

Reaping the Whirlwind

Hormuud Entrepreneurs and the Resurgence of Al-Shabaab

Report of the Investigation into the link between
Hormuud Telecom and the Al-Shabaab Operations in
Somalia

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International Policy Group

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International Policy Group (IPG) is a nongovernmental organization dedicated to sustainable Peace and Justice. Its mission is to generate and share knowledge on peace and justice to positively influence policies and politics. IPG is primarily concerned with the governance, policy and institutional dynamics that impact on Peace and Justice, especially in poor countries worldwide.

Executive Summary



Hormuud, Somalia's leading Telecommunications company, has been recently embroiled in controversy, which has drawn media attention and scrutiny. The company came to the limelight in late August 2019 when it claimed in a series of statements that the Kenyan contingent of African peace-keepers in Somalia (AMISOM) was directly or indirectly involved in the bombing and destruction of its masts in Gedo region, Southern Somalia. On August 25, 2019, officials of the company enlisted the support of the United States Congress Representative for Minnesota, Ilhan Omar, in its campaign against African peace-keepers in Somalia's Jubaland State, which it accused of destroying its masts and undermining its business. Ilhan tweeted her support, calling upon the Federal Government of Somalia and the peacekeeping forces to protect Hormuud Telecom company which "provides vital services and contributes to the country's economic development".

Following her publicly declared support for Hormuud, Ilhan drew criticism for supporting the wrong side of Somalia (Al-Shabaab terrorists) and not focusing on the radicalization of Jihadists in her own constituency.¹ Ilhan's support steeped the company into American politics, bringing it into sharp scrutiny and criticism, which centered on a 2018 United Nations Security Council report that sanctioned as the "chief financier of the Al-Shabaab". Hormuud Telecom sunk deeper into the mire on September 5, 2019 following reports accusing it of sponsoring Al-Shabaab operatives

1 "TV-ga Fox News ee Mareykanka oo Hormuud Telecom ku sifeeyay Shirkad," *Fax News*, September 7, 2019; retrieved on September 8, 2019.

to destroy 13 base station masts in a site belonging to the Kenya telecommunications giant, Safaricom, at Jabi in Mandera along Kenya-Somalia border in what was perceived as retaliatory attacks.² The company was also adversely mentioned as having used its office in Nairobi to provide intelligence and logistical support to Al-Shabaab terrorists who attacked the Dusit D2 complex in Nairobi on January 16, 2019. *Reaping the Whirlwind: Hormuud Entrepreneurs and the Resurgence of Al-Shabaab*, a report by the International Policy Group's (IPG), examines the connection between Hormuud telecom and the Al-Shabaab economic empire in Somalia.

The report traces the radical Islamic roots of Hormuud and its officials and investors. It sheds light on a complex process of 'corporate capture' that enabled Hormuud entrepreneurs to use Al-Shabaab protection to make a fortune and monopolize the telecommunication industry. In turn, Al-Shabaab captured Hormuud as diadem in its economic empire providing huge taxes while access to its technology has guaranteed the group's power, wealth and survival. Hormuud's finances and technology has spurred Al-Shabaab's recent resurgence signified by its increasing and bold attacks across the country. But Hormuud has also suffered severe attacks from Al-Shabaab demanding taxes and control of its technology. It has also been caught between a rock and a hard place in the supremacy wars between Al-Shabaab and Islamic State rivals in Somalia. The future of Hormuud depends on decisively severing relations with Al-Shabaab and redirecting its taxes, financial support and technology to the government and Somali society. In realizing this, the report proffers the following five recommendations:

2 "Telecom Destroys 13th Kenya's Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack," *Strategic Intelligence*, September 6, 2019, Accessed September 9, 2019.

- *Step up the Protection of legitimate business from Al-Shabaab taxation and extortion.* AMISOM forces should work with the Somali National Army, Federal State governments and local communities to ensure that local businesses in urban and rural areas are not forced to pay taxes or “protection” money to Al-Shabaab. AMISOM, including Kenya Defence Forces (KDF) should fast-track the capacity building and training of the Somali National Army to gain control of security and protect business from Al-Shabaab.
- *Halt double taxation of companies by Al-Shabaab and Government.* The Federal Government of Somalia should work with AMISOM, International community, Federal States and local communities to shut down Al-Shabaab’s financial lifeline and redirect taxes to regional and federal governments to finance infrastructure and services. AMISOM forces and the United Nations should enforce the ban on the import and export of charcoal from Somalia and ensure full implementation and impose targeted measures on violators, including companies.
- *Expose companies paying Taxes to Al-Shabaab:* The International community, including the United States, United Nations, European Union and others should support capacity within Somalia to Monitor and list and sanction companies paying taxes to terrorist groups.
- *List Al-Shabaab as a terrorist organization.* The international community should list Al-Shabaab as a terrorist organization and impose the necessary sanctions and penalties on companies working with them. Individuals or entities violating the Financing of Terrorism Act should be prosecuted. They

should also monitor humanitarian organizations to ensure that assistance is not used to support Al-Shabaab activities and programs.

- *Prevent the penetration and capture of telecommunication companies in areas controlled by terrorists.* The African Union (AU), Inter-Governmental Authority on Development (IGAD) and the East African Community (EAC) should establish regional collaborative Frameworks for telecommunication giants such as Hormuud to ensure that Al-Shabaab and other terrorist groups do not capture, dominate and misuse them to finance and carry out terrorist activities.

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List of Abbreviations and Acronyms



AIFD	-	American Islamic Forum for Democracy
AMISOM	-	Africa Union Mission in Somalia
AU	-	African Union
BTS	-	Base Transmission Station
DIISCAE	-	Danish Institute for International Studies and Centre for African Economics
Hormuud	-	Hormuud Telecommunications Inc
IS	-	Islamic State
ISIS	-	Islamic State of Iraq and Syria
ISS	-	Islamic State in Somalia
KDF	-	Kenya Defense Forces
KRA	-	Kenya Revenue Authority
NISA	-	National Intelligence and Security Agency
OCCRP	-	Organized Crime and Corruption Reporting Project
ODI	-	Overseas Development Institute
PM	-	Prime Minister
SCIC	-	Somali Council of Islamic Courts
SEMG	-	Somalia and Eritrea Monitoring Group
SICU	-	Somali Islamic Courts Union
SNA	-	Somali National Army
TFG	-	Transitional Federal Government
UAE	-	United Arab Emirates
UK	-	United Kingdom
UN	-	United Nations
US	-	United States

Map of Somalia



Introduction: “They Sow the Wind”



As of August 2019, Hormuud Telecom had grown to become the largest and most influential telecommunications company in Somalia with thousands of shareholders, employees and huge assets.³ It was founded in April of 2002 by Ahmed Nur Ali Jim’ale, a key leader in the defunct Somali Islamic Courts Union (ICU) whose most radical elements eventually formed the Al-Shabaab.⁴ Since then, Hormuud entrepreneurs and managers have been badly split between those adhering to moderate business style, norms and ethos and those devoted to the goals of radical political Islam.⁵



Figure 1: Al-Shabaab Fighters display their weapons

- 3 Mohammad Tawhidi, “Ilhan Omar Calls for the Protection of a Notorious Terrorist Organization,” *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.
- 4 “Monitoring Group on Somalia and Eritrea,” UNSC Reports, 18 July, 2011, Accessed September 8, 2019.
- 5 This conclusion derives from International Policy Group’s Interviews with the company’s officials and managers, August-September 2019.

Significantly, in nearly two decades, Hormuud has evolved into an unique case of corporate capture by a private company which wields immense influence on the Government and public institutions in Somalia within the context of a fragile country controlled largely by terrorist organizations.⁶ In the wake of the entry of Kenyan military forces into southern Somalia in October 2011, Al-Shabaab has tightened its grip on Hormuud. It has used extreme force to get Hormuud to kowtow to its “guidelines”, pay taxes and allow its agents access to the company’s technology for counter-intelligence operations.

