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The Khat Conundrum: Balancing Economic Reality, Social Welfare, and Sovereignty in Public Policy for Somaliland

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Abstract

This study examines the policy dilemma surrounding khat (*Catha edulis*) in Somaliland by assessing its economic contributions, socio-health consequences, and regulatory challenges within a context of limited international recognition. Using a desk-based mixed-methods approach, the study analyzed 45 documentary sources, including peer-reviewed articles, government reports, legal documents, and international organization publications. The findings reveal that khat generates approximately 20–30% of Somaliland's domestic revenue and supports thousands of direct and indirect jobs, making it a critical component of fiscal sustainability. At the same time, chronic consumption contributes to household income diversion, food insecurity, cardiovascular disorders, oral diseases, and mental health problems. The analysis further shows that existing regulations prioritize revenue collection while providing limited mechanisms for public health protection and social harm reduction. The study introduces a sovereignty-fiscal dependency perspective, demonstrating how Somaliland's political status constrains regulatory flexibility. The findings suggest that balanced regulatory strategies integrating revenue preservation, harm reduction, and economic diversification offer a more sustainable policy pathway than outright prohibition.

INTRODUCTION

Khat (*Catha edulis*) is a psychoactive plant widely cultivated and consumed in the Horn of Africa and the Arabian Peninsula. The plant contains cathinone and cathine, stimulant compounds that produce effects comparable to amphetamine-type substances, including increased alertness, euphoria, and temporary enhancement of concentration (Al-Motarreb et al., 2021; WHO, 2022). Despite growing international concerns regarding its health consequences, khat remains deeply embedded within the social, cultural, and economic fabric of several societies, particularly in Ethiopia, Kenya, Yemen, and Somaliland (Carrier, 2020; Klein, 2022). In these contexts, khat consumption extends beyond individual behavior and functions as a social institution that shapes interpersonal relations, commercial interactions, and political discussions. Consequently, debates surrounding khat

regulation frequently transcend public health considerations and enter broader discussions concerning economic dependency, cultural identity, and state governance (Nyagwaya et al., 2026; Mukhlis et al., 2025; Mustapha & Malkan, 2025).

Recent studies have highlighted the increasingly complex nature of khat-related policymaking. While evidence demonstrates that chronic khat consumption contributes to cardiovascular disorders, anxiety, insomnia, oral diseases, and mental health complications, the substance simultaneously generates substantial employment opportunities and fiscal revenues for governments operating in fragile economic environments (Al-Motarreb et al., 2021; WHO, 2022; Klein, 2022). This duality has transformed khat into a controversial policy issue, particularly in developing regions where economic survival often outweighs public health priorities. Research conducted across East Africa indicates that governments frequently encounter difficulties in balancing revenue generation with social welfare protection, leading to fragmented and often contradictory policy responses (Anderson et al., 2023; Osman et al., 2023; Rwigema, 2022; Kansaye, 2025; Latif, 2023; Wesonga, 2026).

The Somaliland case represents one of the most distinctive examples of this policy dilemma. Since declaring independence in 1991, Somaliland has maintained relative political stability and developed functioning state institutions despite lacking formal international recognition (Hoehne, 2021; McGibbon, 2022; Madar & Sulub, 2024). However, non-recognition has significantly constrained access to international financial assistance, development loans, and multilateral support mechanisms, increasing dependence on domestic revenue sources (Mhlanga, 2024; Yoo & Woo, 2023). Within this context, khat taxation has emerged as a critical component of public finance. Government reports indicate that khat-related taxes contribute approximately 20–30% of domestic revenue, making the sector indispensable for financing public administration, security services, and essential government operations. Simultaneously, rising levels of khat consumption have generated significant social and health burdens, including household income diversion, food insecurity, reduced labor productivity, and increasing health expenditures (Fadal et al., 2023; Madubueze et al., 2025; Mbanefo et al., 2026).

