two differ?
Financing	Who pays, through what instrument, and for how long is that assured?
Delivery	Who implements, under whose supervision, and to whose standard?
Information	Who holds the data on performance, and who can see it?
Accountability	Who answers to citizens when the function fails, and by what route can they compel an answer?

Mapping these relationships usually reveals more about governance than a conventional institutional capacity assessment, and it exposes the cases where a programme has concentrated four of the five outside the state.

Aid should pass a state-building test

Programmes are understandably measured through outputs: people trained, schools supported, water points rehabilitated, policies adopted, households reached, systems installed. These indicators matter. In Somalia they are insufficient.

Every significant externally financed programme should also answer a second question.

What institutional relationship will exist after this programme that did not exist before it?

A programme delivering excellent services while permanently bypassing public institutions may meet humanitarian or developmental objectives while contributing little to state formation. The converse is also true: routing everything immediately through government does not automatically strengthen the state, and where accountability, inclusion or implementation capacity is insufficient it can produce poor services or reinforce exclusion.

The choice is therefore not between donor delivery and government delivery. The question is how responsibility changes over time.

SUBSTITUTION PARTNERSHIP TRANSFER PUBLIC ACCOUNTABILITY

External actors may initially perform functions government cannot realistically perform. But programmes should identify from the outset which functions can progressively move towards Somali institutions, which should remain plural or privately delivered, and what capabilities and accountability mechanisms are necessary before responsibility changes hands. On that reading, the exit strategy is part of the institutional design rather than a document written six months before closure.

Build from what **Somalia** already has

One of the strongest arguments in the 2005 synthesis was for examining existing arrangements rather than beginning from institutional models imported from developed states. That principle has particular force in Somalia, because three decades of fragmented authority did not produce an institutional vacuum.

Somalis developed alternative mechanisms for commerce, finance, dispute resolution, telecommunications, humanitarian response, social protection and community organisation. Some are highly effective. Some are exclusionary. Some reinforce clan inequalities or private interests. Some should be regulated rather than replicated. But they constitute the institutional landscape from which a Somali state must develop.

The question usually asked	The question often more useful
• How can government eventually replace this system? • Which institutional model should be introduced? • What is missing relative to a reference country? • How do we build a public alternative?	• How can public authority set standards around it? • How is competition regulated, and by whom? • How are citizens protected when it fails? • How is revenue raised from it, and accounted for?

Somalia does not have to choose between the state and existing Somali systems. State-building can involve progressively governing, connecting, regulating and institutionalising functions that already work. Establishing standards, regulating competition, protecting citizens, collecting revenue and ensuring accountability around a functioning private system is still state-building – and it is often faster than substitution.

Revenue may matter more than another governance project

Somalia's most consequential governance reform may ultimately be fiscal rather than administrative. The authorities are expanding domestic revenue on a stated timetable while progressively financing more of their own operations, and the direction of travel is politically more significant than the amounts involved.

MILESTONE	WHAT IT ESTABLISHES	WHY IT IS A GOVERNANCE MATTER
HIPC Completion Point, December 2023	Debt reduced from about 64 per cent of GDP at end-2018 to under six per cent at end-2023	Restores access to concessional finance, and with it a different negotiating position
Income Tax Law, signed May 2025	A legal basis for direct taxation, with regulations and taxpayer education following	Direct taxation makes the state visible to the taxpayer in a way customs does not
Medium-Term Revenue Roadmap	Revenue-to-GDP rising by around 0.3 percentage points a year; domestic revenue covering operational spending by 2027	A dated commitment against which partners and citizens can measure progress
2026 budget	Social spending financed from domestic resources for the first time	The state pays for something citizens receive, from money citizens provided

Taxation alone does not produce legitimacy, and poorly administered taxation can do the opposite. Revenue mobilisation has to be connected visibly to fairness, predictability, representation, service delivery, budget transparency and a route for contesting government decisions.

The governance objective is therefore not simply more tax. It is **more bargaining around taxation and public expenditure** — which is what creates a different relationship between Somali citizens, businesses and their government.

Local ownership is not consultation

Programmes frequently describe themselves as locally owned because stakeholders were consulted. That threshold is too low, and the two words ask entirely different questions.

Consultation asks • What do you think about our programme? • Are these the right activities? • Have we understood the context? • Will you attend the validation workshop?	Ownership asks • Who decided there should be a programme? • Who set its priorities and controls its resources? • Who can change it during implementation? • Who remains responsible after external financing ends?
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The 2005 synthesis already warned that ownership could become rhetoric unless donors confronted difficult questions about whose ownership mattered and how competing interests were negotiated. Twenty years on, that remains largely unresolved.

For Somalia, localisation therefore has to move beyond the nationality of implementing organisations. A programme implemented by a Somali NGO is not automatically locally owned, and a programme is not government-owned simply because a ministry chairs its steering committee. Ownership is a question about decision-making power, and it can be tested by asking who would have to agree before the programme could change.