Corporate Capture in Terrorist Zones: The result is a symbiotic relation between Hormuud and Al-Shabaab. The company has disrupted telephone services during Al-Shabaab attacks against pro-Somali government forces while its technology has supported the “efficient functioning of al-Shabaab’s financial system, greatly enhancing its efficiency in managing its huge economic empire and contributing to its resurgence.”⁷ According to sources in the Somali government intelligence agency, Hormuud today is the greatest financier of Al-Shabaab, paying an estimated \$200,000 every month to the group. This, in turn, has enabled the company to penetrate and set business in areas under Al-Shabaab control, enjoying complete monopoly of mobile communication services under the protection of the militants.

While this strategy has enhanced Hormuud’s revenue generation in a terrorist enclave, it exemplifies a negative business expansion model,

6 “Somalia: Government Condemns Attack on Hormuud Telecom’s Mast,” *All Africa*, August 25, 2019; retrieved on September 8, 2019.

7 Mohammad Tawhidi, “NEW: Ilhan Omar Calls for the Protection of a Notorious TERRORIST Organization,” *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.

which has dented its reputation.⁸ Collaboration with Al-Shabaab has also exposed the company and its employees to retaliatory attacks from Al-Shabaab’s splinter groups and rival terrorist syndicates such as ISIS. Hormuud’s corporate capture and influence in Villa Somalia, its interest to expand business into Southern Somalia and Northern Kenya and its symbiotic relation with Al-Shabaab provide the larger context of its blistering campaign against African peace-keepers.

War on African Peacekeepers: In late August 2019, ahead of the elections in Jubland, rightly described as “a silent war between the Somalia Federal government⁹, Jubaland state, Qatar, UAE, Ethiopia and Kenya over who will be the next president” of Somalia’s richest state, Hormuud launched its campaign against the African peace-keepers, openly supporting the agenda of Villa Somalia¹⁰. Also setting the context for Hormuud’s campaign was the frosty diplomatic relations between Kenya and Somalia since February 2019 over a disputed common maritime border in the Indian Ocean.

In August, Hormuud Telecom alleged that contingents of the Kenya Defense Forces in AMISOM were directly or indirectly involved in bombing and destroying



Figure 2: Hormuud Building in Somalia

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- 8 “Telecom’s Economic Terrorism Along Kenyan Border Targeting Safaricom Plc,” *Suna Times*, September 06, 2019, retrieved on September 10, 2019.
- 9 The Federal Government of President Abdullahi Farmajo wanted to replace his arch-rival, the incumbent President of Jubaland, Sheikh Ahmed Madobe, with a candidate handpicked by Villa Somalia.
- 10 Hassan Mohamed, “All eyes on Jubaland State elections in Somalia—Siasa”, *the Star* (Nairobi), August 10, 2019, accessed September 22, 2019.

its masts Somalia.¹¹ Hard on the heels of this claim, the Federal Government of Somalia condemned alleged attack by the Kenya Defense Forces troops on the company in a statement on August 25, 2019. Highlighting the reach of Harmuud’s corporate strategies, its officials travelled to Washington and enlisted United States Congresswoman of Somali origins, Ilhan Omar, in its campaign against African peace keepers, who tweeted her support for the company on August 25, 2019. But the campaign backfired. Ilhan’s publicly declared support drew media attention to a private company that a 2018 UN Security Council report revealed was founded by “one of Al-Shabaab’s “chief financiers.”¹² Two of the company’s employees were prosecuted for facilitating the most deadly terrorist attack in Somalia’s history on October 14, 2017¹³ by allowing cars loaded with bombs to enter through the Sinka Dheere checkpoint, in the outskirts of Mogadishu.¹⁴

Intelligence reports have also linked Hormuud Telecom with the the Al-Shabaab attack on Dusit D2 complex in Nairobi on January 16, 2019, using its business office along Ring-Road, Kileleshwa area (about 100 meters from Dusit D2 building) to provide logistical and operational support to the attackers.¹⁵ The reports also revealed

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- 11 “Telecom’s Economic Terrorism Along Kenyan Border Targeting Safaricom Plc,” *Suna Times*, September 06, 2019; accessed September 12, 2019.
 - 12 Ilhan Omar Tweets Support for One of Al-Shabaab’s ‘Chief Financiers’, *The Minnesota Sun*, September 6, 2019
 - 13 United Nations Security Council Report, November 7, 2018.
 - 14 Mohammad Tawhidi, “NEW: Ilhan Omar Calls for the Protection of a Notorious TERRORIST Organization,” *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.
 - 15 Strategic Intelligence, “Telecom Destroys 13th Kenya’s Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,” September 2019.

that Hormuud telecom sponsored Al-Shabaab operatives¹⁶ to carry out attacks and destroyed 13 base station masts at the Safaricom telecommunications company's site at Jabir in Mandera County along Kenya-Somalia border,¹⁷ perceived as retaliation against against AMISOM forces for allegedly destroying its masts in Gedo region. The company was also accused of using Al-Shabaab militants as part of its strategy to gain complete monopoly in Somalia and to shut out Kenyan telecommunication companies 50 Kilometres into North-Eastern Kenya.¹⁸

This report traces the rise of Hormuud and its entrepreneurs in Somalia's telecommunication market within the wider context of Al-Shabaab terrorist's expanding economic empire. The report examines Hormuud's business approach based on a symbiotic relation with Al-Shabaab, which has made possible its corporate capture of successful governments in Villa Somalia and enhances its influence within Somalia and its powerful diaspora. The report documents the epic display of strategy and power by Somalia's telecommunication giant in its campaign against the African peace-keepers in Jubaland State, which backfired and exposed the company to international scrutiny. The report builds on a careful review of diverse sources and extensive interviews carried out over the August- September period the Horn of Africa regions with key players in Somalia.

16 On September 8, 2019, Hormuud is alleged to have paid Al-Shabaab operatives an estimated *US\$3 million (approximately Sh300 million)* to facilitate their operations. See, Walter Menya, "Somali telco behind mast attacks, report says," *Daily Nation*, September 8, 2019; retrieved on September 9, 2019.

17 "Telecom Destroys 13th Kenya's Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack," *Strategic Intelligence*, September 6, 2019, Accessed September 9, 2019.

18 "Hormuud Telecom Destroys 13th Kenya's Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,"

2

A Divided Legacy: Hormuud and Political Islam



Hormuud Telecom the largest and most influential telecommunications company operating inside Somalia. Founded in April of 2002 by Ahmed Nur Ali Jimale, it had more than 1,200 shareholders, 5000 permanent employees and a varying number of temporary staff across Somalia as of August 2019.¹⁹



Figure 3: Ahmed Nur Ali Jim'ale, Al-Shabaab's chief financier

But the company carries the public stigma of being “one of the single largest financiers of Al-Shabaab”.²⁰ But its moderate investors

19 Mohammad Tawhidi, “Ilhan Omar Calls for the Protection of a Notorious Terrorist Organization,” *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.

20 UN Security Council, *Security Council Committee on Somalia and Eritrea Adds One Individual to List of Individuals and Entities*, United Nations Security Council, SC/10545, 17 February 17, 2012, Accessed September 20, 2019; See Also *The Times of Israel*, 2019.

dispute this characterization, insisting that the telecommunication company is a victim of Al-Shabaab violence.²¹ The company is caught between the rock and the hard place with its top investors and managers sharply torn between strict adherence to business norms and ethos and the goals of political Islam.²² Its radical shareholders support Al-Shabaab while its moderate investors are pushing for the stabilization and reconstruction of Somalia. The company's future rests in its ability to extricate itself from the extremist heritage of its founders and steering a moderate developmental course.

Hormuud, like other mobile phone operators, has largely invested in mobile broadband installations, which are less vulnerable to the threat of vandalism than fixed cable infrastructure—a logical response to the frequent violent attacks, lack of sector regulation and an unstable political environment in Somalia. Despite this, the company is haunted by the legacy of its long association with business entities accused of underwriting international terrorism.

Al-Barakaat: Hormuud is an offshoot of Al-Barakaat, a group of companies established in 1986 and offering modern form of *hawala* (an informal value transfer system and remittance method), phone and internet services. After the September 11, 2001 terrorist attacks in United States, America listed Al-Barakat as a terrorist entity, seized its assets, and detained several of its militant investors. Several large shareholders of Al-Barakaat and Hormuud have links with Al-Shabaab.²³

21 International Crisis Group interviews, Mogadishu, September 2019.

22 This conclusion derives from International Policy Group's Interviews with the company's officials and managers, August-September 2019.