The empirical reality demonstrates that khat functions as both an economic lifeline and a source of social vulnerability. Household studies in Somaliland reveal that low-income families may allocate a substantial proportion of daily earnings to khat consumption, reducing expenditures on nutrition, education, and healthcare (Fadal et al., 2023). Women and children are often disproportionately affected by these spending patterns because they experience the indirect consequences of diminished household welfare and financial instability (Gardner & El Bushra, 2022). At the same time, thousands of individuals derive livelihoods from khat-related activities, including importation, transportation, wholesale distribution, retail trade, and complementary service sectors (Osman et al., 2023). These conflicting outcomes illustrate the multidimensional nature of the khat phenomenon and complicate policy interventions aimed at either restriction or liberalization.

The existing literature has contributed substantially to understanding individual dimensions of khat consumption. Several studies have concentrated on health consequences, emphasizing the physiological and psychological effects associated with long-term use (Al-Motarreb et al., 2021; Tefera et al., 2025; Wood et al., 2024). Other scholars have explored the cultural significance of khat within diaspora communities and its role in identity formation and social cohesion (Carrier, 2020; Klein, 2022). Additional research has investigated the economic importance of khat production and trade in East African economies, particularly Ethiopia and Kenya (Gebissa, 2022). More recently, scholars have examined the political economy of khat

regulation, highlighting tensions between public health objectives and fiscal interests (Anderson et al., 2023; Khan, 2021).

Despite these contributions, three significant gaps remain within the contemporary literature. First, most studies analyze khat from a single disciplinary perspective, focusing either on public health, economics, or social dynamics, while neglecting their interconnected nature. Second, limited research has examined khat governance within unrecognized or partially recognized political entities, where fiscal dependency and sovereignty constraints create unique policy challenges. Third, existing policy discussions frequently evaluate prohibition and regulation models separately without systematically assessing their applicability to Somaliland's distinctive institutional environment. Consequently, current knowledge remains insufficient for understanding how economic dependency, social welfare concerns, and state-building objectives interact in shaping khat policy outcomes.

This study addresses these gaps by developing an integrated analysis of khat as a multidimensional public policy issue in Somaliland. Drawing upon policy analysis, fiscal evidence, health studies, and comparative experiences from Ethiopia, Kenya, Yemen, and the United Kingdom, the research evaluates both the benefits and costs of khat while examining the effectiveness of existing regulatory frameworks. Unlike previous studies that primarily emphasize either health impacts or economic outcomes, this research adopts a holistic policy perspective that incorporates questions of governance capacity, fiscal sustainability, and state legitimacy.

The novelty of this study lies in its integration of public health, political economy, and sovereignty perspectives to explain the persistence of khat dependency in a de facto state context. By conceptualizing khat as a policy dilemma shaped simultaneously by revenue imperatives, social welfare concerns, and international political constraints, the study introduces a comprehensive analytical framework for understanding substance regulation in unrecognized states. Therefore, the objectives of this research are threefold: (1) to assess the overall socio-economic impacts of khat in Somaliland; (2) to evaluate the effectiveness of existing khat-related policies and regulatory mechanisms; and (3) to formulate context-sensitive policy alternatives capable of balancing economic sustainability, public health protection, and governance effectiveness. The findings contribute to the broader literature on public policy, state-building, and substance regulation while providing practical recommendations for policymakers operating under conditions of fiscal dependency and constrained sovereignty.

METHODS

Research Design

This study employed a qualitative-dominant mixed-methods research design using a desk-based approach to investigate the multidimensional impacts of khat and evaluate policy alternatives in Somaliland. A mixed-methods framework was considered appropriate because the research sought to integrate quantitative evidence regarding fiscal and socio-economic outcomes with qualitative assessments of regulatory effectiveness and governance challenges. The study adopted a triangulation strategy in which multiple data sources were analyzed simultaneously to enhance the comprehensiveness and credibility of findings (Meydan & Akkaş, 2024). This design enabled the examination of khat as a complex public policy issue involving economic, social, health, and political dimensions that cannot be adequately understood through a single methodological perspective.

