

Federal Government and Member States Institutions Coordination in the Somalia Petroleum Sector Management

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Abstract

Somalia's petroleum sector has regained strategic importance due to renewed exploration activities and growing international interest. Despite significant oil and gas potential, effective development of the sector remains constrained by prolonged conflict, fragile institutions, and unresolved federal governance arrangements. This study examines institutional challenges affecting cooperation between the Federal Government of Somalia (FGS) and Federal Member States (FMS) in managing petroleum resources. The study examines the institutional and legal challenges affecting cooperation between the FGS and FMS petroleum ministries, with a focus on the upstream oil and gas sector across the project lifecycle. Drawing on constitutional analysis, sector legislation, and comparative federal experiences from Nigeria and Iraq, the research assesses the suitability of Somalia's federal system for managing high-value extractive resources in a post-conflict context. The findings indicate that while Somalia's legal framework recognises shared ownership of natural resources and promotes cooperative federalism, weak implementation mechanisms, political mistrust, and limited institutional capacity undermine effective coordination. The study concludes that clarifying constitutional mandates, operationalising fiscal federalism, and reinforcing joint FGS AND FMS institutions are essential to ensuring transparent, equitable, and sustainable petroleum sector development.

Keywords: FGS, FMF, IOC, TPAO, RMAFC, SOMO

Introduction

Somalia's petroleum sector has recently attracted renewed attention, reflecting both its significant untapped hydrocarbon potential and growing international interest. Offshore exploration activities are ongoing across Jubbaland and Galmudug, while onshore exploration has attracted interest from international oil companies. Historically, Somalia hosted major international oil companies such as Conoco, Chevron, Shell, ExxonMobil, and Eni, which initiated hydrocarbon exploration in the 1940s. However, exploration activities ceased following the outbreak of civil war in 1991.

The civil war resulted in the near-total collapse of state institutions, deepening political fragmentation and entrenching clan-based competition (Menkhaus, 2007). These conditions delayed the establishment of effective resource management systems and created a challenging environment for domestic and foreign investment. In the post-conflict period, Somalia has pursued gradual reconstruction initiatives, including the Arta Peace Conference (2000) and subsequent reconciliation processes, which contributed to rebuilding national institutions and advancing state-building efforts (Bradbury & Healy, 2010; Samatar, 2010). Federalism emerged as a pragmatic governance framework to manage Somalia's complex clan dynamics and regional disparities, with Puntland and Somaliland achieving varying degrees of autonomy and institutional capacity (Hoehne, 2015).

The petroleum sector is widely regarded as a potential driver of Somalia's economic growth. If effectively managed, oil and gas development could generate substantial revenues through royalties, taxation, and production-sharing agreements, reducing dependence on foreign aid and enabling investment in public services such as education, healthcare, and infrastructure. The sector also offers opportunities for economic diversification, employment creation, and skills transfer in areas such as engineering, geology, environmental management, and energy governance. However, realising these benefits requires strong federal and Member state cooperation, transparent regulatory frameworks, and strategic planning to mitigate risks related to insecurity, governance weaknesses, and commercial uncertainty.

Recent developments suggest renewed optimism. International companies such as TPAO, Liberty Petroleum, Soma Oil & Gas, and Coastline Exploration have acquired offshore licences. Onshore exploration has involved companies including GulfSom Energy, Genel Energy, and RakGas. Despite this progress, the sector remains constrained by governance challenges, security concerns in certain regions, and the absence of a fully transparent and harmonised regulatory framework. These challenges highlight the importance of effective institutional coordination between federal and state authorities to ensure sustainable and equitable petroleum sector development.

Background of the Study

Somalia's petroleum sector operates within a complex political and institutional context shaped by prolonged conflict, fragile state-building processes, and evolving federal arrangements. Since the collapse of the central government in 1991, Somalia has struggled to establish coherent governance structures capable of managing strategic natural resources. In the absence of effective national authority, regional administrations emerged with varying degrees of autonomy and control over local resources. While federalism was adopted to accommodate clan diversity and regional realities, it has also introduced governance challenges, particularly in natural resource management.

The petroleum sector requires clear legal authority, institutional coherence, and effective coordination across multiple levels of government. In Somalia, overlapping mandates among federal ministries, federal member state petroleum authorities, and regulatory bodies have complicated decision-making and weakened accountability. Institutional proliferation and unclear jurisdictional boundaries have contributed to inefficiencies, policy incoherence, and rivalry, particularly in licensing, revenue collection, environmental oversight, and contract negotiation.

The lack of a harmonised legal and regulatory framework has further intensified federal and state tensions. Although the Provisional Constitution recognises shared ownership of natural resources, ambiguities persist regarding operational control, revenue sharing, and decision-making authority. Federal member states such as Puntland and Somaliland have historically pursued independent petroleum agreements without full federal endorsement, resulting in legal disputes, weakened national coherence, and reduced bargaining power with multinational companies.

As exploration activities expand, these governance gaps have become increasingly urgent. Existing institutions often lack sufficient technical capacity, financial resources, and coordination mechanisms. Without effective federal and member state collaboration, Somalia risks mismanaging its hydrocarbon resources and reinforcing patterns associated with the resource curse, including elite capture, conflict escalation, and uneven development. Strengthening intergovernmental cooperation is therefore a strategic necessity for transparent, equitable, and sustainable petroleum sector development.