23 Jim'ale is a holder of Djibouti passport (A0181988) which expired on 23/01/2011 but was renewed later.



Figure 4: Al-Shabaab Militants in training

Ali Ahmed Nur Jim'ale (Jim'ale), Hormuud's largest investor, was a key leader in the Somali Islamic Courts Union (ICU) whose most radical elements eventually formed the Al-Shabaab.²⁴ He is widely identified as one of Al-Shabaab's largest financiers.²⁵ In 2007-2008, Jim'ale operated the Investors Group, a front company based in Djibouti, that purchased weapons and ammunitions in support of extremist activities. The group aided the smuggling of small arms from Eritrea through Djibouti into the Ogaden region of Ethiopia.²⁶

24 "Monitoring Group on Somalia and Eritrea," *UNSC Reports*, 18 July, 2011, Accessed September 8, 2019.

25 "Security Council 751 and 1907 Committee on Somalia and Eritrea Deletes Ali Ahmed Nur Jim'ale from Its Sanctions List," *United Nations Press release*, March 11, 2014; retrieved on September 9, 2019.

26 The Times of Israel, 2019.

Jim'ale was a kingpin in Al-Shabaab's charcoal-sugar trading cycle that funded its activities. In September 2010, he founded ZAAD, a mobile-to-mobile money-transfer business that struck a deal with Al-Shabaab to make money transfers more anonymous by eliminating the need to show identification. Jim'ale has a known *hawala* fund where he collects zakat to support Al-Shabaab. Since 2008, he has been on the UN list of individuals and entities subject to the travel ban, assets freeze and targeted arms embargo.²⁷ Also listed by the Somalia/Eritrea Sanctions Committee is another Al-Shabaab leader Sheikh Hassan Abdullah Hersi al-Turki (or "Al-Turki"), who has received personal communication networks from Hormuud's radical investors.²⁸

In 2012, the US and UN officially removed Al-Barakaat along with all of the 17 listed entities associated with it entirely from the terror list. And on June 30, 2016, the Office of Foreign Assets Control (OFAC) completely removed Mr. Ahmed Nur Jim'ale from its listing and this completes the cycle of delisting process of Al-Barakaat and its top investors from international sanctioning bodies, including the UN. But Al-Shabaab has tightened its grip on Hormuud.

27 "Security Council 751 and 1907 Committee on Somalia and Eritrea Deletes Ali Ahmed Nur Jim'ale from Its Sanctions List," *United Nations Press release*, March 11, 2014; retrieved on September 9, 2019.

28 UN Security Council, List of Individuals and Entities Subject to the Measures Imposed by Paragraphs 1, 3 And 7 Of Security Council Resolution 1844 (2008), Accessed September 9, 2019

3

Corporate Capture: Entrepreneurs in Terrorist Enclaves



Al-Shabaab has always approached communication technology with caution. This has, in turn shaped its relations with Hormuud and its choice of technology adaptable to areas controlled by the terrorist group.



Figure 5: Hormuud and Al-Shabaab

In 2010, Al-Shabaab outlawed mobile banking in the territories under its control. It argued that it might channel money to the Transitional

Federal Government replaced by the current internationally recognized government of Somalia.²⁹

The relations between the two deteriorated in the interlude following the entry of the Kenyan military forces into Somalia in October 2011. Al-Shabaab resorted to extreme force to get Hormuud to kowtow to its “guidelines”. This followed Al-Shabaab’s realization that most of the information provided by Hormuud, as a provider of data services to customers, was being reported back using social media.³⁰ In January 2014, Al-Shabaab forced Hormuud and Nationlink to block internet access in central and southern Somalia.³¹

On multiple many occasions, Al-Shabaab raided and interrupted mobile phone and internet access in Somali regions. In February 2014, Al-Shabaab operatives stormed into the headquarters of Hormuud in Jilib town, arrested all the mobile phone company’s workers and threatened to kill them if they did not shut down the network and stop the data services. These attacks resulted in Hormuud employees killed, infrastructure and property destroyed and massive business losses. The company complied, shutting down all the data services in the country and incurring a heavy loss of no less than \$43 million.³² The aim of these raids was to enforce the ban on mobile phone and internet access out of fear that the internet would aid authorities and other actors in tracking their movement and activities.

29 Tony Onyulo, “More phones, few banks and years of instability are transforming Somalia to a cashless society,” *Quartz Africa*, February 2016.

30 “Somalia: Al-Shabaab Shuts Down Telecom,” *All Africa*, December 8, 2014, Accessed September 8, 2019.

31 “Netizen Report: Terror Group Forces Internet Shutdowns in Somalia.” *Global Voices Advocacy*, January 29, 2014.

32 Ahmed Osman, “Somalia Powerless to Stop Al-Shabaab Mobile Internet Shutdown,” *IPS News Agency*, February 16, 2014, Accessed September 13, 2019.

There have been reported incidences when Al-Shabaab destroyed masts belonging to Hormuud or shut down the telecom’s operations in certain areas.³³ Members of the organization also used force to demand pay estimated at \$50,000 in “taxes.”³⁴ Hormuud employees have continued to face threats from Al-Shabaab splinter groups and other terrorist organizations such as ISIS.

Hormuud-Al Shabaab Business Alliance

Extreme violence forced even Hormuud’s most moderate entrepreneurs to comply with Al-Shabaab’s ‘guidelines’ in areas under its control.³⁵ This, in turn, enabled Al-Shabaab to use Hormuud services in its



Figure 6: Poaching contributes to Al-Shabaab financing

counter-intelligence operations. It has closely monitored the activities of the company especially when investigating potential spies, going through the phone records of the suspected spies to determine which calls or short messages were sent out or received. This has enabled the group to arrest and kill thousands of people it accused of “spying”. This has led to the inevitable conclusion that “Al-



33 James Kahongeh, “Al-Shabaab destroys telcom mast in Mandera,” *Daily Nation*, January 20, 2018, retrieved on September 12, 2019.

34 Gagliardone and Nanjira, “Cyber Security and Cyber Resilience,” 2015.

35 “Netizen Report: Terror Group Forces Internet Shutdowns in Somalia.” *Global Voices Advocacy*, January 29, 2014.

Shabaab has complete control over Hormuud”. As a result, moderate Somali groups have warned the public not to use Hormuud’s services because its personnel listen in on conversations on behalf of Al-Shabaab.

Hormuud has in the past been accused of disrupting telephone services during Al-Shabaab attacks against pro-Somali government forces.³⁶ Its technology has increased the efficiency of the Al-Shabaab and its recent resurgence. Its “EVC Plus mobile money service” has supported the “efficient functioning of al-Shabaab’s financial system, allowing the group to transfer a significant percentage of its funds to its financial hub in [the] Middle Juba region without the need to physically transport the entire amount in cash across hostile territory.”

The Somali telecommunications giant has continued to provide services to Al-Shabaab. On March 30, 2018, Al-Shabaab regional head of finance, Mohamed Nuur, was killed in Hiran region following a joint operation between the Somali National Army and AMISOM. The forces recovered ledgers detailing Al-Shabaab revenues and expenses in Hiran for the period between October 2014-March 2018. The accounting system showed that the group used the EVC Plus mobile

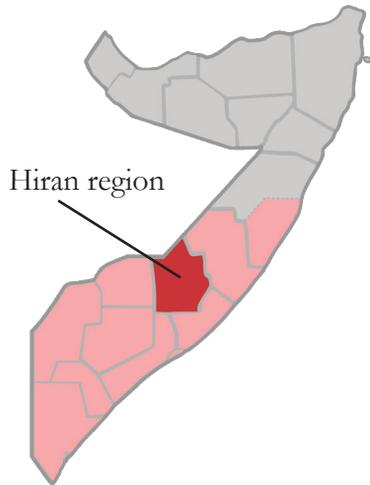


Figure 7: Hiran Region, Somalia

36 Mohammad Tawhidi, “Ilhan Omar Calls for the Protection of a Notorious Terrorist Organization,” *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.

money platform provided by Hormuud Telecom to facilitate transfer of finances using cash both US dollars and the Somali shillings.³⁷

Despite protests by its moderate investors, evidence point to Hormuud as one of the main financiers of Al-Shabaab. As one mid-level manager aptly noted, a monthly tax from Hormuud and its subsidiaries is enough to cover the salary costs of Mogadishu security forces as well as reconstruction of roads.³⁸ “Hormuud pays an estimated \$200,000 every month to the Al-Shabaab”, said a former head of *Amniyat* and now a top official of Somali government intelligence agency tracking Al-Shabaab movements.