Research Context

The study was conducted within the context of the Republic of Somaliland, a self-governing territory in the Horn of Africa that has maintained de facto sovereignty

since 1991 but remains internationally unrecognized. Somaliland provides a unique setting for public policy analysis because its government relies heavily on domestic revenue sources while operating under significant fiscal and diplomatic constraints. Khat constitutes one of the most important revenue-generating commodities in the country and plays a substantial role in employment creation, social interaction, and household expenditure patterns. To strengthen contextual understanding and policy interpretation, comparative evidence from Ethiopia, Kenya, Yemen, and the United Kingdom was incorporated. These countries represent diverse regulatory approaches to khat, ranging from legalization and economic promotion to prohibition and strict control measures, thereby offering valuable comparative insights into policy effectiveness and institutional responses.

Data Collection Procedures

Data were collected through systematic document analysis conducted between January and June 2025. Document analysis is widely recognized as a rigorous qualitative research technique for examining policy processes, institutional arrangements, and socio-economic phenomena through existing records and publications. The study utilized a structured document review protocol to ensure consistency in data extraction and interpretation.

A total of 45 documents were selected based on predetermined inclusion criteria. These sources consisted of peer-reviewed journal articles, government reports, legal documents, publications from international organizations, policy briefs, and comparative case-study literature. Documents were included if they were published between 2013 and 2024, directly addressed issues related to khat consumption, public health, economic impacts, governance, or policy regulation, and contained information relevant to Somaliland or comparable contexts. Sources lacking empirical evidence or focusing exclusively on pharmacological aspects without broader societal implications were excluded from the analysis.

Fiscal data were obtained from Somaliland Ministry of Finance annual budget reports and taxation records, while legal and regulatory information was collected from official government legislation and policy directives. Health-related evidence was derived from reports issued by the World Health Organization and peer-reviewed epidemiological studies. Comparative policy data were gathered from academic literature examining regulatory experiences in Ethiopia, Kenya, Yemen, and the United Kingdom.

Sample and Data Sources

The study employed purposive sampling at the document level, selecting sources that provided the most relevant and reliable evidence for addressing the research objectives. Purposive sampling is appropriate in policy research because it facilitates the inclusion of information-rich cases capable of generating meaningful analytical insights (Patton, 2015). Table 1 summarizes the distribution of data sources used in the study.

Table 1. Distribution of Documentary Sources

Source Category	Number of Documents
Peer-reviewed journal articles	22
Government reports and legal documents	8
International organization reports	7
Civil society and policy institute reports	5
Comparative case-study literature	3
Total	45

Source: Author's compilation, 2025

As shown in Table 1, peer-reviewed journal articles constituted the largest proportion of sources, ensuring a strong scholarly foundation for the analysis.

Data Analysis

The study combined qualitative thematic analysis and descriptive quantitative analysis. Qualitative data obtained from policy documents, legal texts, and institutional reports were analyzed using thematic analysis procedures proposed by Michalakopoulou et al. (2024). The analysis involved familiarization with data, coding, theme identification, theme refinement, and interpretation. Themes were subsequently organized around the study's three analytical dimensions: socio-economic impacts, policy effectiveness, and regulatory alternatives.

Quantitative data, including fiscal contributions, employment estimates, and household expenditure indicators, were analyzed using descriptive statistical techniques. Frequencies, percentages, and comparative trend assessments were employed to identify patterns and relationships within the available datasets. Because the study relied on secondary aggregate data, inferential statistical testing was not conducted.

Validity and Reliability

To enhance the trustworthiness of findings, the study applied methodological triangulation by integrating information from multiple sources and perspectives. Triangulation reduces the risk of bias associated with single-source dependence and strengthens analytical validity. Source credibility was further ensured through the selection of peer-reviewed publications, official government records, and internationally recognized institutional reports.