Despite growing literature on Somalia's political reconstruction, federalism, and natural resource potential, there remains a significant gap in research examining institutional collaboration between the federal government and the federal member states petroleum ministries. Existing studies largely focus on macro-political dynamics, economic potential, or resource curse risks, with limited attention to day-to-day governance practices, coordination failures, and institutional duplication. Moreover, federalism's effectiveness as a framework for managing high-value extractive resources in post-conflict Somalia remains underexplored, as do mechanisms for enhancing intergovernmental collaboration and applying comparative lessons from other federal or post-conflict states.

This study addresses these gaps by analysing institutional challenges within the federal government and the federal member states' petroleum ministries, assessing the effectiveness of Somalia's federal system in natural resource governance, and examining the implications of coordination failures for conflict risk and sector sustainability.

Although substantial literature examines Somalia's post-conflict reconstruction, federalism, and natural resource governance (World Bank, 2020; UNSOM, 2022; International Crisis Group, 2023), most studies focus on constitutional debates, macro-political negotiations, and hydrocarbon potential. Recent analyses address legal reforms, revenue sharing, and resource curse risks (IMF, 2023; NRGI, 2022), yet limited empirical research explores how intergovernmental petroleum institutions function in practice.

In particular, little attention has been given to coordination between the Federal Ministry of Petroleum and Federal Member State authorities. While federalism is recognised as a framework for managing divided societies (Watts, 2019; Anderson, 2021), its effectiveness in governing high-value extractive resources in fragile, post-conflict contexts such as Somalia remains underexamined. Comparative evidence from Iraq, Nigeria, and South Sudan shows that weak coordination can fuel fragmentation, inter-regional competition, and investor uncertainty (NRGI, 2021; Le Billon, 2020), yet similar institutional analysis is lacking in Somalia. With renewed offshore licensing and investment since 2022, unresolved federal–state ambiguities risk reinforcing overlapping mandates, contract disputes, and revenue conflicts.

This study addresses the gap by analysing coordination structures, overlapping mandates, and administrative bottlenecks between federal and member state petroleum institutions. It contributes to scholarship on federalism and resource governance in fragile states, post-conflict institutional coordination, and petroleum governance in emerging producers, while assessing whether Somalia's federal architecture can manage extractive resources in a stable, transparent, and equitable manner.

Scope of the Research

This research focuses on Somalia's petroleum sector management, with particular attention to the upstream sector, throughout the entire oil and gas project lifetime, from marketing campaigns and contract negotiations to licence awarding, resource management, and revenue administration. It examines the roles of the Federal Ministry of Petroleum and the Petroleum Authorities in the development of oil and gas resources within federal member states. The study is limited to the federal government and federal member states, including Jubbaland State, Hirshabelle State, Southwest State, Galmudug State, Puntland State, North-East State, and Somaliland State (Currently acting as an independent government).

Objectives of the Research

The general objective of this research is to examine institutional challenges within the federal government and federal member state petroleum ministries, with particular emphasis on the lack of collaboration that hinders sector development.

The specific objectives are to

- ✓ Identify and assess the major challenges faced by petroleum ministries at both the federal and state levels.
- ✓ Evaluate the suitability of Somalia's federal system for natural resource management.
- ✓ Examine potential natural resource conflicts and their implications for the governance of the petroleum sector.
- ✓ Analyse the role of the federal government and Member States' collaboration in promoting transparent, equitable, and sustainable petroleum sector development.
- ✓ Explore and demonstrate how better federal government and Member states' collaboration would enhance sector development and the successful implementation of oil and gas operations within member states.

Research Questions

This study seeks to address the following questions:

1. Does the Somali petroleum sector legislation and the wider national legal framework contain provisions on the cooperation of the federal government and member states in sector management, and if so, are such provisions effectively implemented?
2. How can effective collaboration between the federal government and federal member states support transparent, sustainable, and equitable petroleum resource development in Somalia?
3. How has Somalia's federal system influenced the management and utilisation of natural resources?

Significance of the Research

This research is significant in several respects. First, it provides a comprehensive analysis of Somalia's petroleum sector, highlighting both development opportunities and governance constraints. Second, it addresses a critical information gap regarding federal-state coordination in resource management, offering insights into how decentralised governance structures affect petroleum sector outcomes. Finally, by linking petroleum development to governance, federalism, post-conflict recovery, and economic growth, the study contributes to broader academic and policy debates on resource management in fragile and post-conflict states.

Literature Review

The Interest in Somalia's hydrocarbon resources began in the early twentieth century, with systematic exploration expanding and intensifying during the 1950s and 1960s through some of the major international oil companies. Although largely exploratory, several wells encountered oil shows, providing early evidence of working petroleum systems and confirming Somalia's long-term hydrocarbon prospectivity.

This chapter reviews relevant literature to establish the study's theoretical and empirical foundation, focusing on the importance of federal government and federal member state cooperation in petroleum management. The themes discussed in the literature include the oil and gas potentiality, structure of the federal system and the member states, Legal and constitutional basis for resource management, and historical challenges related to the oil and gas sector in the federal government and the federal member states.

Oil and Gas Potentiality

Oil and gas exploration activities in Somalia date back to the colonial era and were initially undertaken by major international oil and gas companies, including Sinclair Oil, Agip (now ENI), and ConocoPhillips. Subsequent geological surveys and mapping efforts identified eight principal sedimentary basins across the country. (Davidson et al., 2018).

