

Somalia

Status Index (Democracy: 1.58 / Market economy: 1.14)	1.36	Management Index	1.55
HDI	0.248*	Population	7.7 mn
GDP per capita (\$, PPP)	795*	Population growth ¹	2.2 %
Unemployment rate	-	Women in Parliament	-
UN Education Index	-	Poverty ²	-
		Gini Index	-

Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003). * 2001

A. Executive summary

Somalia is characterized by violent conflicts, statelessness and a proliferation of militia factions. In the course of ongoing war since 1988, the country was divided into ill-defined territorial zones, more or less controlled by clan-based armed factions and faction leaders or warlords. According to the UN, the situation in Somalia is labeled a “complex political emergency.” However, since the middle of the 1990s, the intensity of the violent conflicts has clearly decreased. On a local level, political reconstruction processes are visible in many regions and districts. In cooperation with traditional and religious authorities, sometimes with Shariah courts and often with the new business class, locally dominant clan factions set up local and regional administrations. In several areas, these administrations at least guarantee minimal security standards for the population. However, the real authority of these administrations varies considerably among the regions. Furthermore, everyday security differs according to the sociocultural background and status of the people. Therefore, hopes that local governing institutions can form a sustainable alternative to central state structures have dwindled.

In this erratic context, political and economic performance is highly localized, and it is difficult to evaluate the transformation process uniformly throughout the country. In respect of some of the given indicators, a general progress, particularly in economic performance, is noticeable. However, these improvements cannot be attributed to coherent transformation management. Furthermore, results of local bottom-up initiatives vary considerably in intensity and speed, and start from a very low level.

In contrast, the separate but internationally unrecognized Republic of Somaliland in the northwest has achieved considerable results in state building. Under the leadership of the insurgent Somali National Movement (SNM), Somaliland proclaimed independence in 1991 within the borders of the former British Protectorate. It managed to rebuild functioning state structures and has continued its way to democratic transformation. The considerable development in

Somaliland and its possible impact on the future of Somalia justifies its separate evaluation in the country assessment. However, since so far neither the UN nor any other country has recognized Somaliland, it is not considered in the overall ranking.

Following the example of Somaliland the southeastern region of Puntland declared its regional autonomous status in 1998, while starting to rebuild governmental structures. Although not de jure, it is de facto an independent state. In contrast to Somaliland however, Puntland (and other “autonomous” regions such as Kismayo, and Beled Weyne) does not strive for independence and is therefore not evaluated separately in this study.

B. History and characteristics of transformation

Somalia constitutes the most durable case of state collapse in the modern world. In the context of violence and despite the absence of a functioning government and political regulation on the national level, a complex process of political and economic transformation is visible throughout the country.

With the exception of Somaliland, no steps towards democratic transformation have taken place inside Somalia. Politics is highly localized and determined by clanship. Following Somaliland’s example, the insurgent Somali Salvation Democratic Front (SSDF) proclaimed regional autonomy for the Northeastern region (Puntland) in 1998, and the southern faction Rahanweyn Resistance Army (RRA) created district and regional councils in the Southwestern regions Bay and Bakool. In 2001, the RRA leadership announced the autonomous region of Southwestern Somalia, thereby expanding their claimed territory. While the situation in Somaliland is largely peaceful, the regional authorities in Puntland and Southwestern Somalia as well as other even more localized administrations of Southern Somalia have hardly been successful. Fights for control led to outbreaks of violence in Puntland and Southwestern Somalia and undermined the early stabilization processes.

Furthermore, a territorial dispute between Somaliland and Puntland (Sool and Sanaag) led to several armed conflicts. In addition to the struggle for power within and between factions, in a country where nearly every person is armed, where there is constant competition and often-violent struggles for scarce resources, along with unsolved questions of land ownership and the loss of power of traditional authorities, all form a constant threat to every effort at a peaceful solution.