Reliability was supported through the use of a standardized document review framework, which established consistent procedures for data collection, coding, and interpretation across all sources. The incorporation of comparative evidence from multiple national contexts also contributed to analytical robustness by enabling cross-case verification of emerging themes and policy patterns. Through these procedures, the study achieved a comprehensive and reliable assessment of the economic, social, health, and governance implications of khat regulation in Somaliland.

RESULTS AND DISCUSSION

This section presents the findings of the study concerning the socio-economic impacts of khat, the effectiveness of existing regulatory arrangements, and the policy constraints associated with Somaliland's unique political and fiscal context. The results are organized into six interrelated themes. The first examines the economic contribution of the khat sector. The second and third present the social and health burdens associated with consumption. The fourth evaluates the existing regulatory framework governing the khat trade. The fifth compares Somaliland's experience with selected international cases. The final section analyzes the relationship between sovereignty constraints and fiscal dependency. Together, these findings provide a comprehensive assessment of the benefits and costs associated with khat and offer evidence for evaluating future policy alternatives.

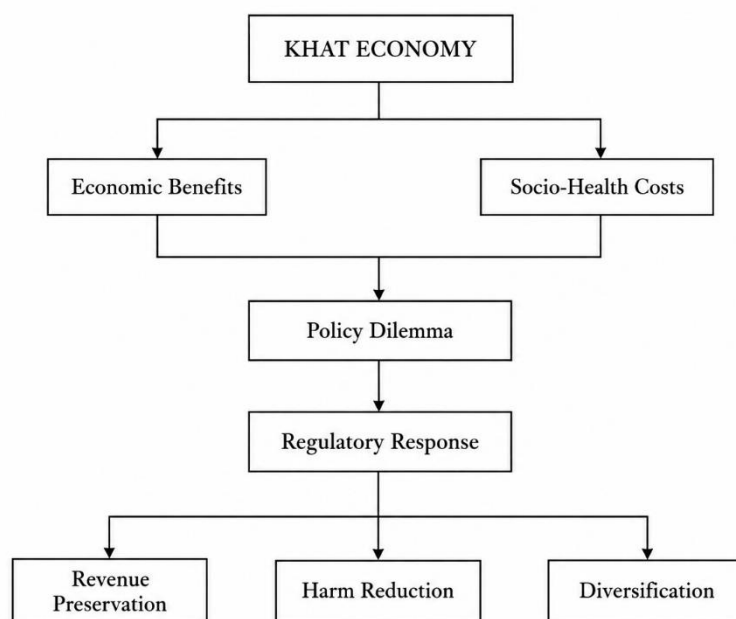


Figure 1. The Khat Policy Dilemma in Somaliland

Source: Author's synthesis based on study findings, 2025

Figure 1 illustrates how the khat economy simultaneously produces economic benefits and socio-health costs. The interaction between these opposing outcomes creates a policy dilemma in which the government must balance fiscal dependence on khat revenue with the need to protect public welfare. The findings further indicate that regulatory responses should focus on three complementary objectives: revenue preservation, harm reduction, and long-term economic diversification.

Economic Contribution of the Khat Sector

The analysis revealed that khat constitutes one of the most important economic sectors in Somaliland. Fiscal reports from the Somaliland Ministry of Finance indicate that revenues generated from khat imports, excise duties, and licensing fees account for approximately 20–30% of total domestic government revenue. This makes khat one of the largest contributors to the national tax base and a critical source of funding for public administration, security services, and municipal operations.