Paying taxes and supporting Al-Shabaab activities has enabled Hormuud Telecom to penetrate and set business in areas under the group’s control. In certain regions, Hormuud has enjoyed monopoly of mobile communication services under the protection of the militant group. The expansion of their services may have contributed in revenue generating in what has been considered a negative business expansion approach.³⁹

But this love affair with Al-Shabaab has its downside. It has dented Hormuud’s reputation. The company operates under the guidelines provided by the Al-Shabaab, which limits its operational reach. The company runs the risk of being listed as a financier of terrorism. Further, the company risks retaliatory attacks from security forces, Al-Shabaab rival groups such as ISIS, and from other rival

37 “Letter dated 7 November 2018 from the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council,” *UNSC*, November 7, 2018; retrieved September 9, 2019.

38 International Policy Group interviews, Mogadishu August-September 2019.

39 “Telecom’s Economic Terrorism Along Kenyan Border Targeting Safaricom Plc,” *Suna Times*, September 06, 2019, retrieved on September 10, 2019.

telecommunications companies competing for business space.⁴⁰ Hormuud staff continue to lose their lives in the hands of the Al-Shabaab operatives following differences over taxes.⁴¹

40 “KDF Killed Telecom Workers and Destroyed Communication in Gedo Region, Somalia,” *Radio Banadir*, July 28, 2019, retrieved on September 11, 2019.

41 Netizen Report: Terror Group Forces Internet Shutdowns in Somalia, *Global Voices Advocacy*, January 29, 2014.

4

Oiling Al-Shabaab's Economic Empire



Al-Shabaab is more than just a terrorist group. In 2011, its annual revenue was in the region of \$70–100 million per year.⁴² In 2018, the President of the Somali Chamber of Commerce and Industry (SCCI) confirmed that Al-Shabaab collected an estimated \$20 million dollars from South Somalia alone.

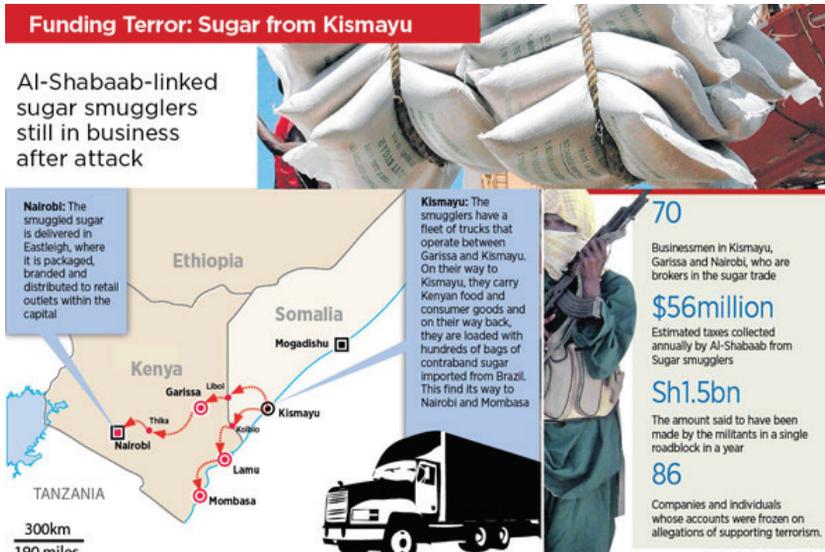


Figure 8: Funding Terror: Sugar from Kismayu

42 Tom Keatinge, “The Role of Finance in Defeating Al-Shabaab”, Royal United Services Institute (RUSI), *Whitehall Report* 2-14, December 2014, p.1.

In 2019, it is projected that the group’s income will increase to about \$73 million dollars.⁴³ This is as a result of two factors. The group has tightened its dreaded and brutal taxation regime in the capital (Mogadishu) and other regions under its control in Somalia. The coming to power of President Abdullahi Mohamed (Farmajo) in February 2018 has also seen Al-Shabaab expand its overall revenue to an all-time high. As of mid-2019, its revenue was estimated to stand at over \$300 million dollars per year!⁴⁴

A resurgent Al-Shabaab requires a constant flow of finances to fund its operations. The group has established and oiled an intricate and elaborate revenue collection system that manifestly dwarfs that of the Federal Government



Figure 9: President Abdullahi Mohamed Farmajo

of Somalia in its reach, effectiveness and ruthlessness. The militant group needs millions of dollars every year to fund its programmes of radicalizing, recruiting and training fighters as well as paying and feeding them. It needs to fund its ambitious intelligence wing, *Amnyat*, in its gathering of intelligence from institutions of the Federal Government, Federal States, AMISOM, Somalia’s neighbors, foreign governments and international agencies. It also need to procure state of the art weapons, ammunition, explosives, vehicles and other warfare materials. Finally, it has to pay for its elaborate publicity and propaganda network and platforms.

43 “In Somalia, Businesses Face ‘Taxation’ by Militants,” *VOA*, December 3, 2018, accessed September 9, 2019.

44 International Policy Group interview with Somali Government officials, August 2019.

The group draws its finances from diverse revenue streams, including taxes, contrabands and involvement in nine revenue streams. These include illegal trade in Charcoal;⁴⁵ smuggled sugar;⁴⁶ illegal trade in arms;⁴⁷ diverting and taxing humanitarian assistance by international agencies; and other minor sources of funds including piracy⁴⁸; smuggled ivory;⁴⁹ ransoms from kidnappings, donations mostly from the diaspora community, and self-financing from members especially among their leadership (*dava*).⁵⁰ Despite ban by the UN Security Council

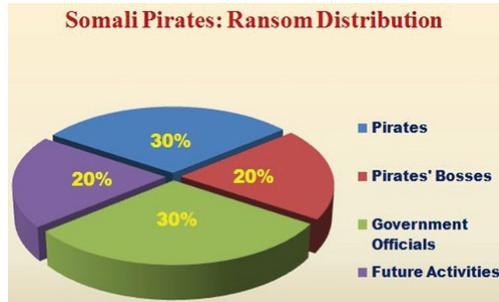


Figure 10: Somali Pirates: Ransom Distribution

and the presence of AMISOM forces, charcoal remains an important source of Al-Shabaab revenue. However, the Actual records on the amount of revenue the Al-Shabaab earns from illegal charcoal trade is not available but going with the estimate, the militant group collects significant amounts to sustain their insurgency operations in Southern Somalia.

45 Aggrey Mutambo, “Charcoal claims hurt bid to list Shabaab as terror group,” *Business Daily*, August 29, 2019, retrieved September 14, 2019.

46 “Somalia connection in sugar smuggling syndicate revealed,” *Daily Nation*, July 1, 2018, retrieved on September 14, 2019.

47 Kenya’s Akasha brothers confessed in a US court that they bought guns and grenades from Somalia and had close links with Al-Shabaab Kamau Muthoni, “Akasha family traded guns with Al-Shabaab,” *The Standard*, July 27, 2019, retrieved on September 13, 2019; see also “A report from the UN Somalia and Eritrea Monitoring Group,” *United Nations*, December 18, 2018, accessed on September 13, 2019.

48 Alex Ward, “Pirates and terrorists are working together now in Somalia,” *Vox*, July 13, 2017; retrieved September 8, 2019.

49 “Wildlife and drug trafficking, terrorism, and human security,” *Brookings Institute*, November 8, 2018, retrieved September 14, 2019.

50 “Al-Shabaab Financial Assessment,” *Center on Sanctions & Illicit Finance: Terror Finance Briefing Book*, June 2017, accessed September 14, 2019.