Hydrocarbon exploration in Somalia intensified during the 1950s and 1960s, during which approximately 70 wells were drilled, predominantly onshore, while offshore activity was limited to six wells. Major international oil companies, including Shell, BP, ExxonMobil, Chevron, Texaco, Conoco, and ENI, held exploration concessions during this period; however, despite the identification of hydrocarbon shows and surface seeps, no commercial discoveries were achieved (Bamberger et al., 2016). Exploration resumed in the 1980s with companies such as Chevron, Conoco, BP/Amoco, Shell, and Texaco conducting extensive seismic surveys and drilling programs. Notable outcomes included gas flows of approximately 7 MMcf/day with condensate at the Afgoi-1 well and gas-bearing Palaeocene sandstones at Coriole-1, although these results remained non-commercial (Ga'al, 2021).

Exploration activities were suspended following the outbreak of civil war in 1991 and recommenced after the re-establishment of the Somali government in 2009, when TGS-NOPEC Geophysical acquired approximately 5,300 km of offshore 2D seismic data and 34,000 km of high-resolution aeromagnetic data over Somaliland (Mohamoud, 2018; TGS-NOPEC Geophysical, 2009). In 2012, Africa Oil conducted gravity and 2D seismic surveys in Puntland

and drilled the Shabeel-1 and Shabeel North wells, both of which encountered oil shows in Cretaceous and Jessomma sandstones (Bamberger et al., 2016).

Subsequent offshore exploration campaigns in 2014 and 2016 acquired approximately 20,500 km of 2D seismic data across key basins, including the Jubba Deep, Mogadishu Deep, Mid Somalia High, Obbia, Coriole, and Juba-Lamu basins (Ga'al, 2021). These datasets, acquired by Spectrum Geo Ltd (now TGS), revealed geological features indicative of a multi-play Jurassic to Tertiary petroleum system, including stratigraphic and structural traps, carbonate platforms, reefal build-ups, deep-marine clastics, fault blocks, anticlines, and submarine fans (Davidson et al., 2018; Spectrum Geo Ltd., 2016).

More recently, Liberty Petroleum signed Production Sharing Agreements in March 2024 for Blocks 131, 190, and 206, focusing initially on 3D seismic acquisition with potential drilling during the five-year exploration phase, targeting Jurassic carbonate and clastic plays (Gundel, 2020). In parallel, Somalia and Turkey concluded a comprehensive energy cooperation agreement in March 2024, granting the Turkish Petroleum Corporation (TPAO) licenses for three offshore blocks, followed by the deployment of the seismic vessel *Oruc Reis* to conduct a 3D seismic campaign covering approximately 15,000 km² between 50 and 100 km offshore during late 2024 and early 2025 (Gundel, 2020).

Somalia is expected to commence its first offshore oil drilling operations in February 2026, marking a significant step toward becoming a fossil-fuel-producing state. The initiative follows an announcement by Turkish President Recep Tayyip Erdoğan, who confirmed that Türkiye plans to begin drilling after seismic data collected from a 4,465-square-kilometre offshore block indicated viable hydrocarbon prospects (Somalia Today, 2024). The project forms part of a broader bilateral energy agreement between Somalia and Türkiye.

This development reflects a notable expansion of Türkiye's engagement in the Horn of Africa, evolving from humanitarian assistance and military cooperation to strategic involvement in infrastructure and energy development (Somalia Today, 2024). For Somalia, political leaders have framed the project as a potential economic turning point. President Hassan Sheikh Mohamud described the planned drilling as a "historic victory," highlighting its anticipated role in financing public services and post-conflict reconstruction (Somalia Today, 2024).

President Mohamud further emphasised that Somalia's hydrocarbon resources would be managed in line with the principle of inter-generational equity, to ensure that future revenues benefit both present and future generations while avoiding corruption and mismanagement (Somalia Today, 2024). This commitment reflects broader concerns in resource-rich developing states regarding governance capacity and the risks associated with the resource-curse phenomenon.

Federalism and Resource Governance in Somalia

Since the collapse of Somalia's central government in 1991, efforts toward national reconciliation and state reconstruction have been protracted and highly complex. Decades of civil conflict and institutional disintegration necessitated the development of a governance framework capable of managing deep-rooted societal divisions while simultaneously restoring legitimate state authority. In this context, Somali political actors adopted a federal

system through the 2012 Provisional Constitution, which formally defines Somalia as a federal republic (**Article 1**: Somalia is a federal, sovereign, and democratic republic founded on inclusive representation of the people, a multiparty system and social justice).

Scholars widely agree that federalism was introduced as a conflict-management and power-sharing mechanism intended to accommodate Somalia's fragmented political landscape and clan-based social structure (Samatar, 2016; Phillips, 2020).

By devolving authority to Federal Member States, the federal arrangement sought to mitigate political exclusion, prevent the re-centralisation of power in Mogadishu, and foster inclusive, participatory, and locally responsive governance. **Article 54** of the Constitution grants the Federal Government exclusive authority over core state functions, including;

- ✓ Foreign Affairs;
- ✓ National Defence;
- ✓ Citizenship and Immigration
- ✓ Monetary Policy, which shall be within the powers and responsibilities of the federal government.