Beyond revenue generation, the khat economy provides substantial employment opportunities. The findings estimate that between 15,000 and 20,000 individuals are directly employed in activities related to importation, transportation, wholesale distribution, and retail sales. An additional 5,000–10,000 people are indirectly employed through supporting services such as transportation, tea shops, food vendors, and consumption venues. Consequently, the sector sustains livelihoods for a significant proportion of the urban informal workforce. Market-level evidence further demonstrates the economic penetration of the khat trade. Surveys conducted in major commercial centers in Hargeisa indicate that approximately 15–20% of visible retail micro-enterprises are either directly involved in khat sales or economically dependent upon khat consumers. The findings suggest that the khat economy extends beyond commodity trading and influences broader patterns of local commercial activity.

Table 2. Economic Contribution of the Khat Sector in Somaliland

Indicator	Estimated Value
Contribution to Domestic Revenue	20–30%

Direct Employment	15,000–20,000 jobs
Indirect Employment	5,000–10,000 jobs
Retail Businesses Linked to Khat Economy	15–20%

Source: Somaliland Ministry of Finance (2023); Somaliland Policy Institute (2023).

Table 1 demonstrates that khat plays a dual economic role by generating fiscal resources for the state while simultaneously supporting employment and commercial activities throughout the economy.

Household Economic Burden and Social Impacts

Although khat contributes significantly to economic activity, the findings reveal substantial costs at the household level. Data obtained from household expenditure surveys indicate that regular consumers spend between USD 5 and USD 15 per chewing session. For low-income households, this expenditure represents approximately 30–50% of available daily cash income.

The diversion of household resources toward khat consumption affects the ability of families to meet basic needs. Evidence from civil society reports indicates that food expenditure, educational investment, and healthcare spending frequently decline in households where khat consumption is habitual. The impact is particularly severe among economically vulnerable groups whose income levels are already limited. The findings also reveal important gender dimensions. Women often bear the indirect consequences of household expenditure on khat because reduced disposable income affects food security, children's welfare, and household stability. Reports reviewed in this study indicate that women in households with regular khat users experience greater economic insecurity and increased difficulties in maintaining nutritional standards for children.

Table 3. Household Financial Impact of Khat Consumption

Indicator	Findings
Average Expenditure per Session	USD 5–15
Share of Daily Income Spent on Khat	30–50%
Impact on Food Security	Increased vulnerability
Impact on Education Expenditure	Reduced household allocation
Impact on Women and Children	Higher economic burden

Source: Somaliland Policy Institute (2024); Fadal et al. (2023).

The results presented in Table 2 demonstrate that while khat generates macroeconomic benefits, it simultaneously imposes substantial financial pressures on households, particularly among lower-income populations.

Health Consequences of Khat Consumption

The review of epidemiological evidence identified multiple adverse health outcomes associated with regular khat consumption. Health screening programs conducted in Hargeisa hospitals reported a higher prevalence of oral lesions and pre-malignant oral conditions among habitual khat users compared with non-users.

Cardiovascular complications emerged as another significant concern. The findings indicate that chronic khat consumption is associated with elevated blood pressure, increased heart rate, and greater risks of hypertension and cardiomyopathy. These effects were consistently reported across studies conducted in Somaliland and neighboring countries. Mental health outcomes also featured prominently within the evidence base. Long-term users frequently reported symptoms including anxiety, insomnia, psychological distress, and reduced emotional well-being. The combined

effects of these health conditions create both individual and societal burdens through healthcare costs, reduced productivity, and diminished quality of life.

Table 4. Major Health Outcomes Associated with Chronic Khat Consumption

Health Dimension	Reported Outcomes
Oral Health	Oral lesions, leukoplakia, pre-malignant conditions
Cardiovascular Health	Hypertension, elevated heart rate, cardiomyopathy
Mental Health	Anxiety, insomnia, psychological distress
General Well-being	Reduced productivity and quality of life

Source: WHO (2022; 2023); Ali and Warsame (2023); Al-Motarreb et al. (2021).

The findings indicate that the health burden of khat extends beyond individual users and generates broader implications for public health systems and economic productivity.