While civil strife in Somalia continues, most of the major warlords and political actors have been integrated into peace negotiations that have been taking place in Kenya since October 2002. At the time of this writing, these negotiations have not

provided any solution to the major challenges within Somalia and an agreed ceasefire was repeatedly violated. However, in September 2004, the talks achieved some success in establishing a Transitional Federal Parliament (TFP) where seats are distributed proportionally between the major clans. The Parliament consequently elected a president, who in turn appointed a prime minister. In January 2005, a cabinet was formed and approved by the Parliament. After nearly 15 years, Somalia now again has a parliament and government, with the drawback that it remains in Kenya. While negotiations there continue, claims to authority and representation within Somalia are continuously determined by means of violence.

In contrast, the Republic of Somaliland continues to be on its way to democratic transition. In 2000, a referendum on the charter and independence was approved, and in 2002, the prohibition of political parties abolished. District elections were held in December 2002 followed by a presidential election in 2003, consolidating the power of the leading party UDUP (Allied Peoples Democratic Party) as well as the incumbent president, Dahir Rayaale Kahin. Full parliamentary elections are scheduled for March 2005.

Economic development within Somalia is characterized by state collapse and the consequent breakdown of the centrally planned economy, leading to a radical privatization of all economic activities. Despite the rapid revival of the Somali economy after the middle 1990s, the economic progress cannot be considered as a transformation directed toward an embedded and regulated market based economy. Business is determined by short-term profits and depends on the mobilization of armed protection. Benefits of economic growth are unequally distributed, and the majority of the population is engaged in small-scale business on a subsistence level.

In Somaliland, property rights and juridical guarantees are guaranteed by the state. The Somaliland state has taken over a policy of minimal economic regulation. Since it is not recognized as an independent state, and it receives only very limited aid from the Organization for Economic Cooperation and Development (OECD) countries, especially from the European Union and countless international non-governmental organizations (NGOs). This strengthens the state's dependency on the new business class, and the obvious connections between important economic and political actors indicate a danger of corruption and nepotism.

C. Assessment

1. Democracy

Only the Republic of Somaliland, which unilaterally declared its separation from Somalia in 1991 but it has not succeeded in achieving international recognition as an independent state, has undertaken first steps to democratic transformation. Though still weak in its institutional performance, Somaliland's embryonic democracy can be characterized by political pluralism, freedom of the press and respect for human rights.

1.1. Stateness

Somalia is a country without a state. In 1991, the already weak state monopoly on the use of force collapsed completely. During the ongoing war, the country was divided into zones, each controlled by clan-based militias and their leaders. The gradual decrease in the intensity of violence since the middle of the 1990s indicates that the warlords are facing a gradual loss of power. Power struggles as well as dwindling economic resources brought about splits within the militias, which were accompanied by a growing war-weariness of the Somali people. After 1998, different and parallel attempts to build up local and central administrations were visible. Although local governing institutions have been only partly successful so far, they show the declining influence of faction leaders relative to other power groups such as the new business community.

This may also be considered a reason that all the important warlords agreed to participate in the Somali National Reconciliation Conference, which has been taking place in Kenya since October 2002. Under the auspices of the regional organization Intergovernmental Authority on Development (IGAD), and financed by the international community, the major warlords are integrated in this peace process. Only the administration of Somaliland refused to take part, and has stated several times that its independence is not questionable. After two years, in September 2004, the negotiations culminated in the formation of a Transitional Federal Parliament on the bases of power sharing between the major clans. According to the so-called "4.5 formula", the four major clans get 61 seats, while minority groups share 31 seats.

In October 2004, the Parliament elected Abdullahi Yussuf, the former leader of the SSDF and president of Puntland, as the new interim President. Yussuf appointed Ali Mohammed Ghedi as Prime Minister. In January 2005, after the first appointed government was given a vote of no confidence from the Parliament, a new cabinet, in which nearly all warlords are included, was formed and approved by the Parliament. The first challenge to this government will be to

establish itself within Somalia. Mainly formed by the need to satisfy the power claims of militia leaders, and thereby lacking expertise and experience in public administration, it will be an enormous task to build up governmental institutions from scratch and to set up the necessary reconciliation and restoration process within the whole country.