Hormuud tops Al-Shabaab Revenue from Companies

But Al-Shabaab derives the bulk of its funding for its operations from taxing business people and most lucrative companies in Mogadishu and control of most businesses in rural Somalia.⁵¹ Over the years, the terrorist group has established a well-structured and oiled taxation infrastructure supported by courts, road tolls, and loyal revenue payers. At the edge of the knife, the group's operatives demands that all business people and companies pay tax to its agents.⁵²

Hormuud Telecom company is on the list of companies remitting huge taxes to Al-Shabaab, although some of its directors deny this. Other heavy contributors to Al-Shabaab's tax kitty include Somtel, Golis Telecom Puntland, Telesom Somaliland, Dahabshiil Money transfer, Salaam Somali Bank, Taaj Express, Iftin Express, Al-Buruuj Construction, Becco Power, and general business companies that use the Port of Mogadishu.⁵³ According to the staff members of Hormuud Telecom, Taaj Express, Salaam Bank iyo Dahabshiil Money Transfer, 41% of their colleagues collaborate directly or indirectly and pay taxes to Al-Shabaab.⁵⁴ The militant group also receive *Zakat* payment, an Islamic tax payment on assets.

Besides topping the list of Al-Shabaab financiers through huge taxes, Hormuud's technology services have enabled Al-Shabaab to effectively run a splendid and lucrative economic empire that including support from the Somali diaspora, locals, sponsors, and sustained *dawa* (proselytizing) and linking Somalia to its neighbors

51 Omar Faruk, and Max Bearak, "If I don't pay, they kill me': Al-Shabab tightens grip on Somalia with growing tax racket," *Washington Post*, August 30, 2019; retrieved on September 9, 2019.

52 "If I don't pay, they kill me': Al-Shabab tightens grip on Somalia with growing tax racket," *Washington Post*.

53 "Somalia: List of companies that pay Al-Shabaab most," *Waagacusub News*, September 3, 2019, accessed September 7, 2019.

54 International Policy Group's interviews in Somalia, August 13-22, 2019.

and the world. In Mogadishu and much of rural Somalia, through Hormuud technology the group has operated a well-structured taxation system supported by its own infrastructure such as courts, road tolls, and loyal revenue payers.

See more information in the *Financial Details* section

Al-Shabaab: Main Sources of Funding



CHARCOAL

- The UN import ban on Somali charcoal has been ineffective.
- Al-Shabaab made an estimated \$83 million per year from 2012-14 on taxing and trading charcoal, its largest funding source at the time.



SUGAR

- Sugar is smuggled to Kenya through al-Shabaab-controlled territory because of high Kenyan tariffs.
- Al-Shabaab charges a \$1,000 “tax” per sugar truck, which generated over \$12 million in 2015.



TAXATION AND EXTORTION

- Sales transactions are taxed at 10 percent and salaries at 5 percent.
- Al-Shabaab extorts humanitarian groups, requiring “registration payments” and taxes to operate.



ROAD TOLLS AND PORT FEES

- Taxes on port commerce have constituted a major portion of the group’s revenue.
- Al-Shabaab operates a comprehensive collection system, and often provides cheaper routes for truckers and smugglers to transport their wares.



DONATIONS

- Some remittance money sent from abroad, including from the U.S., goes to al-Shabaab.
- Al-Shabaab supporters in the Somali diaspora have used fraudulent charities to send the group money.



EXTERNAL ASSISTANCE

- Eritrea provided direct financial assistance from 2006 into 2011.
- Multiple MENA states, including Saudi Arabia and Iran, and groups such as Hezbollah, provided arms to the ICU in 2006.



KIDNAPPING FOR RANSOM

- The group in 2013 received \$5.1 million for kidnapping a pair of Spanish nationals.
- Al-Shabaab kidnaps local citizens for much lower ransoms.



DRUGS

- Al-Shabaab levies taxes on khat, a common intoxicant in the region.
- At least two ships interdicted with heroin off the Somali coast have allegedly included smugglers connected to al-Shabaab.



OTHER

- Al-Shabaab has potentially trafficked exotic wildlife and ivory in small quantities.

Figure 11: Al-Shabaab Main Sources of Funding

Tapping into Humanitarian Assistance

Al-Shabaab is also in bed with the “Good Samaritan” as a lucrative revenue stream. Western humanitarian aid agencies have similarly been reported to work closely with the Al-Shabaab group. There has been attempts to justify this position as a necessity since that is the only way that the agencies are permitted to provide humanitarian aid to communities in areas controlled by the Al-Shabaab.⁵⁵ It is also a strategic way of gathering intelligence inside Somalia vital in the fight against terrorism.

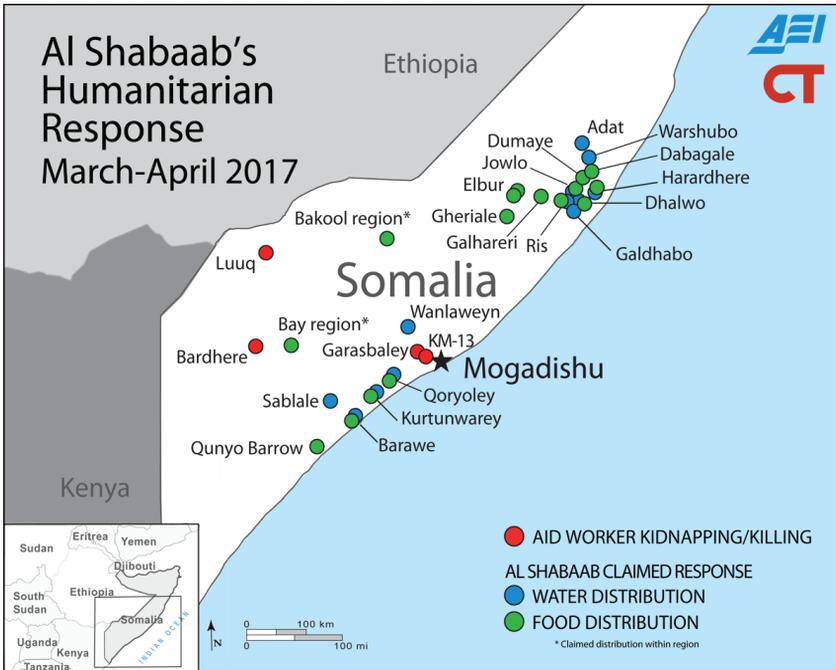


Figure 12: Al-Shabaab's Humanitarian Response

In a paper published by the Overseas Development Institute in 2013 titled, “Talking to the other side: Humanitarian negotiations with Al-Shabaab

55 “Sleeping with the Enemy,” *The Elephant*.

in Somalia,” revealed the operations between Al-Shabaab and aid agencies. Some humanitarian organizations were reported to make a registration and security fees of up to \$20,000, every six months to Al-Shabaab.⁵⁶ As a result of the legal and other imperatives of running humanitarian operations in Al-Shabaab controlled areas, America has dithered from listing Al-Shabaab as a terrorist organization. Indeed, humanitarian actors are largely behind the call for negotiations with Al-Shabaab.

A Weak Government Starved of Taxes

Al-Shabaab tax revenues and sources are not a concealed secret. Revenue paying companies receive compliant records that include monthly print out of *hawala* and bank statements from the Al-Shabaab.



Figure 13: Somali Soldiers/Government Officials

Both the Federal Government and the public are cognizant of Al-Shabaab’s revenue generation activities. Al-Shabaab runs an efficient and relatively straightforward tax collection system. Transfers are

56 Jackson, Ashley, and Abdi Aynte. “Talking to the other side: Humanitarian negotiations with Al-Shabaab in Somalia.” *Overseas Development Institute, London* (2013).

done through mobile money transfers. They are also passed through the ‘*hawala*’ system which is popular in Somalia and Middle Eastern countries. Some traders walk into Al-Shabaab established centers and pay their taxes. But Al-Shabaab projects are flexible and just system, allowing traders to negotiate on the amount of tax they are required to pay annually based on the size of their businesses.⁵⁷

It is not clear to what extent the Federal Government of Somalia and the Federal States contribute to Al-Shabaab’s wealth. In August 2019, Finance Minister, Abdirahman Duale Beyle (Beileh) acknowledged that the Al-Shabaab collects taxes, admitting that the Federal Government has no capacity to stop or prevent the terrorist group from collecting taxes. “*The government is largely powerless to prevent business owners from paying Al-Shabaab,*” he said.⁵⁸ In today’s Somalia business people and companies face a triple jeopardy: besides being victims of a failed government, they have to comply to being taxed twice by both the Government and the Al-Shabaab. On August 30, 2019, following increasing Al-Shabaab control of areas in Mogadishu, traders expressed fear and security threats especially to those not complying with Al-Shabaab tax demands.⁵⁹

The fight against the Al-Shabaab can, therefore, never be won unless the link between business and humanitarian assistance on the one hand and the militant groups on the other, is severed and its elaborate taxation system thwarted to secure the environment for legitimate business and investment in Somalia.