Article 44 of the constitution establishes that natural resources are owned by the Somali people and managed by the state in trust for their benefit. In contrast, **Article 41** obliges the state to protect the environment and ensure the sustainable use of natural resources. Broadly, the Constitution sets a framework for governance of natural resources, assigning the Federal Government the authority over national policies (**Article 53**) and Member States the responsibility for local administration of resources within their territories (**Article 54**), highlighting the need for coordination between the federal government and the Federal Member state levels.

The ambiguity is based on the fact that the Constitution of Somalia leaves the mandates over natural resource governance constitutionally unclear. Article 44 establishes that natural resources are owned by the Somali people and held in trust by the federal government, yet it does not identify which level of government exercises operational control. This ambiguity is reinforced by Articles 53 and 54. Article 53 states FGS and FMS must consult on national policies, including natural resources, but it does not provide binding decision-making authority and enforcement mechanisms. Article 54, while clearly listing the exclusive powers of the Federal Government, including foreign affairs, national defence, citizenship and immigration, and monetary policy, does not include natural resource management. Consequently, authority over natural resources falls into an overlap of FGS and FMS claims, undermining coherent, rule-based resource governance.

Comparative Cases of Federal Resource Governance (Nigeria & Iraq)

Nigeria operates a highly centralised oil and gas governance system rooted in constitutional law. Section 44(3) of the Constitution of the Federal Republic of Nigeria (1999, as amended) vests ownership and control of all petroleum resources exclusively in the Federal Government. In addition, petroleum matters fall under the Exclusive Legislative List, granting the federal authority sole responsibility for licensing, regulation, and contract administration. Consequently, state governments (Member states) have no legal mandate to issue petroleum licenses or directly manage upstream petroleum activities.

Oil and gas revenues are collected centrally by the Federal Government and paid into the Federation Account, as provided under Section 162(1) of the Constitution. These revenues are distributed vertically among the federal, state, and local governments according to a constitutionally recognised allocation formula. Horizontal distribution among states is administered through criteria such as population, equality of states, and social development indicators, overseen by the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC). Iraq is constitutionally defined as a federal state, but its oil and gas governance framework remains legally fragmented and politically contested. The Constitution of the Republic of Iraq (2005) adopts a shared-competence approach to natural resource management rather than a fully centralised or decentralised model. Article 111 provides that oil and gas are owned by all the people of Iraq, while Article 112 assigns responsibility for the management of “present fields” jointly to the federal government and producing regions and governorates.

In Iraq, oil revenues are collected centrally by the Federal Government, primarily through the Ministry of Oil and the State Oil Marketing Organisation (SOMO), and deposited into the federal treasury. The Ministry of Finance manages these revenues within the national budget. Distribution of oil revenues to regions and governorates is determined through annual federal budget laws approved by Parliament, rather than through a constitutionally guaranteed derivation mechanism. Although the Constitution of the Republic of Iraq (2005, Arts. 111–112) recognises shared ownership of oil and gas and calls for fair revenue distribution, the absence of a permanent statutory framework has rendered fiscal transfers politically negotiated and unpredictable.

Constitutional governance of the oil and gas sector in Somalia and Nigeria differs markedly due to the distinct mandates set out in their respective constitutions. Nigeria follows a centralised federal model, and Somalia operates within a contested federal model that recognises collective ownership of natural resources by the Somali people but lacks clear constitutional delineation of operational responsibilities between the Federal Government and Federal Member States. The summarised table shows centralised and contested federal models.

Table 1

Comparative of centralised and contested federal constitutional model

Aspect	Nigeria (Centralised Federal Model)	Somalia (Contested Federal Model)
Ownership of resources	Vested in the Federal Government	Owned by the Somali people and held in trust by the state
Constitutional mandate	Clearly defined and centralised	Broadly defined, with overlapping federal and state claims
Licensing authority	Exclusively exercised by the Federal Government	Unclear and constitutionally contested
Revenue collection	Centralised at the federal level	Not clearly operationalised
Revenue sharing	Constitutionally and statutorily define	Politically negotiated (Baidoa Agreement)

Fiscal Federalism and Revenue Sharing

Globally, petroleum fiscal regimes fall into two main categories: royalty/tax regimes and production-sharing regimes. These regimes are legally and economically distinct and are defined by the fiscal instruments they apply. Key fiscal measures include royalties, corporate income tax, bonus payments, cost-recovery mechanisms, profit sharing, special levies or profit taxes, state participation in petroleum operations, and petroleum resource taxes.

Fiscal federalism describes the system through which financial responsibilities, taxation powers, and public expenditure functions are distributed and managed between the FGS and FMS. It establishes clear rules for revenue collection, intergovernmental transfers, and spending obligations to improve service delivery, strengthen intergovernmental coordination, and ensure fiscal sustainability across all levels of government.

Fiscal federalism and revenue sharing constitute another central theme in the literature. Studies note that although the Constitution mandates equitable distribution of revenues derived from natural resources (Article 122), it defers detailed arrangements to future legislation, much of which remains underdeveloped or contested (World Bank, 2020). This legal gap has contributed to recurring disputes over licensing authority and revenue allocation, particularly in the context of hydrocarbons.

The Petroleum Law of 2020 is often cited as an attempt to operationalise constitutional principles by establishing joint management between the FGS and FMS, with shared decision-making and revenue distribution mechanisms (Bryden & Thomas, 2021). Nonetheless, analysts caution that weak institutional capacity, political mistrust, and unresolved constitutional questions continue to undermine effective implementation.