In contrast to the rest of Somalia, the Republic of Somaliland managed to rebuild a state monopoly on the use of force, which is today established in most parts of the republic. Only in the regions Sool and eastern Sanaag, border regions to Puntland, the authority of the Somaliland government remains precarious. Both Somaliland and Puntland claim the two regions as parts of their territory, but neither has so far succeeded in establishing functioning political institutions. Soon after the presidential election in Nairobi, the border dispute between Somaliland and Puntland escalated with new violent clashes, causing the death of approximately 100 people.

With a vast majority of ethnic Somalis and nearly 100% Muslims, Somalia is, compared to other African states, a relatively homogeneous country in terms of ethnicity and religion, and ideally citizenship is not rejected – even to minority groups. Nonetheless, these minority groups (occupational groups, such as the Midgan, Yibir; Arabic minorities as well as the ethnic minority of the so-called Bantu) are clearly discriminated against in many aspects of social and economic life. Minority groups have also become a major target for several clan militias, and gunmen and freelance militias often harass them.

With the collapse of the government, the state's secular law has virtually disappeared. Currently two legal systems operate simultaneously in Somalia: the traditional law (xeer) and the Islamic Shariah. The constitution of Somaliland as well as the interim constitutions of Puntland and the Transitional Federal Government (TFG), Islamic law, the Shariah, forms the base of jurisprudence. While in Somaliland, Islamic courts mainly regulate family issues, and secular legal codes have been applied across the country, in the contested areas of southern Somalia Shariah courts are often the only source of rudimentary judicial guarantees in civil as well as penal cases. However, the draconic punishments prescribed in the Shariah are usually not practiced in Somalia, except for a short period in north Mogadishu.

Working administrative structures do not exist in Somalia. In Somaliland, the rebuilt state infrastructure does not extend beyond the elementary task of maintaining stability and law and order within the major parts of its territory.

1.2. Political participation

There are no democratic elections at the national level in Somalia.

In the Republic of Somaliland, the transition to democracy was begun in 2000. First came a general referendum in May 2001, in which an overwhelming majority of the population confirmed the constitution and thereby the independence of Somaliland. In December 2002, local council elections were held, followed by multiparty presidential elections on April 14, 2003. In both cases, the election was widely deemed free and fair. Due to security problems, however, the population in Sool and the eastern Sanaag did not participate in the presidential elections.

An extraordinarily narrow margin of 80 votes in the presidential election caused political tensions. The incumbent president, Dahir Rayaale, won 42.08% of the votes, while his main contender gained 42.07%. The electoral outcome was challenged by opposition parties and presented for review to the highest body of Somaliland's judiciary, the Supreme Court. Even though the court confirmed the announced result, the opposition refused to accept its decision. In June, the first crisis of the young democracy eventually came to a peaceful end, after a committee of traditional leaders mediated and the opposition accepted defeat.

Without state regulation and interference, a large number of civic organizations (human rights groups, youth and women's organizations, informal networks of experts and occupational groups) operate in Somalia. Due to the lack of political regulation, political participation in these groups and organizations is very limited. However, they have a certain impact on the everyday life of the people.

In Somaliland, the freedom of political and civic organizations is guaranteed. A high number of civil society organizations (women's and youth groups, occupational associations, etcetera) operate throughout the region. In July 2000, the prohibition of political parties was abolished. As long as parties are not based on either religion or clan, they can apply for official registration for local and presidential elections.

Although there is no interference by state bodies, it is impossible to say that general freedom of the press or opinion exists throughout Somalia. Violent factions, numerous freelance militias or other violent actors and groups can at any time threaten each person, assembly or organization. Since there is a constant threat of violence, access to armed protection is a prerequisite for the survival of the press as well as other organizations. With the collapse of government, however, the state's control and interference in press and public opinion has disappeared, with the consequence that there is a proliferation of print media, and several radios and even a television company are operating in Mogadishu.

However, most of the newspapers and the radios are linked to one faction or another.