Evaluation of Existing Regulatory Frameworks

Analysis of the Khat Tax Act and related policy documents revealed that Somaliland’s current regulatory framework is heavily oriented toward revenue collection. Existing regulations focus primarily on import duties, tax assessment procedures, licensing requirements, and penalties for tax evasion.

The review identified significant gaps in health-oriented regulation. No comprehensive legal framework currently establishes a minimum age requirement for consumption, mandatory product safety inspections, quality-control procedures, or systematic health monitoring mechanisms. Furthermore, public awareness campaigns concerning the risks associated with khat use remain limited. Institutional fragmentation also emerged as a major challenge. While fiscal authorities possess clear mandates and enforcement capabilities related to taxation, public health agencies have comparatively limited authority to regulate consumption-related harms. This imbalance has resulted in strong revenue collection performance but relatively weak social and health protection measures.

Table 5. Assessment of Existing Regulatory Arrangements

Regulatory Dimension	Current Status
Tax Collection System	Strong
Import Monitoring	Strong
Licensing Framework	Moderate
Age Restrictions	Absent
Quality Testing	Absent
Public Health Campaigns	Limited
Inter-agency Coordination	Weak

Source: Somaliland Parliament (2018); Ministry of Finance Reports (2018–2023).

Table 4 highlights the disparity between fiscal regulation and social protection measures. Regulatory capacity is concentrated in revenue collection rather than harm reduction.

Comparative International Policy Experiences

The comparative analysis examined policy approaches adopted in Ethiopia, Kenya, the United Kingdom, and Yemen. The findings indicate that countries have pursued markedly different regulatory strategies, producing varying outcomes.

Table 6. Comparative Analysis of Khat Policy Approaches

Country	Legal Status	Primary Policy Driver	Major Outcome
Ethiopia	Legal	Economic Revenue	Employment and export growth
Kenya	Legal	Political Economy	Ongoing regulatory contestation
United Kingdom	Illegal	Social Regulation	Limited impact on demand
Yemen	Legal	Cultural Entrenchment	Persistent high consumption

Source: Gebissa (2022); Klein (2022); World Bank (2021); comparative case-study literature.

The findings suggest that neither complete prohibition nor unrestricted legalization provides a definitive solution. Policy outcomes appear closely associated with institutional capacity and enforcement effectiveness.

In Ethiopia, khat is legally cultivated and promoted as an important source of export earnings and agricultural income. The sector contributes significantly to national and regional economies but continues to raise public health concerns. Kenya similarly maintains legal production and consumption, although policy debates remain highly contested due to competing economic and public health interests. The United Kingdom adopted a prohibition-based approach by classifying khat as a controlled substance. Available evidence indicates that criminalization reduced legal access but had limited influence on overall demand within affected communities. Yemen represents the opposite extreme, where widespread cultural acceptance combined with weak regulatory institutions has resulted in persistent and largely uncontrolled consumption.

Sovereignty Constraints and Fiscal Dependency

Table 7. Benefits and Costs of the Khat Sector

Economic Benefits	Social and Health Costs
20–30% of domestic revenue	Cardiovascular disorders
15,000–20,000 direct jobs	Mental health problems
5,000–10,000 indirect jobs	Household income diversion
Support for informal businesses	Food insecurity
Stable taxation base	Reduced social welfare

Source: Author’s synthesis based on study findings, 2025

The evidence presented in Table 6 summarizes the central dilemma identified throughout the study. Khat functions simultaneously as a crucial economic asset and a source of significant social, health, and governance challenges. The coexistence of these benefits and costs explains the complexity of policy decisions surrounding khat regulation in Somaliland and provides the empirical basis for evaluating future policy alternatives.

One of the most significant findings concerns the relationship between Somaliland’s political status and its dependence on khat revenue. As a de facto state lacking formal international recognition, Somaliland has limited access to international financial assistance, multilateral development programs, and bilateral donor support. Consequently, domestic taxation remains the primary source of government revenue.