The Baidoa Agreement (2018) represents a significant political effort to advance fiscal federalism in Somalia by outlining provisional principles for revenue sharing between the FGS and FMS, particularly with respect to natural resources. Although the Federal Government has referred to the Baidoa Revenue Sharing Agreement as a guiding framework, its practical implementation has remained limited. The agreement has failed to gain the full acceptance of all Federal Member States due to persistent concerns regarding fairness, inclusivity, and the broader context of political mistrust and intergovernmental tensions (Farah, 2024).

The following table presents the types of fiscal regimes and associated fiscal measures applied to petroleum operations across the various stages of the petroleum sector. The table is intended to provide a clear and systematic overview of how different fiscal instruments are utilised throughout the lifecycle of petroleum activities.

Table 2

Fiscal Regimes and Associated Fiscal Measures across the Petroleum Sector Lifecycle

Stage of operations	Fiscal Measure
Exploration	<ul style="list-style-type: none"> a. Fees & Rents b. Signature Bonus c. Discovery Bones d. Bid Bonus e. Performance Bond
Production	<ul style="list-style-type: none"> a. Royalty b. Production Bonus c. Fixed production share d. Export Levy e. Fixed production Prices
Profit based	<ul style="list-style-type: none"> a. Income tax b. Dividend withholding c. Excess profit tax d. Resource rent tax e. Scaled production share
Levies	<ul style="list-style-type: none"> a. Import Duties b. Payroll tax c. Business turnover tax d. VAT
State Participation	<ul style="list-style-type: none"> a. Carried interest b. Working interest

The Baidoa resource sharing agreement is an agreement on the ownership, administration and sharing of revenues from natural resources of the country, namely petroleum and minerals. The agreement consists of provisions on the ownership and administration of the resources, as well as setting out the resource administration authority. The agreement was established by the Technical Committee for Facilitation and Negotiation on Federal Affairs and was meant to be the starting point of a more details legal document and hence does not include details on how the roles of the various institutions making up the administration authority should be and the kind of cooperation between them to develop the sector in an effective, transparent and sustainable way. Regarding the sharing of the revenue, the agreement is not a comprehensive petroleum fiscal system but a political understanding between the FGS and certain FMS. Although it refers to key fiscal instruments, such as bonuses, fees, royalties, taxes, and profit oil sharing, the list does not encompass all the petroleum fiscal instruments.

The profit-based taxes, including corporate income, export, and capital gains taxes, however, some other taxes that could yield a significant revenue, such as withholding tax, are not included in the matrix of sharing of oil and gas revenue.

Production-sharing elements are acknowledged but omit essential provisions on cost recovery, profit splits, and state participation, leaving these matters to future contracts. Provisions on community development and capacity building similarly lack enforcement and monitoring mechanisms.

Historical Challenges in Federal Government and Member State Petroleum Relations

Overall, the literature converges on the view that Somalia's natural resource governance framework is legally grounded in principles of public ownership and cooperative federalism, yet remains constrained by constitutional ambiguity and persistent political contestation (Haysom & Kane, 2013; World Bank, 2020). Scholars broadly agree that constitutional clarification, comprehensive federal petroleum legislation, and strengthened intergovernmental institutions are essential to prevent conflict, enhance investor confidence, and ensure that natural resources contribute to sustainable peace and development (EITI Somalia, 2022).

Somalia's petroleum sector has been shaped by enduring tensions between the FGS and FMS, largely arising from unclear constitutional arrangements and weak institutional capacity. While the Provisional Constitution declares petroleum resources to be collectively owned by the Somali people, it does not clearly delineate the division of powers between federal and state authorities, resulting in recurrent disputes over governance and control (Federal Republic of Somalia, 2012).

Control over licensing and petroleum contracts has been a central point of contention. Before the consolidation of a federal petroleum framework, several FMS, most notably Puntland and Somaliland, entered into oil and gas agreements independently. These contracts were later contested by the FGS, generating overlapping legal claims, regulatory uncertainty, and diminished investor confidence (World Bank, 2020). In 2023, the federal government asserted its authority by cancelling or declaring invalid petroleum contracts concluded at the regional level, including agreements involving Soma Oil and Gas.

Revenue-sharing disputes have also played a critical role in shaping political mistrust. For many years, Somalia lacked a clear and enforceable formula for distributing petroleum revenues among the federal government, member states, and local communities. This absence heightened fears of resource centralisation and exacerbated intergovernmental conflict (EITI Somalia, 2022). These challenges have been compounded by weak regulatory institutions, limited technical capacity, and underdeveloped mechanisms for federal government and federal member state coordination in the petroleum sector.

Generally, the issue of Somaliland differs from the tensions of other member states because it is not merely a governance issue but a sovereignty conflict. Somaliland has independently signed petroleum agreements with international oil companies, most notably Genel Energy and RAK Gas, which have undertaken organised exploration programmes. These have included seismic data acquisition and reprocessing, geological and geophysical studies, and basin evaluations aimed at assessing onshore hydrocarbon potential (Genel Energy, 2021).

However, exploration activities in Somaliland were implemented, but when it comes to drilling activities, Somaliland faced significant legal challenges due to the absence of approval from

the Federal Government of Somalia. As a result, several planned drilling initiatives have been delayed. (Haysom & Kane, 2013).