There is no systematic prohibition of public opinion or press in Somaliland, but occasional restrictions on the freedom of the press through arbitrary imprisonment of journalists, even if only briefly, are reported.

1.3. Rule of law

Without a state monopoly on the use of force, neither a separation of powers nor a universal judicial system exists throughout Somalia. Instead, a combination of the traditional law, xeer, and the Islamic Shariah deliver the basic judicial guidelines for the rural and urban communities. Through xeer, clan elders mediate conflicts, negotiate peace agreements and, if necessary, compensation payments within and between the clans. Although the xeer has fused with Islamic jurisprudence over the centuries, Shariah influence in inter-clan relations is not very high. However, the regulation of family and personal issues (marriage, divorce, inheritance) is mainly based on Shariah rules. Especially in the urban centers, Shariah courts have gained considerable influence and they try to expand their areas of control and responsibilities.

Due to political violence and the lack of security in Somalia, civil rights are not protected at all in Somalia and are continuously violated.

In Somaliland, the independence of the judiciary is guaranteed in the constitution. However, the executive has undermined real independence several times, and opponents and critics of the Somaliland regime were occasionally arrested without trials. The institutional differentiation of the judiciary system is challenged by functional deficiencies (lack of resources, qualified staff and expertise) and insufficient territorial penetration. Altogether, the capacity of the under-funded judicial system is weak, and the majority of Somaliland's population mainly uses traditional as well as religious law. Only in cases where these systems fail to provide solutions for conflicting parties do people turn to the legal institutions of the state.

Furthermore, there are no legal consequences or sanctions for officials who exploit their position for private gain, and the institutional capacity of the governmental apparatus, including the judicial institutions, is challenged by incompetence, corruption and the pliability of clan connections. Civil rights are formally guaranteed yet within the limited outreach of secular legal institutions, while the dominance of traditional and religious norms and rules mean that women and social minority groups are especially discriminated against.

1.4. Stability of democratic institutions

Within Somalia, there are no democratic institutions as such. The embryonic democratic institutions of the Republic of Somaliland are characterized by a lack of resources and expertise. Nevertheless, the population tends to accept existing governmental institutions, though not exclusively. Traditional norms and rules operate simultaneously throughout Somaliland. Even though in some aspects state legislation and the traditional rules are in clear contradiction (such as regarding women's rights), they tend not be perceived as competitive but rather as complementary.

1.5. Political and social integration

There is no party system in Somalia. The Republic of Somaliland paved the way for the transition to a multiparty system in 2000. The formation of political associations, which compete in the council elections, was legalized in 2001. The three associations with the highest percentage of votes in the council elections (2002) were registered as political parties eligible to compete in the presidential election of 2003. Lacking distinct political programs, the parties can be distinguished mainly by the personality and clan affiliation of their leaders. The organizational stability of the parties is weak and it remains to be seen if they can manage to root themselves within society.

Interest groups who operate independently of the clan system scarcely exist in Somalia or Somaliland. Social conflicts are mainly perceived and articulated as conflicts between clans, sub-clans, sub-sub-clans, and etcetera.

Surveys of attitudes towards democracy have never been conducted in Somalia. Democratic norms and procedures, however, are based in traditional systems and this indicates that they will be accepted within the Somali population.

The formation of social self-help groups and social capital is a prerequisite for survival within war-torn Somali society. However, this is based on kinship lines, and trust among members is mainly based on extended family systems. The membership of Islamic organizations and associations, which are continually trying to expand their outreach and influence, deliver a further possibility for social organization beyond clan lines. In addition, the slow but steady re-creation of schools and universities constitute a source for new relationships beyond clan lines, and create trust beyond the extended family networks.

2. Market economy

Without overall political regulation and interference by a state, the level of privatization of the Somali economy is extraordinarily high and unique worldwide. All economic activities, including the service sector and the financial system, are rooted in the private sector. Only in the Republic of Somaliland does the state deliver a minimal regulation of the economy, although its institutional framework is rather weak.