57 Omar Faruk, and Max Bearak, “If I don’t pay, they kill me’: Al-Shabab tightens grip on Somalia with growing tax racket,” *Washington Post*, August 30, 2019; retrieved on September 9, 2019.

58 “If I don’t pay, they kill me’: Al-Shabab tightens grip on Somalia with growing tax racket,” *Washington Post*.

59 Omar Faruk, and Max Bearak, “If I don’t pay, they kill me’: Al-Shabab tightens grip on Somalia with growing tax racket,” *Washington Post*, August 30, 2019; retrieved on September 9, 2019.

5

Hormuud's Assault on African Peacekeepers



Figure 14: African Peace Keepers

Hormuud launched a scorching public campaign against the Kenyan military forces in AMISOM in late August 2019. It became demonstrably clear from this assault on African peace-keepers that the company was part of a triple alliance with Al-Shabaab and the Federal Government in Villa Somalia. In its wake, the campaign would expose the company's corporate strategies to capture and manipulate the Somali government, public institutions, diaspora, Al-Shabaab and other dark forces in the Somali underworld to pursue its interests—which worked against the public interest of the Somali people.

Hormuud and Al-Shabaab's Strategy of Destroying Mobile Communication Masts

In late August, Hormuud issued a series of statement in social and mainstream media alleging that unspecified units of the Kenya Defense Forces in the AMISOM contingent were directly or indirectly involved in bombing and destroying its masts in Gedo region of Jubaland State.⁶⁰ In making this allegation, Hormuud latched on a well-heeled tactic widely used by the Al-Shabaab in its warfare against the African forces after 2012. The strategy involved destroying telecommunication masts with the aim of paralyzing exchange of information among security officers, intelligence personnel, and residents.

Further, a lack of communication would hinder all kinds of response in the event of a terrorist attack. From early 2018, Al-Shabaab increased attacks targeted on mobile



Figure 15: Safaricom mast in Wajir County, Kenya

communication masts in northern Kenya. On January 20, 2018: Al-Shabaab militants destroyed a Telecom communication mast located in Elwak, Mandera County, on Saturday at 2am, disrupting communication in the area.⁶¹ On July 10, 2018, it attacked and destroyed a strategic ‘mediated cross-border communication –base

60 Telecom Destroys 13th Kenya’s Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack

61 Daily nation, “Al-Shabaab destroys telcom mast in Mandera,” 2018.

transmission station (BTS) mast owned and operated by Safaricom, in Hamey, Garissa County of Kenya. The terrorists also attempted to attack the area administration police camp, but were repulsed by border security and patrol forces⁶².

Sources indicated that Hormuud has used Al-Shabaab militants to destroy most of rival companies as part of its strategy to gain complete



Destroyed Communication Mast in Ehwak Town, Mandera

monopoly in Somalia. Since 2018, it has extended this strategy to AMISOM controlled areas in Jubaland State. Even more ambitious, it has moved to shut out Kenyan telecommunication companies 50-100 Kilometres into Counties occupied by ethnic Somali population in Northern Kenya.⁶³

Hormuud's Communication Warfare

In late August 2019, Hormuud Telecom, issued a series of statements claiming that unspecified units of AMISOM's Kenya Defense Forces contingent were directly or indirectly involved in bombing and destruction of its masts in Gedo region⁶⁴. It is instructive that hard on the heels of this claim, on 25 August 2019, the Federal Government

62 Hormuud Telecom's Economic Terrorism Along Kenyan Border Targeting Safaricom Plc, Strategic intelligence, July 11, 2018, Accessed September 9, 2019

63 "Hormuud Telecom Destroys 13th Kenya's Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,"

64 Hormuud Telecom Destroys 13th Kenya's Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack

of Somalia condemns attack on Hormuud Telecommunication company in the Gedo region, which it blamed on the Kenya Defense Forces troops.⁶⁵ This was quickly followed by what was perceived



Figure 17: Communication Mast, Kenya

as Hormuud’s retaliatory attacks on telecommunication masts in Kenya. On September 5, 2019, Al-Shabaab operatives sponsored by Hormuud Telecom attacked and destroyed 13 base-station masts on the Safaricom site at Jabir in Mandera County along Kenya-Somalia border.⁶⁶

According to intelligence reports, two dozen of heavily armed Al-Shabaab fighters were involved in the attack. On September 8, 2019, Hormuud reportedly paid Al-Shabaab an estimated \$3 million to facilitate the militants’ operations in Northern Kenya.⁶⁷ Locals (who share Somali language with Al-Shabaab) said the militants were boasting that they had the ability to destroy the Safaricom masts to give business leverage to Hormuud in return for good money (\$10,000-\$50,000)⁶⁸. At the behest of Hormuud, Al-Shabaab has

65 “Somalia: Government Condemns Attack on Hormuud Telecom’s Mast,” All Africa, August 25, 2019; retrieved on September 8, 2019.

66 “Telecom Destroys 13th Kenya’s Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,” *Strategic Intelligence*, September 6, 2019, Accessed September 9, 2019.

67 Walter Menya, “Somali telco behind mast attacks, report says,” *Daily Nation*, September 8, 2019; retrieved on September 9, 2019.

68 “Hormuud Telecom Destroys 13th Kenya’s Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,”

continued to target Safaricom Base Transmission Stations along the border.⁶⁹ Hormuud was abetting crime and openly funding terrorism in its approach to expanding business dominance in sections of Juba regions in Somalia and Northern Kenya.

Even more worrying, Hormuud Telecom has been adversely mentioned in connection with the Al-Shabaab attack on the Dusit D2 Complex in Nairobi, on January 16, 2019 where 21 people died and several others injured. According to intelligence reports, Hormuud used the offices from where it managed and controlled business—a white-walled and brick-red roofed stand-alone mansion along Ring-Road, Kileleshwa in leafy business suburb of Riverside, just about 100 meters from Dusit D2 Hotel—to provide logistical and operational support to Al-Shabaab terrorists who attacked the up-market facility.⁷⁰ Similar evidence has emerged of Hormuud’s involvement in terrorist attacks inside Somalia as part of its business approach to gain monopoly over its business rivals. business.

69 “Telecom’s Economic Terrorism Along Kenyan Border Targeting Safaricom Plc,” *Suna Times*, September 06, 2019; accessed September 12, 2019.

70 Strategic Intelligence, “Telecom Destroys 13th Kenya’s Safaricom BTS Mast Site, was Involved in Dusit D2 Terrorist Attack,” September 2019.

6

Enter Ilhan Omar and the Tragic Tweet



On August 25, 2019, Hormuud officials met the United States Representative for Minnesota’s 5th Congressional District, Ilhan Omar, in Washington. They requested the first-ever Somali in US Congress to weigh in on the company’s their campaign against attacks by African peace-keepers. This was an attempt to rope in the Somali diaspora and internationalize Hormuud’s campaign for control over Jubaland.⁷¹



Figure 18: Ilhan Omar

Ilhad agreed. On August 25, 2019, she tweeted her support for Hormuud. “Somali government and peacekeeping forces need to

71 IPG interviews in Mogadishu, August 2019.

protect Hormuud and the Somali telecom industry”, she tweeted, adding that “they were enormous contribution to the economy and provide vital services”.⁷² “I believe pathways to progress must be harnessed and protected, specially in the face of continued terror attacks and instability. Companies creating jobs and access to financial markets are a partner in obtaining and retaining lasting peace,” she wrote.