In federal systems, petroleum governance is structured around a division of responsibilities between federal and subnational authorities to balance national strategic interests with local participation. At the federal level, the Ministry of Petroleum and Minerals is responsible for policy formulation, the development of a national petroleum strategy, and the negotiation and ratification of international petroleum agreements, including licensing and production-sharing frameworks, but requires consultation with Petroleum Ministries in federal member states. (World Bank, 2020; EITI, 2021).

Research Methodology

This study examines the importance of collaboration between the Federal Government of Somalia (FGS) and the Federal Member States (FMS) in the petroleum sector. It analyses institutional and governance challenges affecting petroleum sector management, with particular emphasis on the gaps and weaknesses that undermine effective intergovernmental coordination.

The research adopts a qualitative design, employing qualitative content analysis to examine federal government and federal member states institutional coordination in Somalia's petroleum sector. The study relies on secondary data sourced from publicly available materials, government reports, and geophysical data produced by exploration companies (Lawton, 2019). Additional data are drawn from official documents issued by federal and member state petroleum institutions and peer-reviewed academic literature. The use of reliable secondary sources enhances the credibility of the findings, although access to certain sensitive datasets is subject to formal authorisation or purchase.

Research Design

This study employs a qualitative research design to examine collaboration between the Federal Government of Somalia (FGS) and the Federal Member States (FMS) in the petroleum sector. A qualitative approach is suitable for analysing institutional relationships, governance processes, and coordination mechanisms within a complex federal system.

The research adopts a document-based qualitative content analysis, drawing on secondary data from government policies, legal frameworks, institutional reports, and petroleum sector publications. These sources are supplemented by geophysical reports from exploration companies and relevant academic literature.

By systematically analysing multiple documentary sources, the study identifies governance gaps, coordination challenges, and accountability issues affecting FGS and FMS collaboration in Somalia's petroleum sector.

Data Collection Method

The study uses a **secondary data collection method**, consisting of the following approaches:

- ✓ **Document Analysis:** Relevant academic literature, policy reports, legal frameworks (e.g., the Somali Petroleum Law and related regulations), government publications, and media articles were systematically reviewed to understand institutional practices and policy gaps in petroleum governance.
- ✓ **Case Studies:** Comparative analysis of selected countries (e.g., Nigeria, South Sudan, and Venezuela) was conducted to examine their experiences with resource governance challenges such as Dutch disease, revenue-sharing, and political instability, offering contextual insights for Somalia's petroleum sector.
- ✓ **Institutional Reports:** Data from key institutions, including the Somali Ministry of Petroleum and Mineral Resources, the Somali Petroleum Authority, the Ministry of Planning and Development, the World Bank, the International Monetary Fund (IMF), and the African Development Bank (AfDB), were reviewed to assess governance frameworks and economic indicators relevant to petroleum sector management.

Source of Data

The data used in this study are secondary data obtained from multiple credible and authoritative sources, including:

- ✓ **Peer-reviewed academic journals** that provide theoretical and empirical insights into natural resource governance and federal–state relations.
- ✓ **Government documents and legislation**, including the Somali Petroleum Law, Baidoa Revenue Sharing Agreements, and other official legal frameworks governing petroleum resources in Somalia.
- ✓ **Reports from international organisations**, such as the World Bank and Natural Resource Governance Institute (NRGI), supply data and analysis on governance, economic performance, and sector reforms.
- ✓ **Seismic and geological data** from energy service and exploration companies (e.g., TGS, Spectrum, and Liberty) provide technical information on hydrocarbon potential and exploration history.

Research Findings

The findings section constitutes the primary component of the study, as it reports the results obtained from the research and provides direct answers to the research questions based on collected data, observations, and analytical outcomes. Effectively organising this section enables the researcher to convey the results in a clear, structured, and academically rigorous manner. (Mohajerzad et al., 2021).

The study examined key themes that contribute to improving and strengthening governance in the country's oil and gas sector. Specifically, it analysed the nation's oil and gas potential, the structure of the federal government and its member states, the legal and constitutional framework governing resource management, and the historical challenges affecting the oil and gas sector at both the federal and member state levels.

Oil and Gas Potentiality

Somalia's geological structure demonstrates strong potential for commercially viable oil and gas reserves across both onshore and offshore sedimentary basins. Seismic interpretation

conducted by Genel Energy and RAK Gas has confirmed the presence of prospective hydrocarbon systems, while macroseepage surveys have further reduced exploration risk and strengthened the probability of commercial discoveries (Farah, 2014). These findings indicate the existence of active petroleum systems supported by suitable source rocks, migration pathways, and trapping mechanisms.

The offshore sector is particularly promising. Soma Oil and Gas completed a 20,550-line-kilometre 2D seismic survey covering the Jubba Deep Basin, Mogadishu Deep Basin, and the Mid-Somalia High, all of which exhibit geological characteristics favourable for hydrocarbon accumulation. Subsequent seismic surveys and reinterpretations by Liberty Petroleum and the Turkish Petroleum Corporation (TPAO) have reinforced the positive outlook for offshore oil and gas potential, identifying multiple high-prospect exploration targets (Gundel, 2020). Recent developments mark a transition from exploration to drilling. In February 2026, the Turkish government commenced Somalia's first offshore exploratory oil drilling campaign, following extensive seismic data acquisition and bilateral energy cooperation agreements. This milestone represents a critical advancement in Somalia's petroleum sector, providing empirical testing of long-identified prospects and strongly affirming the country's substantial oil and gas potential. The initiation of drilling underscores Somalia's emergence as a credible frontier hydrocarbon province with significant implications for future energy production and economic development.