2.1. Level of socioeconomic development

In the absence of state regulation, economic actors organize themselves according to traditional and long-experienced patterns of kinship relations. The social control, as well as trust within kinship groups, substitutes for lack of judicial guarantees and political regulation. Social exclusion and inclusion are primarily based on clanship. In addition, membership to Islamic organizations is of growing importance, since they promise new business connections with Islamic counterparts in the Arabic world.

As an unintended effect of the war, the number of women working outside the home is increasing, but their access to economic opportunities is still limited by social constraints and traditional and religious norms, leaving them to engage in small-scale, survival-level business activities. Although the social exclusion of women and minority groups is structurally integrated in the social system of Somalia and is quantitatively and qualitatively extensive, it is necessary to keep in mind that the described processes only constitute a tendency. By no means do only powerful clans have access to markets and there are quite a number of women with considerable economic power. For example trade in gold and jewelry in Mogadishu is almost exclusively done by women.

Tendencies to the monopolization of trade are visible throughout Somalia as well as Somaliland, where a few wholesalers control most of the trading networks.

2.2. Organization of the market and competition

All activities within Somalia can be described as informal, although the distinction between formal and informal is not very useful in the context of state collapse. Economic transactions, including services in the health or education sectors as well as finance and currency systems, are subjected to market competition and they take place without political regulation. With the collapse of the state-owned banking system, private remittance companies became the sole (international) financial institutions operating within Somalia. Diaspora remittances delivered to family members in Somalia are the main source for the

reconstruction of an internal market.

The rising demands for imports connect Somalia to the world market, and foreign trade is completely liberalized. The import of food, clothing, electronic goods, Qat (a mild drug) and cigarettes mainly from Dubai, Saudi Arabia and Yemen is contrasted by much lower exports of livestock, a few other agricultural products and charcoal. The imports are not only directed at consumers in Somalia, but are re-exported to neighboring countries such as Ethiopia, Kenya and even further, to Uganda.

Even though the level of privatization in Somalia is unique worldwide, the performance of the economy is limited due to the absence of an institutional framework. Business transactions are re-regulated along kinship ties and monopolization tendencies are visible. Foreign trade for example is dominated by a few wholesalers, who managed to expand their trade networks and to increase their wealth, while the bulk of the Somali population is still experiencing extreme poverty and high levels of social and physical insecurity.

Without state guaranteed security, business people have to cooperate with violent actors in order to protect their goods against robberies and lootings. Therefore, members of powerful clans have better business opportunities than members of less powerful and less armed groups. Even though foreign trade is not restricted by a state, traders have to pay fees for the usage of ports and airports, and often pay import “taxes” to the locally dominant faction. The Somali economy is based on the appropriation of fast and short-term trading profits and is not directed at the development of sustainable production capacities.

In Somaliland, internal and foreign trade is also hardly regulated by the state. However, a close bond between state elites and economically powerful actors is visible. Wealthy people, who deliver financial support to state-building activities, are exempt from tax duties and there is a clear danger of rising corruption and nepotism.

2.3. Currency and price stability

Without institutional or political precautions to regulate and control the financial sector, the Somali currency is extremely vulnerable to severe fluctuations. Vendors, who set exchange rate daily, based on localized contingent factors, deal currency transactions. Between 1996 and 2002, several warlords and business people ordered counterfeit bank notes from abroad, with each influx of foreign printed notes causing a massive rise of inflation.

In Somaliland a new currency, the Somaliland shilling, was introduced in 1994 and a central bank was set up, responsible for directing the monetary system and

the currency. However, the institutional capacity of this bank is weak due to the lack of trained personnel and experience. Although attempts of the central bank to control the currency market failed, the shilling is reasonably stable and widely used throughout Somaliland (except Sool and the eastern part of Sanaag). Nevertheless, in the western parts of Somaliland the Ethiopian birr is used as a second currency, and the “old” Somali shilling is still circulating in the central and eastern regions.

In Somalia as well as in Somaliland, the U.S. dollar is used for international business activities as well as for “bigger” commercial operations within the country.