Hormuud’s Ilhan campaign backfired. Her statement drew negative media publicity and criticisms even within the Muslim community.⁷³ Things got ugly. One commentator charged that Ilhan had become an “online apologist for terrorists”.⁷⁴ On September 7, 2019, in a news commentary, a representative of the American Islamic Forum for Democracy condemned her for supporting “the wrong side of Somalia”—the Al-Shabaab terrorists. He accused Ilhan of failure to focus on her constituency (Minnesota), which had recorded large incidences of radicalization of Jihadists.⁷⁵

Her tweet put a sharp spotlight on Al-Shabaab-Hormuud link, and the company’s role in perpetrating terrorism. On August 29, 2019, Omar was reminded in the media



72 Ilhan Omar Tweets Support for One of Al-Shabaab’s ‘Chief Financiers’, *The Minnesota Sun*, September 6, 2019, retrieved September 10, 2019.

73 “Judicial Watch Rep Omar Declares Support for Terrorist Financier’s Company in Her Native Somalia,” *The Iowa Standard*, September 4, 2019; retrieved on September 8, 2019.

74 “Ilhan Omar Defends Notorious Somali Terror Group on Twitter -HORMUUD TELECOM”, *Suna Times*, September 06, 2019, accessed September 20, 2019.

75 “TV-ga Fox News ee Mareykanka oo Telecom ku sifeeyay Shirkad,” Fox News, September 7, 2019; retrieved on September 8, 2019.

that her publicly declared support for Hormuud came barely a year after a 2018 UN Security Council report revealed that two Hormuud Telecommunications employees were connected to the October 14, 2017 terror attack.⁷⁶ The two were prosecuted for facilitating in the most deadly terrorist attack by allowing entry of cars loaded with bombs through the Sinka Dheere checkpoint, in the outskirts of Mogadishu.⁷⁷

The Ilhad-Israeli-Trump Controversy

Ilhan's tweet dragged in Hormuud into a mucky political and diplomatic row involving the Congresswoman, Israeli authorities and US President Donald Trump. Writing for *The Times of Israel*, Mohammad Tawhidi, a Muslim Imam, went into great depths to expose Hormuud's connections to Al-Shabaab. "Mrs. Omar has publicly called



Figure 19: Mohammad Tawhidi

for the protection of Hormuud", he wrote. "Yet Hor1qqmuud Telecom has been mentioned as a sponsor of terrorism, not once, not twice, but many, many times", he added⁷⁸.

76 United Nations Security Council Report, November 7, 2018.

77 Mohammad Tawhidi, "NEW: Ilhan Omar Calls for the Protection of a Notorious TERRORIST Organization," *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.

78 On August 15, 2019, Israel decided to block Ilhan Omar and her Democrat female Palestinian-American colleague Rashida Tlaib from entering the country. Ilhan had also been embroiled in a protracted political tussle with US President Donald Trump, who warned Tel Aviv against allowing the two Muslim members of his country's Congress to visit. "It would show great weakness if Israel allowed Rep Omar and Rep Tlaib to visit," Trump said in a tweet on August 14, 2019. "They hate Israel and all Jewish people, and there is nothing that can be said or done to change their minds," he added. Mohammad Tawhidi, "NEW: Ilhan Omar Calls for the Protection of a Notorious TERRORIST Organization," *The Times of Israel*, August 29, 2019; retrieved on September 9, 2019.

7

“Reap the Whirlwind”: Resurgent Al-Shabaab



Hormuud’s campaign against African peace-keepers fighting Al-Shabaab refocused world attention on the company’s own involvement in acts of terrorism. It also focused attention on the role of its financial contribution in aiding the resurgence of Al-Shabaab. Hormuud’s assault on African peace-keepers coincided with the escalation of attacks by an increasingly bold and stronger Al-Shabaab since early 2019. It is, therefore, curious that Hormuud was quick to blame Kenya for the destruction of its masts.



Figure 20: Al-Shabaab’s Deadliest Attack that killed nearly 600 people in Mogadishu

According to the Armed Conflict Location and Event Data Project, Al-Shabaab had carried out more than 850 attacks ranging from kidnappings to massive bombings across Somalia by August 2019, killing over 1,600 people and injuring many others.⁷⁹ In July 25, 2019, over 10 senior government officers including district commissioners and regional officials are killed, and dozens injured in Mogadishu in a suicide bombing in the city. The mayor of Somalia’s capital Mogadishu Abdirahman Omar Osman sustains serious injuries from the terrorist attack. He later died on August 1, 2019 in Qatar while receiving treatment since the attack.⁸⁰

On July 22, 2019, Al-Shabaab group claimed responsibility a car bombing attack in Mogadishu that killed 17 people and injured 28 others near the Afrik Hotel.⁸¹ On July



Figure 21: Dusit Terrorist Attack in Nairobi, January 2019

12, 2019, another Al-Shabaab attack the Asasey hotel in Kismayo⁸², killing 26 people and left 56 others injured. In June 15, 2019, 8

79 “Regional overview, Africa-Analysis by Country, Somalia,” *ACLED Data*, August 2019; retrieved September 10, 2019

80 Omar Nor, “Mogadishu mayor dies of wounds following Al-Shabaab attack,” *CNN*, August 1, 2019; retrieved on September 8, 2019.

81 “Somalia: More than a dozen killed in Mogadishu car bomb explosion,” *The Defense Post*, July 22, 2019; retrieved on September 7, 2019.

82 Jason Burke, “Somali forces brace for new attacks after hotel assault leaves dozens dead,” *The Guardian*, July 13, 2019; retrieved on September 8, 2019.

people are killed and 16 others injured following twin car bombings near parliament and presidential palace in Mogadishu, respectively.⁸³ In the month of March alone, Al-Shabaab launched 77 attacks across the country.⁸⁴ On February 28, 2019, 29 people were killed and 80 sustained serious injuries when the group attacked the popular Maka Al-Mukarama hotel in Mogadishu.⁸⁵ On February 4, 2019, 11 people died and 10 injured in a car bomb attack in the capital Mogadishu targeting civilians.⁸⁶ Targeted for attacks are individuals and businesses who resisted paying Al-Shabaab taxes.⁸⁷

Hormuud and Resurgent Al-Shabaab

Paradoxically, the gradual revival of the Somali economy and increased funding has spurring Al-Shabaab's recent resurgence. Hormuud was adversely mentioned in a 2018 UN Security Council report as the financier of Al-Shabaab's deadliest terror attack against civilians in Somalia's history. On October 14, 2017, the group detonated the largest vehicle-borne explosive device it has ever constructed (estimated at more than 1.2 tonnes TNT equivalence), killing as many as 582 people at Zoobe junction in Mogadishu.⁸⁸ Even more

83 "Somalia: Several killed in al-Shabab attacks in Mogadishu," *Aljazeera news*, June 15, 2019; retrieved on September 8, 2019.

84 "Somalia: Many killed in al-Shabab attack in Mogadishu," *Aljazeera news*, March 1, 2019; retrieved on September 7, 2019.

85 "Siege ends after deadly Al Shabaab attack in central Mogadishu," *FRANCE 24*, March 1, 2019; retrieved on September 8, 2019.

86 "Car bomb attack in Somalia's Mogadishu kills at least 11 people," *Aljazeera news*, February 4, 2019; retrieved on September 7, 2019.

87 Omar Faruk, and Max Bearak, "If I don't pay, they kill me': Al-Shabab tightens grip on Somalia with growing tax racket," *Washington Post*, August 30, 2019; retrieved on September 9, 2019.

88 Letter dated 7 November 2018 from the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council, UNSC, November 9 2018.

incriminating, the UN report stated that: “Two employees of the principal Somali telecommunications provider, **Hormuud Telecom Somalia Inc.**, were also prosecuted in connection with the attack, for facilitating the entry of the large vehicle-borne improvised explosive device through the Sinka Dheere checkpoint on the outskirts of Mogadishu.”⁸⁹ In view of this, the mobile company has to take bold steps and publicly denounce every association with Al-Shabaab.

Attack on International Community



Figure 22: The Baledogle Base used to Train US Commandos

In September 30, 2019, Al-Shabaab staged a daring attack on the a military base at Baledogle airport in the southern Lower Shabelle region where US soldiers train commandos in Somalia. The Islamic militant group used a car bomb to blast through the gates before sending its fighters inside the base, about 100km (60 miles) west of the capital Mogadishu, which reportedly houses US special forces,

⁸⁹ Mohammad Tawhidi,

Somali special forces and Ugandan peace-keepers. It is used as a launch site for US drones as well as being a training centre.