The missing institution is sometimes the relationship

Development practice focuses naturally on organisations: the ministry, the municipality, parliament, the regulator, the civil society organisation. But many governance failures occur between institutions rather than inside them.

Federal and state	Where mandates overlap, revenue is disputed and implementation stalls between the two.
Ministries and municipalities	Where policy is made at one level and delivery is expected at another without financing.
Taxpayers and revenue authorities	Where collection outpaces the explanation of what is owed and why.
Regulators and businesses	Where a capable private sector operates ahead of the rules meant to govern it.
Communities and security institutions	Where protection is provided by actors citizens did not choose and cannot hold to account.
Government and humanitarian actors	Where crisis response operates on a separate financing, information and accountability track.

Training either side independently accomplishes little. The object of reform should sometimes be the relationship itself, which suggests a different generation of governance programming: programmes designed around interfaces rather than organisations.

Instead of strengthening a revenue authority, strengthen the relationship between the authority and taxpayers. Instead of strengthening municipal administration, strengthen the mechanisms through which residents negotiate priorities and monitor expenditure. Instead of strengthening the ministries responsible for humanitarian affairs, progressively reorganise the relationship between those ministries and international crisis-response systems. This is slower and politically harder than training. It is also much closer to how institutions actually become legitimate.

What development partners should do differently

The argument here is not that technical assistance should end. Somalia still requires technical expertise, infrastructure, financing and institutional development, and the 2005 synthesis itself recognised a continuing role for conventional capacity support where objectives were realistic and engagement sustained. The argument is that technical assistance should sit inside a theory of institutional change rather than substitute for one. Five changes follow.

Diagnose power before capacity	Before designing institutional support, establish incentives, informal authority, competing interests, financing and the political constraints on implementation.
Measure institutional transfer	Results frameworks should track whether Somali institutions are progressively acquiring authority, information, financing and accountability — not only whether outputs were delivered.
Treat revenue as governance	Taxation, budgeting and service delivery are the mechanisms through which the Somali social contract is negotiated, and should be programmed as such.
Design transition from the start	Every long-term externally financed service should state what sustainable Somali responsibility looks like and what conditions would permit movement towards it.
Accept institutional imperfection	Somalia's next institutions will be hybrid, negotiated and distinctly Somali. Institutional development is incremental, uncertain and politically contested; programmes should be built for that rather than against it.

A NOTE TO PARTNERS READING THIS AS CRITICISM

It is not. Every one of these changes is harder for a donor to authorise than for a consultant to recommend, and several sit outside what a country office controls. The argument is about direction of travel over a decade, and about making the transition an explicit object of design rather than something that happens to a programme when funding falls.

From helping Somalia to governing through Somalia

The question facing Somalia in 2026 is no longer whether international assistance has contributed to rebuilding the state. It has. Institutional reconstruction, fiscal reform and the return to the international financial institutions demonstrate substantial progress.

The harder question is what comes next. A development system built during extreme state weakness cannot remain unchanged as Somali institutions recover. Otherwise a paradox emerges: the more capable the state becomes, the longer an international architecture designed around its incapacity survives. That is not primarily a coordination problem. It is a political-economy problem.

Twenty years ago, research on effective states argued that governance could not simply be transferred from outside; institutions become effective when they acquire value through domestic political processes, incentives and the relationships between states and societies. Somalia now offers an opportunity to apply that insight more seriously, with a fiscal timetable that gives it a date.

The next generation of assistance should therefore ask less often what international partners can deliver for Somalia, and more often what Somali institutions, businesses and citizens must learn to negotiate, finance, deliver and hold accountable themselves – and how international assistance can make that transition more likely rather than less.

The objective is not the withdrawal of international partnership. It is to make international assistance progressively less central to the functioning of the Somali state.

A NOTE ON SCOPE

This paper argues a position. It generalises across federal and state institutions, sectors and financing instruments that differ from one another in important ways, and it evaluates no individual programme or partner. Fiscal figures are drawn from published IMF and World Bank reporting on the dates given in the notes and are subject to revision. Radar welcomes correction and disagreement from Somali institutions and from the partners described here.

ABOUT RADAR CONSULTANCY

Radar Consultancy is an advisory, research and technical services firm working across Somalia, Kenya, Sudan, South Sudan and Yemen, with a permanent office in Mogadishu and locally registered entities in Kenya and South Sudan. Our work spans research and political economy analysis, monitoring and evaluation, data governance and protection, strategy design, stabilisation and peacebuilding, and institutional capacity development.

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DISCUSS THIS PAPER

For a briefing on the argument, or its application to a specific portfolio, contact the Mogadishu office.

The views expressed in this paper are those of the author and do not necessarily reflect the position of any client or partner organisation. Fiscal and programme references were accurate at the time of writing and are subject to change. This information can be made available in alternative formats on request.