2.4. Private property

Without a functioning judicial and executive system, private property rights are not guaranteed in Somalia. Looting and robbery are a constant threat, especially in the southern Somali regions. The protection of private property is thereby dependant on access to violent means, and private enterprises as well as NGOs or any other associations and organizations have either to mobilize own militias or to cooperate with a warlord.

In Somaliland, private property is protected by the state. All economic enterprises are privatized within Somalia. In Somaliland, enterprises and private companies are viewed as the primary engines of economic production, and only the port of Berbera and the airport in Hargeisa are state owned.

2.5. Welfare regime

With the collapse of state-run social services, strong social safety nets within extended families help to compensate for poverty and other risks. However, since approximately 70% of the population live under the absolute poverty line (with less than \$1 per day), a systematic reduction of poverty is hardly possible without external support. According to estimates, 73% of the population has no access to health services.

Equality of opportunity is not realized. With an estimated 76% adult illiteracy, the already disastrous educational system is further characterized by extreme social inequality. In the clan-based and patriarchal social setting of Somalia, girls often suffer from parent-induced restrictions to education, and a similar trend to exclude social minorities is visible.

The Republic of Somaliland is hardly able to organize a coherent welfare system. Health care is concentrated in the urban centers and is organized by private actors

or international organizations. Local administrations and communities cooperate with donors in rehabilitating primary and secondary schools, and local as well as international agencies initiated campaigns to improve women's education. Nevertheless, gender equality of opportunity is far from being realized.

2.6. Economic performance

The real production strength of the Somali economy is difficult to rate, since no reliable statistical material is available. There has been, however, visible improvement since the end of the 1990s, above all in the telecommunication and transport sectors as well as in internal and external trade. The previously healthy livestock export trade faced several constraints due to consecutive import bans from Arabic countries and a growing world market competition, especially from Australian exporters. Even though the service and transportation sectors provide jobs and income for a growing number of Somalis, the level of unemployment is still tremendously high.

2.7. Sustainability

Ecological concerns are entirely subordinate to profit opportunities and short-term benefits and have no institutional framework. A striking example is the growing charcoal business in southern Somalia, where tree cutting and wood harvesting cause tremendous environmental damages, such as desertification and thus the destruction of valuable grazing zones and fertile soils. Furthermore toxic waste and uncontrolled fishing by foreign companies off the Somali shores led to damages that are, in their entirety, not yet even assessable.

There are no solid institutions for basic and advanced education in Somalia. Since the middle of the 1990s, education has been reorganized on a private basis. With an estimated adult literacy rate of 24%, Somalia is still among those countries with the lowest levels of adult literacy worldwide.

The same trends are also valid for Somaliland. Ecologic protection is not institutionalized and the state does not have the necessary means to monitor an ecologically compatible economic growth. There is a steady improvement of educational services, based on the cooperation of state bodies with local communities and external donors, including the Somali diaspora.

3. Management

Since there is neither a government nor a coherent political leadership inside Somalia, most of the following questions concerning governance capacities are not answerable for Somalia. Although the ongoing Somali National Reconciliation Conference in Kenya succeeded in forming a government, the government still resides in Kenya and has not yet shown any attempt to effect politics or reconciliation inside Somalia.

In Somaliland, governance capacities are weak, although there has been progress in promoting democracy.

3.1. Level of difficulty

Somalia constitutes the most persistent case of state collapse, and the long-lasting war has caused hundreds of thousands of deaths. The structural constraints on governance are therefore massive. Any new government would have to cope with the twin challenges of state building and peace building, including the demobilization and reintegration of the numerous militias. Furthermore, Somalia is characterized by extreme poverty, an immense lack of an educated labor force and the scarcity of valuable resources.

The modern term “civil society” is misleading in the Somali context, where no distinction between the public and private spheres has been developed. Strong traditions of social organization beyond the state, primarily based on social trust within kinship groups, were maintained even during government times, and were reorganized and strengthened during the war. During the war, numerous NGOs were created, mostly in direct response to (real or expected) external funding from either the West or the Islamic world. However, trust in modern institutions is weak, and after consecutive experiences with authoritarian leadership and no leadership at all, most Somalis are rather skeptical about the restoration of a central authority.