On October 13, 2019 Al-Shabaab militants fired six mortars in another daring attack on the heavily-guarded Halane area of the airport that houses the African Union and United Nations Mission in Somalia. The mortars landed inside the U.N. and AMISOM facilities , wounding seven people. Al-Shabab attacked the same facility with mortars earlier this year injuring two United Nations staff members and a contractor. The attack comes a day before the second anniversary of the truck bomb in Mogadishu, the deadliest terrorist attack in Somalia and in Africa, on October 14, 2017 that killed 587 people and injured hundreds of others.

8

Hormuud and the Al-Shabaab - Isis Rivalry



The entry of the Islamic State of Iraq and Syria (ISIS) and new splinter groups have challenged Al-Shabaab's dominance in Somalia. In 2015, a few hundred fighters abandoned Al-Shabaab and pledged allegiance to ISIS whose fighters are mainly based in the mountainous area of Galgala in north-eastern Somalia. Hormuud and other Somali companies paying taxes to Al-Shabaab find themselves caught between a rock and a hard place.



Figure 23: Hormuud Caught between Al-Shabaab-ISIS Rivalry in Somalia

The rivalry between the two main militants' groups in Somalia has been escalating. Al Shabaab supremacy and longevity came into question in October 2015 when Abdiqadir Mumin, a former Al-Shabaab ideologue who was part of a Puntland-based faction of the

group, defected to ISIS. An intra-jihadi battle has arisen in Somalia. The Islamic State in Somalia (ISS) or Abnaa ul-Calipha has been courting and converting Al-Shabaab foot soldiers and members.⁹⁰ On December 16, 2018, ISIS claimed that it had killed 14 Al-Shabaab fighters in a clash in northeastern Somalia. According to Amaq, an ISIS news agency, the fighting took place at Bi'ir Mirale village in the Puntland region.⁹¹

On 21st December 2018, Somalia's Al-Shabaab militants announced a military offensive against Islamic State-affiliated forces in Somalia. According to Al-Shabaab spokesman Sheikh Ali Mohamud, "*a so-called Islamic State has emerged in our land and started to attempt to divide our Mujahidin [jihadist fighters], weaken our strength and carry out assassinations against our own. We have been ignoring their wicked behaviors for some time to give them a chance to change, but they have continued their wrongheadedness.*"⁹²

On August 7, 2018, ISIS militants killed telecommunications official Abdullahi Ali Omar in Bosaso for not paying up and also claimed responsibility for recent shootings of at least eight employees of Hormuud company.⁹³ By mid-2018, the Somali National Intelligence and Security Agency (NISA) estimated that ISS had around 200 members throughout the country, almost all within Puntland. By May 2018, ISIS propaganda outlets claimed responsibility for the targeted killings of eleven Somali government officials and security

90 Yosef Shmuel, ISIS in Somalia Expanding its Presence Despite Al-Shabaab Waging Attacks against its Fighters, *Intelligence Briefs*, April 3, 2019 Accessed September 9, 2019.

91 "Isis Claims Killing 14 Al-Shabab Fighters in Somalia," *7dnews*, December 17, 2018, retrieved on September 8, 2019.

92 "Somalia's Al-Shabab Declares War on Pro-Islamic State Group," *Voice of America*, December 21, 2018, Accessed September 9, 2019.

93 "In Somalia, Businesses Face 'Taxation' by Militants," *VOA*, December 3, 2018, Accessed September 9, 2019.

personnel in Mogadishu.⁹⁴ In late April 2018, the arrest of an ISIS operative with bomb-making equipment in the capital averted yet another attack from the group. Two more assassinations were reported in June 2019.⁹⁵

This is traced to competition over revenue generation between the Al-Shabaab and rival ISIS militants. The rival groups are targeting companies to an unprecedented degree with demands for taxes.⁹⁶ In December 2018, Al-Shabaab group killed eight Hormuud employees following a disagreement over finances.⁹⁷ The group is reported to operate by instilling fear among the residents. This is done by leaving a trail of bodies as a warning to those who don't cooperate. Somali intelligence sources say IS militants killed telecommunications official Abdullahi Ali Omar in Bosaso on August 7, 2019 for not paying up.

94 Somali intelligence agency arrests two Islamic State members in Mogadishu, May 24th, 2018, Accessed September 9, 2019

95 "Incident Reports up to May 2018," *Hiraal Institute*, Accessed September 9, 2019.

96 Maruf Harun, "In Somalia, Businesses Face 'Taxation' by Militants," *VOA News*.

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Conclusion: Hormuud's Pathway to Legitimacy



This study has shown that Hormuud Telecom in Somalia is both a major financier of Al-Shabaab's activities but also a victim of its violence and rivalry with other radical groups such as ISIS. The company denies any link with the Al-Shabaab terrorist group. But association with the extremist group is framed in a symbiotic relationship. Kowtowing the Al-Shabaab's radical agenda has enabled Hormuud to expand its business operations in a reciprocal sense in areas controlled by Al-Shabaab. The telecom has claimed monopoly in specific regions as their competitors feel threatened by Al-Shabaab. Similarly, behind Al-Shabaab's iron-curtain, the group has increased its revenue and expanded its services. Significant funds collected from Hormuud as well as through Al-Shabaab's well-established and facilitated mobile money infrastructure have greatly supported the activities and programmes of the militant group. The Telecom company is further accused of supporting other operations such as logistics and weapons smuggling on behalf of the Al-Shabaab.

As its hidden costs, Hormuud's compliance with Al-Shabaab's demands has undermine the fight against the Al-Shabaab by various regional and international actors. The Somalia government is unable

to fully benefit from revenue collection, reducing the prospects of stabilization, recovery and reconstruction. Support towards the group whether financially or in-kind has, enhanced its operational capacity to launch more sophisticated and deadlier attacks. Supporting Al-Shabaab amounts to abetting terrorism, and further serves to undercut the Federal Government of Somalia's efforts to secure and stabilize the country. Hormuud's business model based on collaboration of Al-Shabaab is not sustainable in the long-run. The company has to explore alternative pathways beyond dependence on Al-Shabaab and shift allegiance to AMISOM, the Somali National Army and the government of Somalia. In light of the above, this report makes the following recommendations aimed at weakening the financial resources of the Al-Shabaab group and subsequently, their legitimacy, and operation ability in Somalia and the region.

Hormuud's pathway to legitimacy must include a combination of the defeat of Al-Shabaab and other terrorist organizations operating in Somalia, measures to delink it from the political Islam and bold measures from western humanitarian agencies to stop funding Al-Shabaab to open the so-called humanitarian corridors". This pathway has five steps.

- First, *step up the Protection of legitimate business from Al-Shabaab taxation and extortion*: AMISOM forces should work with the Somali National Army, Federal State governments and local communities to ensure that local businesses in urban and rural areas are not forced to pay taxes or "protection" money to Al-Shabaab. AMISOM, including Kenya Defence Forces (KDF) should fast-track the capacity building and training of the Somali National Army to gain control of security and protect business from Al-Shabaab.

- *Second, halt double taxation of companies by Al-Shabaab and Government:* The Federal Government of Somalia should work with AMISOM, International community, Federal States and local communities to shut down Al-Shabaab's financial lifeline and redirect taxes to regional and federal governments to finance infrastructure and services. AMISOM forces and the United Nations should enforce the ban on the import and export of charcoal from Somalia and ensure full implementation and impose targeted measures on violators, including companies.
- *Three, expose companies paying Taxes to Al-Shabaab:* The International community, including the United States, United Nations, European Union and others should support capacity within Somalia to Monitor and list and sanction companies paying taxes to terrorist groups.
- *Four, list Al-Shabaab as a terrorist organization.* The international community should list Al-Shabaab as a terrorist organization and impose the necessary sanctions and penalties on on companies working them. Individuals or entities violating the Financing of Terrorism Act should be prosecuted. They should also monitor humanitarian organizations to ensure that assistance is not used to support Al-Shabaab activities and programs.
- *Five, prevent the penetration and capture of telecommunication companies in areas controlled by terrorists.* The African Union (AU), Inter-Governmental Authority on Development (IGAD) and the East African Community (EAC) should establish regional collaborative Frameworks for telecommunication giants such as Hormuud to ensure that Al-Shabaab and other terrorist groups do not capture, dominate and misuse them to finance and carry out terrorist activities.

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