Federalism and Fragmented Resource Governance

Somalia's modern statehood began in 1960, following independence from British and Italian colonial rule. The Somali people never reconciled to colonial domination and sustained resistance movements, most notably the Dervish movement, which reflected widespread opposition to foreign rule. At independence, Somalia adopted a unitary state system, which initially contributed to national cohesion across Somali territories. However, over time, the centralisation of power under the unitary system became a structural factor in the eventual collapse of the state.

In the aftermath of state collapse, Somali intellectuals, political leaders, and traditional elders reached a broad consensus that federalism represented the most viable political system for ensuring national unity while accommodating Somalia's regional, social, and political diversity. Under a genuine federal system, authority is constitutionally divided between the federal government and the federal member states, allowing for power-sharing, conflict management, and cooperative governance.

The current federal system in Somalia, however, does not effectively promote development or the management of the country's resources, particularly the oil and gas sector, because these resources are nationwide across the entire Somali territory (from Saylac to Jubaland). The federal government acts as a centralised (unitary) state, while the federal member states act under a co-federation system. This disparity creates tension over how authority and control over natural resources should be exercised.

These differing perspectives have weakened cooperation between the federal government and the federal member states, particularly in the Ministry of Petroleum and Mineral Resources. The ministry exclusively granted agreements with the International oil companies

for prospecting blocks, but some of these blocks are located in territories controlled by one of the federal member states in Somalia.

In the aspect of cooperation, the Ministry of Petroleum and Minerals recently attended training on Financial Analysis of Resource (FARI) and petroleum tax policy, attended by technical staff from key Federal Government institutions, including the Ministry of Finance, the Office of the Prime Minister, the Somali Petroleum Authority, and the Tax Authority.

However, the exclusion of petroleum ministries from the Federal Member States (FMS) reflects limited institutional coordination and weak intergovernmental cooperation, potentially undermining inclusive and coherent petroleum sector governance within Somalia's federal framework.

Constitutional Ambiguity in Natural Resource Governance

The Constitution of the Federal Republic of Somalia provides the foundational legal framework for the division of powers between the FGS and the FMS. The constitutions provide for exclusive federal responsibilities in areas such as foreign affairs, national defence, citizenship, and monetary policy.

Under Articles 44 and 45 of the Provisional Constitution, natural resource governance is recognised as a constitutional matter. Article 44 states that the allocation of the country's natural resources "shall be negotiated by, and agreed upon, by the Federal Government and the Federal Member States in accordance with this Constitution." Article 45 further emphasises environmental protection and assigns both the Federal Government and the Federal Member States responsibilities to participate in the management, conservation, and protection of natural resources.

Despite these provisions, the current constitutional text lacks clear operational mechanisms for how natural resources should be governed in practice, particularly in terms of:

- ✓ **Defining specific roles** for Federal Member States in licensing and regulatory decision-making;
- ✓ **Revenue sharing formulas** that reflect equitable benefit-sharing between the Federal Government and Federal Member States;
- ✓ **Dispute resolution mechanisms** for conflicts arising from resource allocation and exploitation.

This ambiguity has contributed to ongoing tensions and disputes between the Federal Government and Federal Member States over resource control and benefit distribution. For example, recent Puntland statements have argued that federal petroleum laws are inconsistent with Articles 44, 51, 53, and 54 of the Constitution, underscoring the need for constitutional alignment and inclusive negotiation processes that respect federal principles. To strengthen the constitutional framework and support sustainable, equitable natural resource governance, it is necessary to amend or clarify Articles 44 and related provisions so that they explicitly establish:

- ✓ **Shared decision-making structures** for resource licensing and extraction;
- ✓ **Transparent revenue-sharing arrangements** that ensure inclusive development benefits.
- ✓ **Defined roles and obligations** for both the federal government and member states in resource management.

Such reforms would enhance constitutional clarity, reduce intergovernmental conflict, and align practice with the federal principles originally articulated in the Constitution.

Weak Fiscal Federalism and Informal Revenue-Sharing Mechanisms

This study finds that Somalia's fiscal federalism framework for oil and gas governance remains underdeveloped, legally ambiguous, and institutionally weak, constraining its potential to support equitable development and state consolidation. Although the Provisional Constitution articulates principles of shared ownership, cooperative federalism, and equitable revenue distribution, these principles have not been operationalised through binding legal frameworks or effective intergovernmental institutions. Consequently, Oil and Gas governance has become a source of political contestation rather than a driver of national cohesion.

A central finding concerns constitutional ambiguity surrounding natural resource ownership, management authority, and revenue sharing. Article 44 defines natural resources as collectively owned by the Somali people, while Articles 50 and 54 emphasise cooperation and negotiated power sharing between the Federal Government of Somalia (FGS) and the Federal Member States (FMS). However, Article 122 defers the details of revenue-sharing arrangements to future legislation that remains largely absent. This legal indeterminacy has generated persistent disputes over licensing authority and revenue allocation in the oil and gas sector.