Meanwhile the country is controlled by a patchwork of localized authorities and violent factions, leaving behind a society that is deeply divided by (sub) clan affiliations. Politics is radically localized. Even though certain regions have experienced relative stability, periodic inter-sub-clan conflicts continue intermittently in localized situations, often driven by competitive claims on water, land and grazing rights.

Somaliland succeeded in re-establishing state structures and directed democratic reforms, but the structural constraints on governance are still huge, and the political transition to democracy faces numerous political, social, technical and financial challenges.

3.2. Steering capability

In Somaliland, the steering capability of the political leadership is rather weak. Political leaders lacking the necessary resources and expertise act by ad hoc measures and have no coherent political concepts. The reformation of the political system to democracy is also driven by the objective of gaining international recognition. Keeping in mind the extremely high level of difficulty in Somaliland, with its young and embryonic state structures, lack of resources and experience as well as the fact that approximately 60% of the population consists of transhumant herders, the democratic reforms must be rated as very successful. The attempts to reform the economy by setting up regulation measures, above all concerning the currency and financial sector, have failed so far.

The knowledge base and cognitive framework on which policy is based in Somaliland is in general rather limited. The main challenge is to establish a political system that is able to transcend the deep clan cleavages within society. Political leaders in Somaliland therefore have to act in a challenging environment, and attempts to overcome "clan-ism" are often boycotted at the community level.

3.3. Resource efficiency

The government in Somaliland lacks necessary economic and human resources. The major share of the state budget is still absorbed first by security needs (approximately 70% to 80%), and second by general administration tasks (approximately 10%), leaving few opportunities for social spending and economic development. The appointment of administrative personnel in higher and lower levels is still determined by clan loyalties rather than competence, resulting in patronage and nepotism and obstructing efficient use of resources.

3.4. Consensus-building

Due to the lack of stateness and reliable statistics, this criterion cannot be fully assessed.

In Somaliland, major political actors and stakeholders agree on the long-term objective of establishing a market-based democracy. Although clan cleavages are still predominant in Somaliland, political leadership started peace-building initiatives, and conflicts usually do not lead to violence.

3.5. International cooperation

In Somalia, international cooperation is not conducted by the state or official political leaders but by a diverse set of private actors. Although aid flows to

Somalia clearly decreased after the withdrawal of UN forces in 1995, they remain an important factor in the Somali economy, and constitute one of the main regular employment opportunities. In 2002, official development assistance (ODA) to Somalia amounted to approximately \$193.8 million, or \$20.40 ODA per capita (\$153 million or \$18 per capita in 2003). The search by international and non-government organizations for local partners and interlocutors has led to a proliferation of local NGOs, who now compete for the international aid flows.

Since the TFG cannot be built up on internal resources and, so far, has no major foreign patrons, it will mainly be dependant on external support, and requests to international donors have already been formulated.

4. Trend of development

4.1. Democratic development

With the exception of Somaliland, there have been no major changes in Somalia's stateness, political participation or the rule of law during the period of assessment. In 2000, peace negotiations in the Republic of Djibouti succeeded in the formation of a Transitional National Government (TNG), headed by Abdiqasim Salad Hassan, which has resided in Mogadishu since August 2000. However, due to resistance from the major warlords and a lack of resources, the TNG was not able to expand its control over a few districts within Mogadishu and along the southern coastline, thus resembling another violent faction than a government.

Representatives of the TNG also participate in the Somali National Reconciliation Conference in Kenya that started in the end of 2002 and in which, with the exception of Somaliland, all major political actors and militia leaders participate. After two difficult years, the negotiations culminated in the formation of a transitional federal Parliament and government. Although the formation of the TFG is significant for the Somali peace process, it was driven by clan balance and the power aspirations of the warlords rather than qualifications, resulting in an inflationary pattern of cabinet appointments. When all ministers, vice ministers and ministers of states are taken into account, the number of minister-level appointments totals 91, many with overlapping responsibilities, so that redundancies are pre-assigned.