Within this context, khat has evolved into a strategic fiscal resource. The government's dependence on khat-generated income creates strong incentives to prioritize revenue collection over restrictive regulatory measures. This dependency contributes to a policy environment in which economic necessity often outweighs public health concerns. The findings further indicate that sovereignty constraints affect policy flexibility. Because alternative revenue sources remain underdeveloped, policymakers face considerable challenges in pursuing aggressive regulatory interventions that could reduce government income and disrupt employment. The result is a fiscal dependency structure that reinforces the continuation of the existing khat economy despite growing awareness of its social and health consequences.

Fiscal Dependency and the Sovereignty Paradox in Khat Governance

The findings demonstrate that khat represents a complex policy issue that extends beyond conventional public health debates and enters the broader domains of political economy, state-building, and governance. The substantial contribution of khat to Somaliland's domestic revenue confirms previous observations that governments operating under fiscal constraints often become dependent on economically productive but socially problematic sectors (Khan, 2021; Bräutigam, 2022; Moore, 2021). Similar patterns have been observed in Ethiopia and Yemen, where governments have tolerated or promoted khat-related economic activities due to their contributions to employment and public revenue despite growing concerns regarding social welfare and health outcomes (Gebissa, 2022; World Bank, 2021).

The study's findings concerning household expenditure and welfare burdens are consistent with recent research demonstrating that psychoactive commodity consumption can exacerbate economic vulnerability among low-income populations (Fadal et al., 2023; Gardner & El Bushra, 2022; Klein, 2022). However, the Somaliland case differs from previous studies because the social costs occur within a context characterized by limited institutional resources and restricted access to international assistance. While studies conducted in Kenya and Ethiopia emphasize tensions between agricultural livelihoods and public health objectives (Anderson et al., 2023; Gebissa, 2022), the present findings reveal that Somaliland faces an additional challenge: balancing social welfare protection while preserving a critical source of fiscal sustainability.

The health-related findings further reinforce international evidence linking chronic khat consumption to cardiovascular complications, oral diseases, anxiety, and sleep disorders (Al-Motarreb et al., 2021; Alshagga et al., 2021; WHO, 2022; Hassan et al., 2023). Nevertheless, the present study extends existing knowledge by demonstrating how health consequences interact with fiscal dependence to create a governance dilemma. Rather than functioning solely as a public health issue, khat emerges as a multidimensional policy problem in which economic incentives discourage the adoption of restrictive regulatory measures. This observation supports recent arguments that health governance in fragile and resource-constrained contexts is often shaped by political and fiscal considerations rather than epidemiological evidence alone (Nyarko et al., 2026; Wang et al., 2025; Abdullahi et al., 2025).

The analysis of regulatory arrangements reveals a significant imbalance between taxation capacity and social protection mechanisms. This finding aligns with studies indicating that governments frequently develop stronger institutions for revenue extraction than for welfare provision when operating under resource limitations (Moore, 2021; Bräutigam, 2022). Unlike the prohibition-oriented approach adopted in the United Kingdom, which produced limited behavioral change and encouraged informal market activity (Klein, 2022), Somaliland appears more likely to benefit from a harm-reduction model that integrates taxation, public health interventions, and social regulation. Recent evidence from public health policy research suggests that

integrated regulatory approaches are generally more effective than either unrestricted liberalization or strict prohibition when addressing culturally embedded consumption practices (Lancaster et al., 2022; Ritter et al., 2023).

The principal theoretical contribution of this study lies in the introduction of the sovereignty–fiscal dependency framework. Existing khat studies have predominantly examined economic impacts, health consequences, or cultural dimensions separately. By integrating these perspectives, this research demonstrates that policy outcomes are also shaped by the political status of the state itself. The concept of a sovereignty paradox explains how the absence of international recognition simultaneously increases reliance on domestic revenue and reduces regulatory flexibility. This framework contributes to the broader literature on governance in de facto states, fiscal sociology, and public policy under conditions of constrained statehood (Iqtait, 2023; Sosnowski & Klem, 2023).