In the absence of a constitutionally anchored revenue-sharing formula, fiscal arrangements rely heavily on political bargaining and executive discretion. This undermines predictability, weakens legal certainty, and erodes trust between federal and subnational governments. Although the Petroleum Law of 2020 sought to operationalise joint management principles, its implementation has been constrained by unresolved constitutional questions, limited institutional capacity, and political mistrust.

The findings also highlight significant institutional and administrative weaknesses. Despite constitutional commitments to cooperative federalism, oil and gas governance has been highly centralised within the Federal Ministry of Petroleum and Minerals. Federal member states have frequently been excluded from licensing processes, capacity-building initiatives, and international engagements. These practices reinforce institutional asymmetries and limit the ability of FMS to participate meaningfully in joint resource management.

Political mistrust between the FGS and FMS emerges as a further critical finding. Historical grievances, asymmetric power relations, and conflict legacies have shaped perceptions that natural resources are being used to recentralise authority. This trust deficit undermines intergovernmental cooperation and creates incentives for fragmentation, including attempts by some FMS to pursue independent resource agreements, thereby threatening national coherence.

The Baidoa Agreement (2018) represents a notable attempt to advance fiscal federalism by outlining provisional principles for revenue sharing. The findings indicate that the agreement contributed to short-term political stabilisation and reflected consensus on shared ownership and revenue distribution in principle. However, its impact has been limited by its informal and non-binding nature, lack of inclusivity, and absence of clear implementation, oversight, and dispute-resolution mechanisms. As such, the Baidoa Agreement functions more as a political confidence-building measure than as an effective framework for fiscal federalism.

Overall, the findings demonstrate that Somalia's oil and gas governance relies excessively on informal political settlements rather than legally enforceable, institutionally embedded fiscal arrangements. Without clearer constitutional rules and inclusive governance structures, hydrocarbons risk reinforcing political fragmentation rather than supporting sustainable development and state-building.

Conclusion and Recommendation

Somalia possesses significant onshore and offshore oil and gas potential, confirming its status as a credible frontier Oil and Gas province in the Horn of Africa. However, resource potential alone does not guarantee economic benefits. The effective development of the sector remains dependent on the establishment of coherent, transparent, and well-coordinated institutions. Persistent structural, legal, and institutional weaknesses, particularly within the federal system, continue to constrain the sustainable utilisation of Somalia's hydrocarbon resources.

The Provisional Constitution of Somalia provides that natural resources are owned by the Somali people and managed by the state in trust for their benefit (Federal Republic of Somalia, 2012, Art. 44). The constitution does not clearly define operational mechanisms for licensing process, and revenue-sharing mechanisms between the Federal Government and Federal Member States, Consequently, fiscal federalism in the oil and gas sector remains underdeveloped, heavily reliant on informal political settlements (Baidoa Agreement).

In conclusion, Somalia's substantial hydrocarbon wealth offers significant opportunities for economic development and state building. However, in the absence of clear and strong governance frameworks, resource exploitation risks exacerbate the dysfunction of the federal system, political mistrust (FGS and FMS), and unequal distribution of Oil and Gas revenue. Therefore, addressing these governance challenges is essential to ensure that oil and gas resources (due to the Somalia resource being a nation-wide resource) contribute effectively to sustainable development, national unity, and inclusive growth.

Recommendations

Effective utilisation of Somalia's oil and gas sector requires constitutional and legal reforms, the clear delineation of mandates between the Federal Ministry of Petroleum (FGS) and Petroleum Ministries in Federal Member States (FMS), and the establishment of a robust governance framework. To ensure that the sector contributes positively to sustainable development and political stability, the following recommendations are proposed to;

Constitutional and Legal Reform

- ✓ Initiate a comprehensive constitutional review to clarify Articles 44, 53, and 54 concerning the ownership, management, and revenue-sharing of natural resources.
- ✓ Develop and publicly issue implementing regulations under the Petroleum Law (2020) to operationalise its provisions and eliminate interpretative inconsistencies.

Institutional Coordination and Cooperative Governance

- ✓ Establish a permanent **Intergovernmental Petroleum Council (IPC)** composed of representatives from the FGS, FMS petroleum and Mineral ministries, the Ministry of Finance, and the Somali Petroleum Authority (SPA).
- ✓ Institutionalise regular and structured coordination meetings between FGS and FMS institutions on petroleum governance.
- ✓ Require formal FMS participation in licensing rounds, bid evaluations, and contract negotiations.
- ✓ Prohibit unilateral petroleum agreements by either FGS or FMS without prior mutual consultation.
- ✓ Promote transparent sharing of geological, seismic, and contractual data between FGS and FMS institutions and copies of the agreements.

Institutional Capacity Building

- ✓ Establish regular, structured training programs jointly delivered by the Federal Government of Somalia (FGS) and Federal Member States (FMS) to ensure uniform understanding of petroleum governance frameworks.
- ✓ Establish a professional, multidisciplinary negotiation team within the Somali Petroleum Authority (SPA) that incorporates expertise in law, finance, geology, economics, and environmental management. To harmonise or align petroleum contracts and other cross-cutting legislation.

Transparency and Accountability Mechanisms

- Publish all Production Sharing Agreements (PSAs) and petroleum contracts.
- Disclose petroleum revenue flows and intergovernmental transfers in a timely and accessible manner.
- Strengthen oversight institutions, including Parliament and the Office of the Auditor General, to ensure independent review of petroleum operations and revenue management.

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