According to the Transitional National Charter, the governance system is based on democratic principles, political pluralism and rule of law as well as respect for human rights. Within the transitional period of five years, the TNF shall promote the necessary steps to rebuild governmental institutions, initiate a reconciliation process and prepare general elections within Somalia. Although the charter stipulates Mogadishu as the new capital, as of February 2005 it remained unclear where the TFG will establish itself within Somalia. Lacking all necessary

resources and being aware of the difficulties in establishing the TFG in Somalia, one of the first moves of the new president was a request to both the UN Security Council and the African Union (AU) to authorize a 20,000-strong multinational force to protect the government and support a disarmament campaign.

The government of Somaliland in contrast has taken a huge step forward in promoting democracy. With council and presidential elections, it has paved the way to parliamentary democracy, being continued with parliamentary elections scheduled for March 2005. However, after years of violence and without democratic experience, a long-term process will be required to consolidate democratic principles within Somaliland and to transform successful elections into a stable and democratic political system.

4.2. Market economy development

No statistical data on the economic performance from 2000 to 2005 is available. However, it is obvious that the quantity of internal and international business activities have developed in an extraordinarily way throughout Somalia. Profiting from short-term economic benefits of no taxation and no obligation to respect regulations or standards, the private sector has gained to a certain extent from statelessness. However, the performance of the economy is limited due to the absence of an institutional framework and the overall insecurity. Economic activities are based on the realization of short-term profits, while sustainability in respect of production capacities and ecological concerns is neglected. The violent context in Somalia determines business strategies and options. Lacking overall juridical guarantees as well as protection of property rights, economic development depends on groups' abilities to privately mobilize armed protection against violence, and thus only a small part of the population benefits from business growth.

D. Strategic perspective

State decay and civil strife in Somalia have left behind a population that is deeply fragmented alongside clan and sub-clan lines. While several peace initiatives on the macro level failed, local and regional reconciliations at least resulted in a gradual improvement of security, although hopes, that the local administrations can initiate a bottom up state building process dwindled. The latest National Reconciliation Conference in Kenya, and its considerable success in the formation of a government, can indeed be interpreted as an important step forward to solve the Somali crises. Nonetheless, huge challenges lay ahead for the new government, first the decision whether to go to Mogadishu or find a more secure environment, where the TFG can be seated at least for an interim period. However, the TFG has so far neither internal sources nor assets in terms of external resources. The inflationary appointment of cabinet members has already

intensified the budgetary needs. Furthermore, the long-term commitment of the former warlords or new ministers to a national agenda is far from being proven.

Risks of new frictions and violence are high, especially when the warlords will be called to hand over their militias as well as their internal sources for revenues. Governmental and administrative capacities of the appointed ministers are generally weak. As of this writing, no plan has been presented for the implementation of the ceasefire, the enhancement of the security within Somalia, including the demilitarization of various militias as well as the construction of national security units, or for the reconstruction of a governmental apparatus. Furthermore, besides the expressed commitment to a market-based economy, no guidelines for macroeconomic planning and resource gathering have been developed.

However, the donor community has failed so far to adopt a common position towards the new government. It remains unclear if they will recognize the TFG as a sovereign political entity and hence how close donors will work together with the TFG. Regarding the immense financial and technical support any new government in Somalia will need, the International Crises Group already recommended a “process of incremental and progressive recognition, linked to performance [of the TFG] inside Somalia”, which should be accompanied by training in capacity building and good governance. Both a rushed recognition and support and a wait and see attitude strategy could be dangerous. Instead, cooperation with the government to strengthen its capacities and to frame a common strategy is recommended, supplemented by the formation of a common monitoring committee. International aid should further be delivered in the (so far practiced) decentralized way, working together with local bodies and communities, but at the same time to include TFG members should be developed.