From a practical perspective, the findings suggest that policymakers should avoid abrupt prohibition strategies and instead pursue balanced regulatory interventions. The establishment of a unified regulatory authority, dedicated public health programs, age restrictions, product quality controls, and the earmarking of a proportion of khat tax revenues for social mitigation programs represent viable policy options capable of reconciling economic and welfare objectives. Such measures may reduce the negative externalities of khat while preserving fiscal stability.

This study has several limitations. First, the analysis relied exclusively on secondary data and documentary evidence, limiting opportunities to capture stakeholder perceptions directly. Second, the availability of longitudinal fiscal and epidemiological data remains limited. Third, the study focused primarily on Somaliland and selected comparative cases, which may restrict broader generalization. Future research should employ mixed-methods field studies involving policymakers, traders, healthcare professionals, and households to validate the relationships identified in this study. Longitudinal analyses examining the fiscal and social impacts of alternative regulatory scenarios would further strengthen understanding of policy effectiveness in fragile and unrecognized state contexts.

The findings ultimately demonstrate that khat governance in Somaliland cannot be understood solely through economic or public health perspectives. Instead, effective regulation requires recognition of the interconnected relationship between fiscal dependence, social welfare, and sovereignty constraints. This integrated perspective constitutes the primary novelty of the study and provides a foundation for developing more context-sensitive public policy frameworks in Somaliland and other de facto states facing similar governance challenges.

CONCLUSION

The study examined how khat affects Somaliland's economy and society while assessing existing policies and finding better solutions. The findings show that khat functions as a dual entity because it generates essential government revenue which accounts for 20 to 30 percent of the national budget and it creates jobs for multiple thousands of people but sustained usage results in severe health issues which include cardiovascular disorders and mental health conditions and oral health problems and it results in economic losses for households which spend 30 to 50 percent of their daily income on nonessential items instead of essential food and education expenses. The existing policies focus on collecting taxes instead of safeguarding public health because they lack mechanisms to enforce minimum age requirements and product quality standards, and to establish operational partnerships between the Ministry of Finance and the Ministry of Health. A complete ban on the product cannot work because it creates financial risks and black-market activity, and citizens could start protesting.

Suggestions

Based on these findings, different suggestions herein can be introduced to Somaliland policymakers:

Create a Unified Khat Regulatory Authority (KRA): Establish by parliamentary act a KRA which will combine representatives from Finance, Health, Interior, and Social Affairs to carry out their duties of collecting revenue, protecting public health, and reducing social impacts. The government will establish strict licensing requirements, which will include a national age limit of 21, which must be verified through ID checks, and which will make mafrishes the only authorized locations for consumption outside of school and mosque areas.

Mandate Quality and Safety Testing: The scheduled testing process requires random inspections of imported khat shipments to check for banned pesticides, harmful bacteria, and unauthorized chemical substances. The authorities will confiscate and destroy all shipments that are found to be noncompliant with this regulation.

Ring-fence Revenue for Mitigation: The law requires that 20 percent of khat tax revenues must be allocated to establish a Khat Social Impact Fund, which will support public health infrastructure and addiction treatment, vocational training for vendors who want to exit their businesses, and an independent assessment.

Launch Public Health Campaigns: The organization needs to plan and execute public education campaigns, which will provide evidence-based information through its partnerships with religious leaders and civil society organizations. The campaign will target educational outreach toward young people who need information about brain development and its impact on their future professional opportunities, and to adults who require guidance about maintaining cardiovascular health and their duties as family members.

Pursue Economic Diversification: The organization should develop its tax system base through property taxes and income taxes, while it supports the development of livestock processing and Berbera corridor logistics and renewable energy and fisheries and digital economy sectors through international partnerships that provide technical support and vocational training.

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